



Kansas - 2005

What's New & Legislative Changes



Income Tax

- **FOOD SALES TAX QUALIFYING INCOME INCREASED.** Qualifying income amounts for the food sales tax refund have increased and are reflected in the chart below. Additional qualifications for this refund are on page 14.

<u>If your income is:</u>	<u>Your refund is:</u>
\$ 0 — \$13,800	\$72 per exemption
\$13,801 — \$27,600	\$36 per exemption

- **INTEREST RATE CHANGE.** For calendar year 2006 interest will be assessed at 7% per annum (.583% per month or fraction thereof). Penalty for late payment of income tax remains at 1% per month or fraction thereof - capped at 24%.
- **LEARNING QUEST.** The maximum amount of the subtraction modification for contributions to the Learning Quest program has increased. Contributors may claim a subtraction modification up to \$3,000 per student (\$6,000 if married filing a joint return) for tax year 2005. See Line A13 of Schedule S.
- **LONG-TERM CARE INSURANCE CONTRACTS.** A subtraction modification may be taken for an amount not exceeding \$500 per contract of the premium costs paid for qualified long-term care insurance contracts as defined by Public Law 104-191, section 7702B paragraph (b). See Schedule S, Line-By-Line Instructions for Line A12.
- **ARMED FORCES BONUS.** Members of the armed forces of the United States (including Kansas Army and Air National Guard) may take a subtraction modification for amounts received as a recruitment, sign up or retention bonus they received as an incentive to join, enlist or remain in the armed forces of the United States. Also included are amounts the service member received for repayment of educational or student loans incurred by them. See Schedule S, Line-By-Line Instructions for Line A14.
- **REVISED CREDIT - SMALL EMPLOYER HEALTH-CARE CREDIT.** Employers that have established a small employer health benefit plan or made contributions to a health savings account for an eligible employee after December 31, 2004 are

allowed increased credits over those previously allowed. See revised Schedule K-57.

- **NEW CREDIT - ANGEL INVESTOR CREDIT.** A 50% nonrefundable credit is available for “angel investors” on their investment in any Kansas qualified business. An “angel investor” is an accredited individual investor of high net worth, as defined in 17 C.F.R. 230.50(a). See Schedule K-30.
- **NEW CREDIT – INDIVIDUAL DEVELOPMENT ACCOUNT CREDIT (IDA).** A 50% refundable credit is available to Program Contributors who contribute matching funds (for low-income individuals) to an approved community-based organization. See Schedule K-68.
- **NEW CREDIT - MATHEMATICS & SCIENCE TEACHER EMPLOYMENT CREDIT.** Either a 25% or 30% nonrefundable credit is available to any business firm, which enters into a partnership agreement to employ Math or Science Teachers. See Schedule K-71.

Homestead

- **FOOD SALES TAX REFUND.** If you qualify for a Homestead Refund, you may also qualify for the Food Sales Tax Refund. The Food Sales Tax Refund is for Kansas residents who meet qualifications similar to those for the Homestead Refund and whose calculated income (Kansas adjusted gross income plus certain interest and retirement benefits exempt from Kansas taxation) is \$27,600 or less. The food sales tax refund brackets for the 2005 tax year are shown below.

<u>If your income is:</u>	<u>Your refund is:</u>
\$ 0 — \$13,800	\$72 per exemption
\$13,801 — \$27,600	\$36 per exemption

To obtain this refund, complete the Food Sales Tax Refund worksheet in the Kansas Individual Income Tax Booklet and enter the amount of your refund on line 25 of Form K-40, Individual Income Tax/Food Sales Tax Refund form.

- **HOMESTEAD INCOME LIMIT INCREASED TO - \$27,000.** The 2005 Legislature increased the

maximum household income eligible for a Homestead Refund from \$26,300 to \$27,000.

- **TIPS FOR FILING YOUR HOMESTEAD CLAIM.**
Spend less time completing the claim. Follow the easy steps on page 23 to complete an accurate claim. Homestead claims are often delayed because of missing or incomplete information.

Reporting your income. When completing lines 4 through 9 of Form K-40H, be sure you enter the total received during 2005 for each category of income, not just the monthly amount. For example, if you receive \$842 Social Security per month (including the Medicare deduction), enter \$842 X 12 or \$10,104 on line 6 of Form K-40H, not just the \$842. Entering monthly rather than yearly amounts is the most common error made on Homestead claims.

To speed processing:

- Use only BLACK or DARK BLUE ink to complete the claim so the processing system can properly read each letter or number.
- Do not send a photocopy of the claim.
- Please do not staple, tape or otherwise attach any of the documents. Place all forms/ documents loose in the envelope.

Computer software applications: If you are using a computer software program to prepare Form K-40H, be sure it has been approved by the Kansas Department of Revenue. A list of approved software vendors is on our web site: www.ksrevenue.org. When completing Form K-40H for a taxpayer required to file a federal return, be sure to enter the Kansas adjusted gross income amount (Line 3 of Form K-40) on Line 4 of the Homestead claim, not the federal adjusted gross income amount (Line 1 of Form K-40).

- **HOMESTEAD REFUND ADVANCEMENT PROGRAM.** This program provides eligible homeowners with the opportunity to apply a portion of their anticipated 2005 Homestead refund to help pay the first half of their property tax. A brief explanation of the program is on page 5. Use the information and worksheet on page 19 to understand how the refund process works with this option.

The 2005 Homestead Advancement Program will work just as it has in the past. Homeowners that received a Homestead refund in 2004 will receive in the mail an eligibility letter in October 2005. Recipients of the eligibility letter may take the letter to their County Treasurer before December 20, 2005 to pay the first half of the property taxes on their homestead.

NEW: Beginning with the 2005 K-40H Homestead Claim form, there is a question asking the homeowner whether they want their next year's homestead

advancement sent directly to their County Treasurer. If the box is checked on the 2005 K-40H, the 2006 homestead advancement will be sent directly from KDOR to the County Treasurer, thereby eliminating the need for the homestead claimant to physically deliver the homestead eligibility letter to the County Treasurer.

Corporate

The following changes are effective for the 2005 tax year:

- **FILE AND PAY ELECTRONICALLY.** Your Form K-120 can now be filed electronically and payment can be made via electronic funds transfer (EFT). Filing electronically saves time and money and also results in more efficient government.
- **INTEREST RATE CHANGE.** For calendar year 2006 interest will be assessed at 7% per annum (.583% per month or fraction thereof). Penalty for late payment of income tax remains at 1% per month or fraction thereof - capped at 24%.
- **LEARNING QUEST.** The maximum amount of the subtraction from federal taxable income for contributions to the Learning Quest program have increased. Contributors may claim a subtraction modification up to \$3,000 per student for tax year 2005. See Instructions for line 9.
- **LONG-TERM CARE INSURANCE CONTRACTS.** A subtraction from federal taxable income may be taken for an amount not exceeding \$500 per contract of the premium costs paid for qualified long-term care insurance contracts as defined by Public Law 104-191, section 7702B paragraph (b). See Instructions for line 9.
- **REVISED CREDIT - SMALL EMPLOYER HEALTH-CARE CREDIT.** Employers that have established a small employer health benefit plan or made contributions to a health savings account for an eligible employee after December 31, 2004 are allowed increased credits over those previously allowed. See revised Schedule K-57.
- **NEW CREDIT - ANGEL INVESTOR CREDIT.** A 50% nonrefundable credit is available for "angel investors" on their investment in any Kansas qualified business. An "angel investor" is an accredited individual investor of high net worth, as defined in 17 C.F.R. 230.50(a). See Schedule K-30.
- **NEW CREDIT - INDIVIDUAL DEVELOPMENT ACCOUNT CREDIT (IDA).** A 50% refundable credit is available to Program Contributors who contribute matching funds (for low-income individuals) to an approved community-based organization. See Schedule K-68.
- **NEW CREDIT - MATHEMATICS & SCIENCE TEACHER EMPLOYMENT CREDIT.** Either a

25% or 30% nonrefundable credit is available to any business firm, which enters into a partnership agreement to employ Math or Science Teachers. See Schedule K-71.

Partnership/S-Corporation

- **COMBINED FORMS AND INSTRUCTIONS.** The department of revenue has combined the Partnership return (K-65) with the Small Business Corporate return (K-120S) into one return entitled, "2005 Kansas Partnership or S Corporation Income Tax Return" Form K-120S. Both partnerships and S corporations will use the new Form K-120S and will indicate by check box on the new return whether they are filing for a partnership or an S corporation.
- **IRS e-FILE.** Form K-120S can now be filed electronically for S corporation filers (IRS e-File will be available for partnership filers next year). With IRS e-File the return is electronically submitted to the IRS and KDOR using an authorized IRS e-File provider. Form K-120S can also be electronically filed by using KDOR approved commercial tax filing websites or software products. Visit our website at www.webtax.org for a list of authorized IRS e-File providers and software products.

Electronic filing is quick and easy and confirmation that KDOR has accepted the return is received within 48 hours of the transmission.
- **LEARNING QUEST.** The maximum amount of the subtraction from federal taxable income for contributions to the Learning Quest program have increased. Contributors may claim a subtraction modification up to \$3,000 per student for tax year 2005. See Instructions for line 6.
- **REVISED CREDIT - SMALL EMPLOYER HEALTH-CARE CREDIT.** Employers that have established a small employer health benefit plan or made contributions to a health savings account for an eligible employee after December 31, 2004 are allowed increased credits over those previously allowed. See revised Schedule K-57.

Privilege Tax

- **INTEREST RATE CHANGE.** For calendar year 2006 interest will be assessed at 7% per annum (.583% per month or fraction thereof). Penalty for late payment of income tax remains at 1% per month or fraction thereof - capped at 24%.

Fiduciary Tax

The following changes are effective for the 2005 tax year:

- **INTEREST RATE CHANGE.** For calendar year 2006 interest will be assessed at 7% per annum (.583% per month or fraction thereof). Penalty for late payment of income tax remains at 1% per month or fraction thereof - capped at 24%.
- **LEARNING QUEST.** The maximum amount of the subtraction modification for contributions to the Learning Quest program have increased. Contributors may claim a subtraction modification up to \$3,000 per student (\$6,000 if married filing a joint return) for tax year 2005.
- **LONG-TERM CARE INSURANCE CONTRACTS.** A subtraction modification may be taken for an amount not exceeding \$500 per contract of the premium costs paid for qualified long-term care insurance contracts as defined by Public Law 104-191, section 7702B paragraph (b).
- **REVISED CREDIT - SMALL EMPLOYER HEALTH-CARE CREDIT.** Employers that have established a small employer health benefit plan or made contributions to a health savings account for an eligible employee after December 31, 2004 are allowed increased credits over those previously allowed. See revised Schedule K-57.
- **NEW CREDIT - INDIVIDUAL DEVELOPMENT ACCOUNT CREDIT (IDA).** A 50% refundable credit is available to Program Contributors who contribute matching funds (for low-income individuals) to an approved community-based organization. See Schedule K-68.

Sales & Use Tax

- Added tagmarks to vouchers CT-9UV and CT-10UV
- Added line for contact phone number on vouchers
- Changed revision date on vouchers only
- Changed tax year in scanline

Withholding Tax

- Added contact phone number to vouchers
- Changed tax year in scanline

Taxpayer Assistance

BY PHONE. If you have a question about completing your Kansas Individual Tax return, call (785) 368-8222 to speak to a customer representative. If you prefer, you may fax information to 785-291-3614.

TTY Users
Telecommunications Device for the Deaf
785-296-6461

IN PERSON. Personal assistance to complete your return is available from our Topeka office or from free volunteer income tax assistance programs (VITA) by the Internal Revenue Service (IRS) and the American Association of Retired Persons (AARP). VITA and AARP Tax-Aide sites can be found in community centers, libraries, churches, retirement homes, etc. For the VITA/TCE site nearest you, call 1-800-TAX-1040 (1-800-829-1040), or contact the IRS Taxpayer Education Coordinator at your local IRS office. For the AARP-Tax Aide site nearest you, call 1-888-227-7669 visit their web page at www.aarp.org/taxaide/home.html and enter your city, state and zip code.

Taxpayer Assistance Center
Docking State Office Building
915 SW Harrison Street
Topeka, KS 66625-2007
8:00 a.m. to 5:00 p.m., Monday through Friday

REFUND INFORMATION. You can check the status of your current year refund 24 hours a day/7 days a week from our web site or by phone. You will need to provide the Social Security number(s) shown on your return and the expected amount of your refund. When you have this information, do one of the following:

- Go to www.ksrevenue.org, click on Your Personal, then click on Refund Status Online.
- Call 1-800-894-0318 for automated refund information and follow the recorded instructions.

NOTE: If you filed your return electronically, please allow the Department of Revenue 7 days to process your refund. If you filed a paper return, normal processing time is 4 to 8 weeks.

REQUEST FOR TAX FORMS - 785-296-4937. Tax forms are available at many city and county clerk offices, banks, libraries, and other places of convenience. To obtain forms by mail, contact the Kansas Department of Revenue voice mail system at 785-296-4937. You will be asked to give your name, address, telephone number, and form(s) you desire. Please allow about two weeks for delivery of your form(s). Tax forms can also be found on the Department of Revenue's web site at: www.ksrevenue.org.

Contact Information

If you have paper forms needing approval or have questions regarding the specifications, form layout or other technical issues they should be directed to:

Software Vendors (Paper)

Faye Streeter
Research Analyst
Kansas Department of Revenue
915 SW Harrison Street, Rm. 351
Topeka, KS 66625-1712

Telephone: 785-296-2460
Fax: 785-296-2736

E-mail: faye_streeter@kdor.state.ks.us
Software Developer: www.ksrevenue.org/dev/index.html
Kansas Department of Revenue: www.ksrevenue.org

If you have electronic forms needing approval or have questions regarding the specifications, form layout or other technical issues they should be directed to:

Software Vendors (Electronic)

Terry Hunt
E-file Coordinator
Kansas Department of Revenue
915 SW Harrison Street, 2nd floor
Topeka, KS 66625-4066

Telephone: 785-296-4066
Fax: 785-296-0153

E-mail: terry_hunt@kdor.state.ks.us
E-File: <http://www.ksrevenue.org/eservefile.htm>
Kansas Department of Revenue: www.ksrevenue.org