

# 2010

# KANSAS Fiduciary Income Tax



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## WHAT'S NEW

**LONG-TERM CARE INSURANCE CONTRACTS.** The maximum amount of subtraction modification for long-term care insurance contracts has increased to \$1,000 per contract, per taxpayer. See Schedule S instructions.

**EARNED INCOME CREDIT (EIC).** For tax years 2010 through 2012, the EIC increases to 18% of the federal EIC.

**INTANGIBLES TAX.** Taxpayers with intangible earnings are now required to file their local intangibles tax return directly with the county clerk's office where they are domiciled. Local Intangibles Tax returns are available at county clerk offices or from our web site: [ksrevenue.gov](http://ksrevenue.gov)

**LEARNING QUEST DEPOSITS.** You now have the option of having your direct deposit refund sent directly to your Learning Quest account. For more information visit: [learningquest.com](http://learningquest.com)

**DUE DATE FOR FILING.** Due date for filing 2010 income tax returns is April 18, 2011. Kansas follows the Internal Revenue Service (IRS) due date for tax income tax deadlines.

**TAX CREDIT REDUCTION CHANGE.** New legislation removes the "haircut" reduction requirements for the Regional Foundation Contribution (K-32) and Center for Entrepreneurship (K-31) credits for tax year 2010. The "haircut" is replaced with a cap on each of these credits limiting the total amount of these credits allowed for the tax year.

**HISTORICAL PRESERVATION CREDIT.** For tax year 2010, the total amount of credits allowed is \$3,750,000.

**FILM PRODUCTION CREDIT.** This tax credit is not available for tax year 2010.

## GENERAL INSTRUCTIONS

*If any due date falls on a Saturday, Sunday, or legal holiday, substitute the next regular workday.*

### Who is **Not** Required to File a Return

**DO NOT FILE** a Kansas Fiduciary Return if there is:

- **no balance due** on line 23 of Form K-41; **AND**
- **no withholding tax due** for the nonresident beneficiaries (Part IV, Column E).

*Both conditions must be met.*

### Who Must File a Return

#### Resident Estate or Trust

The fiduciary of a resident estate or trust must file a Kansas Fiduciary Income Tax Return (Form K-41) if the estate or trust had any taxable income and/or there is withholding tax due for the nonresident beneficiaries.

#### Nonresident Estate or Trust

The fiduciary of a nonresident estate or trust must file a Kansas Fiduciary Income Tax Return (Form K-41) if the estate or trust had taxable income or gain derived from Kansas sources.

#### Definitions

A resident estate is the estate of a person who was a Kansas resident at the time of death. All other estates are nonresident estates.

A resident trust is any trust which is administered by the trustee in Kansas. A trust being administered outside of Kansas shall not be considered a resident trust merely because the governing instrument or a law requires that the laws of Kansas be followed with respect to interpretation or administration of the trust. All other trusts are nonresident trusts.

Income from Kansas sources includes income or gain from:

- a. Real or tangible personal property located within Kansas;
- b. A business, profession or occupation carried on within Kansas; or,
- c. Services performed within Kansas.

For a nonresident estate or trust, income from the following is not considered to be derived from Kansas sources: annuities, interest, dividends, or gains from the sale or exchange of intangible personal property, unless part of the income from a business, trade, profession, or occupation carried on within Kansas.

### When to File

You should complete your Kansas Fiduciary Income Tax Return after the federal fiduciary return is complete, and it is due no later than the 15th day of the fourth month after the close of the taxable year. For fiduciaries operating on a calendar year basis, the return is due on or before April 15.

*You may not be required to file a Kansas Fiduciary Income Tax Return. See the conditions above.*

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**Where to File**

Mail your Fiduciary Income Tax return to: KANSAS FIDUCIARY TAX, KANSAS DEPARTMENT OF REVENUE, 915 SW HARRISON ST., TOPEKA, KS 66699-3000

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**Extension of Time to File**

If you are unable to complete your Kansas Fiduciary Income Tax Return by the filing deadline, you may request an extension of time to file. If you filed Form 7004 with the Internal Revenue Service for an extension of time, enclose a copy of that form with your completed K-41 return. Kansas does not have a separate extension request form but will accept an approved federal Extension of Time To File form. **IMPORTANT:** An extension of time to file is **NOT** an extension to pay. If you do not pay the tax amount due (may be estimated) by the original due date, you will owe interest and may also be charged a penalty on any balance due.

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**Accounting Period**

The accounting period for which the Kansas Fiduciary Income Tax Return (Form K-41) is filed and the method of accounting used must be the same as that used for federal tax purposes. If, for federal purposes, the taxable year for the estate or trust changes or the method of accounting is changed, the changes also apply to the Kansas Fiduciary Income Tax Return.

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**Payment of Tax**

The balance of tax shown to be due on line 23 of your Kansas Fiduciary Income Tax Return (Form K-41) must be paid in full if it is \$5 or more. The fiduciary of an estate or trust is responsible to ensure the payment of all taxes due on the fiduciary return. Failure to pay your tax on time may subject you to assessment of penalty and interest. Make payment by check or money order to *Kansas Fiduciary Tax*.

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**Withholding Tax Payments**

Kansas law requires the fiduciary of a resident estate or trust to submit the payment of withholding tax for its nonresident beneficiaries, if it is \$5 or more, with the filing of Form K-41. Complete Part IV, and enter the total from Column E on line 6 of Form K-41.

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**Estimated Tax**

Estates and trusts are required to make federal estimated tax payments. However, Kansas statutes specifically exempt estates and trusts from making estimated tax payments. Estimated tax payments are **not required** for Kansas fiduciary purposes.

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**Fiduciary Reporting to Beneficiaries**

Fiduciaries must provide each beneficiary with the amount of the fiduciary modification to be used in the preparation of the beneficiary's Kansas Individual Income Tax Return. See page 2, Part II, Column D.

In addition, fiduciaries must provide each nonresident beneficiary with the amount of the nonresident beneficiary's share of income and credits from page 3, Part IV of Form K-41, and when Kansas tax is withheld, supply Form K-18 to the nonresident beneficiary. Fiduciary modifications, beneficiaries' shares of fiduciary modifications, and beneficiaries' shares of income and credits are computed on pages 2 and 3 of Form K-41 in Parts I, II, III and IV.

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**Rounding to Whole Dollars**

The figures on your return and schedules may be rounded to whole dollars. You may eliminate any amount less than 50 cents and increase any amount from 50 cents through 99 cents to the next higher dollar.

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**Copy of Federal Return**

Enclose with Form K-41 a copy of your Federal Form 1041, including all schedules as filed with the Internal Revenue Service. The processing of your Kansas Fiduciary Income Tax Return may be delayed if your Federal Fiduciary Return is not included.

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**Confidential Information**

Income tax information disclosed to KDOR (Kansas Department of Revenue), either on returns or through department investigation, is held in strict confidence by law. KDOR and the Internal Revenue Service have an agreement under which income tax information is exchanged. This is to verify the accuracy and consistency of information reported on Federal and Kansas Fiduciary Income Tax Returns.

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**Amended Returns**

You must file an amended Kansas return when:

- 1) an error was made on your Kansas return,
- 2) there is a change on another state's return (error or adjustment), or
- 3) there is a change on your federal return (error or adjustment).

To file an amended fiduciary tax return, use Form K-41 and mark the amended return checkbox.

**AMENDED FEDERAL RETURN:** If you are filing an amended federal income tax return for the same taxable year as this amended return, you must enclose a complete copy of the amended federal return and full explanations of all changes made on your amended Kansas return. If your amended federal return is adjusted or disallowed, it is necessary to provide KDOR with a copy of the adjustment or denial letter.

If you have not yet filed a Kansas K-41 return but you filed your original federal return *and* the federal return has been amended or adjusted – use the information on the amended or adjusted federal return to complete your original Kansas return. A copy of both the original and amended federal returns should be enclosed with the Kansas return along with an explanation of the changes.

Pay the full amount of tax and interest due on an amended return and no late pay penalty will be assessed. Refer to KDOR's web site for annual interest rates.

# SPECIFIC LINE INSTRUCTIONS

**HEADING.** Type or print your name and address in the appropriate blanks on the return. If your name or address has changed since your last Kansas return was filed, mark an "X" in the box below the heading. If you are filing an amended return, mark an "X" in the box below your name and address.

**TELEPHONE NUMBER.** If a problem should arise in processing your return, it is helpful for the Department of Revenue to have a telephone number where you can be reached during office hours. The number you provide will be kept confidential.

**FILING STATUS.** The filing status shown on Form K-41 will reflect the nature of the entity for which the return is being filed.

**RESIDENCY STATUS.** Residents: If you are filing for a resident estate or trust, check the box for residents. If all income is taxable to the fiduciary and no distributions are made or required to be made, only Part I must be completed. If there are only resident beneficiaries, or if no amounts are distributable to nonresident beneficiaries, then it is necessary to complete only Parts I and II. If there are nonresident beneficiaries, then it is generally necessary to complete all parts. However, if amounts distributed to nonresidents are nontaxable, then Part IV may be omitted. Nonresidents: If you are filing for a nonresident estate or trust, check the box for nonresidents. If there are resident and/or nonresident beneficiaries, then all parts must be completed. However, if all income is taxable to the fiduciary, then only Parts I and II must be completed.

**DATE ESTABLISHED.** Enter the date the estate or trust was established.

**LINE 1—FEDERAL TAXABLE INCOME.** Residents: Enter on line 1 the federal taxable income shown on page 1 of the Federal Fiduciary Return, Form 1041. Nonresidents: Enter on line 1 the amount reported in Part III, line 49, column D of Kansas Form K-41.

**LINE 2—KANSAS FIDUCIARY MODIFICATION.** Residents: If there has not been a distribution to beneficiaries, enter the fiduciary modification from page 2, line 27. If there has been a distribution to beneficiaries, enter the fiduciary's portion of the fiduciary modification from page 2, line (j). Nonresidents: No modification is to be made on this line by a nonresident estate or trust.

**LINE 3—KANSAS TAXABLE INCOME.** If line 2 is a positive amount, add line 2 to line 1 and enter the total on line 3. If line 2 is a negative amount, subtract line 2 from line 1 and enter the total on line 3. If you made no entry on line 2, your Kansas taxable income is the same as your federal taxable income. Enter it again on line 3.

**LINE 4—TAX.** To determine the amount of the fiduciary income tax liability, refer to the tax computation schedule on page 4 of Form K-41 and compute the tax. Enter the amount on line 4.

**LINE 5—TAX ON LUMP SUM DISTRIBUTIONS.** If a resident estate or trust received income from a lump sum distribution and there has been a federal tax imposed on this income in accordance with federal Internal Revenue Code Section 402(e), then the resident estate or trust is also subject to Kansas tax on the lump sum distribution.

Enter on line 5 an amount equal to 13% of the federal tax on the ordinary income portion of the lump sum distribution determined on Federal Form 4972 or Federal Form 5544.

**LINE 6—NONRESIDENT BENEFICIARY TAX.** Enter the amount of nonresident beneficiary tax reported on page 3, Part IV of Form K-41. This amount is the total of column E.

**LINE 7—TOTAL KANSAS TAX.** Add lines 4, 5 and 6.

**LINE 8—CREDIT FOR TAXES PAID TO OTHER STATES (RESIDENTS ONLY).** If you paid income tax to another state, you may be eligible for a credit against your Kansas tax liability. If you had income from a state that has no state income tax, make no entry on line 8 and go to

line 9. A copy of the return filed with the other state(s), or a copy of Federal Form 1116 (if applicable) for claiming a foreign tax credit, must be enclosed with Kansas Form K-41.

**Foreign Tax Credit:** As used in this section, "state" means any state of the United States, the District of Columbia, Puerto Rico, any territory or possession of the United States, and any foreign country or political subdivision of a foreign country. The Kansas credit for foreign taxes is first limited to the difference between the actual tax paid to the foreign country and the foreign tax credit allowed on the federal return. If you claimed the foreign tax paid as an itemized deduction on your federal return, no credit is allowed in this section.

### Foreign Tax Worksheet

- A. 2010 tax paid to the foreign country ..... \$ \_\_\_\_\_
- B. LESS: Federal foreign tax credit allowed..... \$ \_\_\_\_\_
- C. EQUALS: Kansas foreign tax limitation amount. Enter this amount on line 1 of the following worksheet. \$ \_\_\_\_\_

**Residents.** Enter on line 8 any credit for tax paid to another state(s) determined by the following formula:

- 1) Income tax paid to: ..... \$ \_\_\_\_\_
- 2) Kansas tax liability ..... \$ \_\_\_\_\_
- 3) Other state's taxable income..... \$ \_\_\_\_\_
- 4) Kansas taxable income ..... \$ \_\_\_\_\_
- 5) Percentage limitation (divide line 3 by line 4)..... \_\_\_\_\_ %
- 6) Limitation amount (multiply line 2 by line 5)..... \$ \_\_\_\_\_
- 7) Allowable credit (amount on line 1 or line 6, whichever is less) ..... \$ \_\_\_\_\_

**Nonresidents.** Nonresident estates and trusts may not claim this tax credit against the Kansas tax.

**LINE 9—UNIVERSITY DEFERRED MAINTENANCE CREDIT.** If you made contributions for deferred maintenance to a designated Kansas university, enter the total amount of the **approved** credit.

**LINE 10—OTHER NONREFUNDABLE CREDITS.** Enter the total of all other tax credits for which you are eligible. The list below includes some of the more common credits. You must complete and enclose with your K-41 the appropriate schedule to claim any credit.

Adoption Credit .....	K-47
Agritourism Liability Insurance Credit .....	K-33
Assistive Technology Credit .....	K-42
Business and Job Development Credit .....	K-34
Business Machinery and Equipment Credit .....	K-64
Carryback of Net Operating Farm Loss Refund .....	K-67
Child Day Care Assistance Credit (employers only) .....	K-56
Community Service Contribution Credit .....	K-60
Declared Disaster Relief Credit .....	K-87
Disabled Access Credit .....	K-37
High Performance Incentive Program Credit .....	K-59
Individual Development Account Credit .....	K-68
Regional Foundation Contribution Credit .....	K-32
Research and Development Credit .....	K-53
Single City Port Authority Credit .....	K-76
Small Employer Health Insurance Contribution Credit .....	K-57
Telecommunications and Railroad Credit .....	K-36
Venture and Local Seed Capital Credit .....	K-55

**LINE 11—TOTAL CREDITS.** Add lines 8, 9, and 10.

**LINE 12—BALANCE.** Subtract line 11 from line 7. If the amount for line 12 is a negative amount, enter zero.

**LINE 13—KANSAS INCOME TAX WITHHELD.** Enter any amount of Kansas withholding. The department no longer requires that copies of W-2 or 1099 forms be enclosed with your return. However, the department reserves the right to ask for this information at a later date. K-19 forms must still be enclosed with a Form K-41.

**LINE 14—AMOUNT PAID WITH KANSAS EXTENSION.** Enter any amount paid with an extension of time request.

**LINE 15—TECHNICAL AND COMMUNITY COLLEGE DEFERRED MAINTENANCE CREDIT REFUND.** If you made contributions for deferred maintenance to a designated Kansas technical and/or community college, enter the total amount of the **approved** credit.

**LINE 16—REFUNDABLE PORTION OF CREDITS.** Enter the total of the allowable refund(s) from these credit schedules:

Business Machinery and Equipment Credit .....	K-64
Carryback of Net Operating Farm Loss Refund .....	K-67
Child Day Care Assistance Credit (employers only) .....	K-56
Community Service Contribution Credit .....	K-60
Declared Disaster Relief Credit .....	K-87
Disabled Access Credit .....	K-37
Individual Development Account Credit .....	K-68
Regional Foundation Contribution Credit .....	K-32
Single City Port Authority Credit .....	K-76
Small Employer Health Insurance Contribution Credit .....	K-57
Telecommunications and Railroad Credit .....	K-36

**LINE 17—PAYMENTS REMITTED WITH ORIGINAL RETURN.** Use this line if you are **filing an amended K-41** for the 2010 tax year. Enter the amount of money you remitted to the Department of Revenue with your original 2010 return.

**LINE 18—OVERPAYMENT FROM ORIGINAL RETURN.** Use this line **only if you are filing an amended K-41** for the 2010 tax year. Enter the amount of overpayment shown on your original return. Since you were refunded this amount, it is a subtraction entry.

**LINE 19—TOTAL REFUNDABLE CREDITS.** Add lines 13 through 17 and subtract line 18. Enter the total on line 19.

**LINE 20—UNDERPAYMENT.** If your tax balance on line 12 is greater than your total refundable credits on line 19, enter the difference on line 20. **Late Charges:** If the amount on line 20 is not paid by the due date, or if a balance due return is filed after the due date, penalty and interest are added according to the rules outlined in lines 21 and 22. **Extension of Time:** Interest is due on any delinquent tax balance, even if you have been granted an extension of time to file. If **90%** of your tax liability is paid on or before the original due date of your return, an automatic extension is applied and no penalty is assessed.

**LINE 21—INTEREST.** Compute interest at **.417% for each month** (or portion thereof) from the due date of the return on the amount on line 20.

**LINE 22—PENALTY.** Compute penalty at **1% per month** (or portion thereof) from the due date of the return on the amount on line 20. The maximum penalty is 24%.

**LINE 23—BALANCE DUE.** Add lines 20, 21 and 22. Enter the total on line 23. Write your federal Employer Identification Number (EIN) on your check or money order, made payable to "Kansas Fiduciary Tax" and send it with your return. Do not send cash. A balance due of less than \$5.00 need not be paid.

**LINE 24—REFUND.** If line 19 is greater than line 12, subtract line 12 from line 19 and enter the amount of the refund on line 24. Amounts less than \$5.00 will not be refunded.

Normal processing time to issue a refund is six to eight weeks. **ERRORS** on your return, photocopied forms, and incomplete returns (e.g., no federal return enclosed) will cause delays in processing refunds. **Note:** If there is any other liability owed the State of Kansas, the fiduciary income tax refund will be applied to that liability.

**SIGNATURES.** The fiduciary **MUST** sign Form K-41. If prepared by someone other than the fiduciary, the preparer should also sign. No refund can be made unless the return is properly signed. **Preparer Authorization Box:** In some cases it may be necessary for KDOR to contact you about your tax return. If you wish to have the Director of Taxation or his/her designee contact your tax preparer instead, please give permission to do so by checking this box.

## PART I

**LINE 25a—STATE AND MUNICIPAL INTEREST.** Enter interest income received, credited, or earned from any state or municipal obligations during the taxable year, less any related expenses (management fees, trustee fees, interest, etc.) directly incurred in the purchase of state or political subdivision obligations. Do **NOT** include those specifically exempt from income tax by Kansas law, such as: Kansas Turnpike Authority Bonds, Board of Regents Bonds for Kansas Colleges and Universities, Electrical Generation Revenue Bonds, Urban Renewal Bonds, Industrial Revenue Bonds, or Kansas Highway Bonds.

Interest income on obligations of Kansas or any political subdivision thereof, issued after December 31, 1987, shall be excluded from computation of Kansas taxable income.

**LINE 25b—STATE INCOME TAX OR LOCAL TAXES.** Enter any state, county, or city income or earnings taxes which are included in your federal deductions.

**LINE 25c—ADMINISTRATIVE EXPENSES.** Enter the amount of administrative expenses claimed on both the Kansas Estate Tax Return and on the Federal Fiduciary Tax Return.

**LINE 25d—OTHER ADDITIONS TO FEDERAL TAXABLE INCOME.** Enter the total of these additions to federal taxable income:

- **Individual Development Account.** **CONTRIBUTORS:** Enter the amount of the contribution claimed to the extent the same is the basis for claiming the Individual Development Account Credit on Schedule K-68. **ACCOUNT HOLDERS:** Enter amounts received as withdrawals that are not used to pay for education expenses; job training costs; purchase of primary residence; or major repairs or improvement to a primary residence.
- **Federal Income Tax Refund.** Generally, there will be no entry here unless an amended federal return has been filed for a prior year due to an investment credit carry back or a net operating loss carry back which resulted in a federal income tax refund in 2010 for that prior year.
- **Disabled Access Credit Modification.** Enter the amount of any depreciation deduction or business expense deduction claimed on the federal return which was used to determine the credit on Schedule K-37.
- **Partnership, S Corporation, or Fiduciary Adjustments.** If income was received from a partnership, S corporation, joint venture, syndicate, estate or trust, enter your proportionate share of any required addition adjustments. The partnership, S corporation, or trustee will provide you the necessary information to determine these amounts.
- **Federal Net Operating Loss Carry Forward.** Enter the federal net operating loss carry forward claimed on the 2010 federal income tax return.
- **Regional Foundation Contribution Credit.** Enter the amount of any charitable contribution claimed on the federal return used to compute this credit on Schedule K-32.
- **Community Service Contribution Credit.** Enter the amount of any charitable contribution claimed on the federal return used to compute this credit on Schedule K-60.
- **Swine Facility Improvement Credit.** Enter the amount of any costs claimed on the federal return used as the basis for this credit on Schedule K-38.
- **Learning Quest Education Savings Program.** Enter amount of any "nonqualified withdrawal" from the Learning Quest Education Savings Program.
- **Small Employer Healthcare Credit.** Enter the amount of the addition modification from Schedule K-57.

**LINE 25e—TOTAL ADDITIONS.** Add lines 25a through 25d.

**LINE 26a—INTEREST ON U.S. GOVERNMENT OBLIGATIONS.** Enter any interest or dividend income received on obligations or securities of any authority, commission, or instrumentality of the United States and its possessions, less any related expenses

(management fees, trustee fees, interest, etc.) directly incurred in the purchase of such obligations or securities, to the extent they are included in federal taxable income if they are exempt from state income taxes under the laws of the United States. Such income paid to shareholders through a mutual fund is also exempt from Kansas tax. If the mutual fund invests in both exempt and non-exempt federal obligations, the modification allowed will be that portion of the distribution received from the mutual fund attributable to direct obligations of the U.S. government, as determined by the mutual fund. These obligations include: U.S. Savings Bonds, U.S. Treasury Bills, Federal Land Bank, etc. Enclose a schedule indicating the name of each U.S. Government obligation claimed.

**LINE 26b—STATE INCOME TAX REFUNDS.** Enter any state or local income tax refunds which are included in line 1 of Form K-41.

**LINE 26c—RETIREMENT BENEFITS.** Enter any Federal Civil Service retirement annuity paid from the Federal Civil Service Retirement or Disability Fund and any other amounts received as retirement benefits which were earned for being employed by the federal government or for service in the armed forces of the United States which is included in the federal taxable income.

Enter any Kansas pension benefits received which are specifically exempt from Kansas income tax if it was included in the federal taxable income. Exempt Kansas pensions include: Kansas Public Employees' Retirement Annuities, Kansas Teachers' Retirement Annuities, Kansas Police and Firemen's Retirement System Pensions, Kansas Highway Patrol Pensions, Justices and Judges Retirement System, Board of Public Utilities, Washburn University Pensions, and certain pensions received from first class cities, not covered by the Kansas Public Employees' Retirement System.

Faculty and others employed by the State Board of Regents, or by educational institutions under its management, are entitled to Kansas tax exemption on income derived from retirement annuity contracts purchased for them by the State Board of Regents with either their direct contributions or through salary reduction plans.

Benefits received from all railroad retirement plans administered by the U.S. Railroad Retirement Board are exempt from state taxation by federal law. Enter any railroad retirement benefits received from the U.S. Railroad Retirement Board which are included in federal taxable income. This exemption from Kansas taxes includes tier I, tier II, dual vested benefits and supplemental annuities.

**LINE 26d—OTHER SUBTRACTIONS FROM FEDERAL TAXABLE INCOME.** Enter on line 26d the total of these other subtractions from federal taxable income. **NOTE:** You may not subtract the amount of income reported to another state.

- **Social Security Benefits (for taxpayers with federal adjusted gross income of \$75,000 or less).** Enter the amount received as benefits under the Social Security Act (including SSI) in 2010, to the extent it is included in Federal Adjusted Gross Income.
- **KPERS Lump Sum Roll Overs.** Enter amounts withdrawn from a qualified retirement account and include any earnings thereon to the extent that the amounts withdrawn were: 1) originally received as a KPERS lump sum payment at retirement that you rolled over into a qualified retirement account, and 2) the amount entered is included in federal adjusted gross income. **Do not make an entry** if amount withdrawn consists of income that was originally received from retirement annuity contracts purchased for faculty and others employed by the State Board of Regents or by educational institutions under its management with either their direct contributions or through salary reduction plans or, a pension received from any Kansas first class city that is not covered by the Kansas Public Employee's Retirement System.
- **KPERS Lump Sum Distributions.** Employees who terminated KPERS employment after July 1, 1984, and elect to receive their contributions in a lump sum distribution will report their taxable contributions on their Federal return. Subtract the amount of the withdrawn accumulated contributions or partial lump-sum payment(s) to the extent either is included in Federal Adjusted Gross Income. See NOTICE 05-04 for additional information.

- **Sale of Kansas Turnpike Bonds.** Enter the gain from the sale of Kansas Turnpike Bonds if the gain was included in the federal taxable income.
- **Partnership, S Corporation or Fiduciary Adjustments.** If income was received from a partnership, S corporation, joint venture, syndicate, trust or estate, enter the proportionate share of any required subtraction adjustments. The partnership, S corporation, or beneficiary will provide you with the necessary information to determine this amount.
- **Jobs Tax Credit.** Enter amount of the federal targeted jobs tax credit disallowance claimed on the Federal Income Tax return.
- **Kansas Venture Capital, Inc. Dividends.** Enter the amount of dividend income received from Kansas Venture Capital, Inc.
- **Kansas Net Operating Loss Carry Forward.** Enter any Kansas net operating loss carry forward.
- **S Corporation Privilege Adjustment.** If you are a shareholder in a bank, savings and loan, or other financial institution that is organized as an S corporation, enter the portion of any income received that was not distributed as a dividend. This income has already been taxed on the privilege tax return filed by the S corporation financial institution.
- **Electrical Generation Revenue Bonds.** Enter the amount included in federal taxable income.
- **Learning Quest Education Savings Program.** Enter contributions deposited in the Learning Quest Education Savings Program, or a qualified 529 tuition program established by another state, up to a maximum of \$3,000 per student (beneficiary).
- **Qualified Long-Term Care Insurance Contracts.** Enter an amount not exceeding \$1,000 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).
- **Armed Forces Recruitment, Sign-Up or Retention Bonus.** Members of the armed forces of the United States (including Kansas army and air national guard): enter amounts received as a recruitment, sign up or retention bonus you received as an incentive to join, enlist or remain in the armed forces of the United States, to the extent included in federal adjusted gross income. Also include amounts you received for repayment of educational or student loans incurred by you or for which you are obligated, and received as a result of your service in the armed forces of the United States, to the extent included in federal adjusted gross income.

- **Individual Development Account.** Enter the amount of income earned on contributions deposited to an individual development account established to pay for education expenses; job training costs; purchase of primary residence; or major repairs or improvement to a primary residence.

**LINE 26e—TOTAL SUBTRACTIONS.** Add lines 26a through 26d and enter the total on line 26e.

**LINE 27—NET MODIFICATION TO FEDERAL TAXABLE INCOME.** Subtract line 26e from line 25e. Enter the total on line 27 and on line 2, page 1, Form K-41. If there are beneficiaries, refer to Part II.

## PART II

**Part II** is used to determine the allocation of the shares of the Kansas fiduciary modification. The Kansas fiduciary modification is divided among the beneficiaries and the fiduciary in proportion to their share of the federal distributable net income plus the amount contributed or required to be contributed from current income to charitable beneficiaries.

If there is no federal distributable net income, each beneficiary's share of the Kansas fiduciary modification shall be in proportion to each share of the estate or trust income distributed. Any balance of the Kansas fiduciary modification not allocated to the beneficiaries is allocable to the fiduciary.

When the allocation of the Kansas fiduciary modification, as provided by law, would result in an amount that is substantially

inequitable, the fiduciary may, with the permission of the Director of Taxation, use such other methods of allocation that will produce a fair and equitable result to both the fiduciary and the beneficiary. Kansas law does not permit the fiduciary to elect to pay the tax on income properly applicable to a beneficiary by including such income in its share of the modification. The estate or trust must advise each beneficiary of their share of the Kansas fiduciary modification. The amount reported in Column D is the amount which the fiduciary is required to submit to each beneficiary.

**Column A** - Enter on lines (a), (b), (c) and (d) the names and addresses of Kansas resident beneficiaries. Nonresident beneficiaries should be listed on lines (e), (f), (g) and (h).

**Column B** - Enter the Social Security numbers of the beneficiaries.

**Column C** - Enter the percentage of the estate or trust to be distributed to each beneficiary in accordance with the documents or laws controlling distribution of the estate or trust. The percentage allocated to charitable beneficiaries and to the fiduciary itself should be shown on the appropriate lines. Total allocation must equal 100%.

**Column D** - Enter on lines (a) through (i) each beneficiary's share of the Kansas fiduciary modification. Enter on line (j) the resident fiduciary's share of the modification. To determine each individual's and the fiduciary's share of the Kansas fiduciary modification, multiply the amount on line 27, Part I, by the percentage in Column C.

**Note:** For a resident estate or trust in which all beneficiaries are Kansas residents, the remaining portion (pages 3 & 4) of the return may be omitted. If there are nonresident beneficiaries, Part III and Part IV must be completed.

### PART III

**Part III** is used to compute the federal taxable income of the estate or trust from Kansas sources. It is to be completed by all resident estates and trusts which have nonresident beneficiaries and by all nonresident estates and trusts with income or gain from Kansas sources. Nonresident estates or trusts should report to Kansas only that part of their federal taxable income derived from Kansas sources. The income to be reported, and the modifications to that income, are determined in this part.

**Column A** - Column A lists the items of income and modifications which correspond to those listed on the federal fiduciary return.

**Column B** - Enter the total income or deductions reported or claimed on the federal fiduciary return for each item listed in Column A.

**Column C** - Enter that part of each item of income reported in Column B that is derived from Kansas sources. Use direct accounting whenever possible. Intangible income will not be considered to be from Kansas sources except where it is part of a business, trade, or occupation carried on in Kansas. Any item entered in Column C should reflect the amount that remains after all modifications have been performed.

FOR EXAMPLE: State or local income taxes deducted on the federal return would not be included in Column C. State income tax refunds reported as income on the federal return would not be included in Column C. Also, any income from other estates, trusts, or partnerships should be modified, if necessary, before the item is entered in Column C.

Do not carry over any administration expenses from Column B to Column C if these expenses were claimed on both the Kansas Estate Tax Return and the Federal Form 1041.

Capital gains from Kansas sources should be entered in Column C only if the gain is distributed to the beneficiaries.

Depreciation, depletion, and federal estate tax not included on Federal Form 1041 and passed directly to the beneficiaries should be entered on the appropriate lines of Column C (e.g., line 42a).

Enter on line 42a other deductions not provided for on lines 37 through 41. These deductions should be directly allocated where possible. If it is not possible to directly relate those deductions to

income from Kansas sources, they should be apportioned by multiplying the deductions by the ratio of total Kansas income (line 36, Column C) divided by total federal income (line 36, Column B).

Net income of the estate or trust from Kansas sources, after all modifications, is to be entered on line 49, Column C.

Enter on line 50, Column C, the total percentages of all nonresident beneficiaries only. These percentages are determined by the documents or laws controlling distribution of the estate or trust.

Enter on line 51, Column C, the total income from Kansas sources of all nonresident beneficiaries. This amount is computed by multiplying line 49, Column C, by the percentage entered on line 50, Column C.

**Column D** - Column D is to be **completed by nonresident fiduciaries only**. Enter in Column D that part of Column C applicable to the fiduciary. The amount to be entered in Column D is computed by multiplying each entry in Column C by the fiduciary's percentage of the Kansas fiduciary adjustment as shown in Part II.

A capital gain from Kansas sources that is not distributed to the beneficiaries should be entered on line 31, Column D.

**Nonresident Fiduciary Exemption.** Enter on Part III, Column D, line 47, the amount of the nonresident fiduciary exemption determined by the following formula:

- 1) Exemption on federal Form 1041 ..... \$ \_\_\_\_\_
- 2) Kansas income of nonresident estate or trust (Part III, line 44, Column D) ..... \$ \_\_\_\_\_
- 3) Federal income (Part III, line 44, Column B) ..... \$ \_\_\_\_\_
- 4) Ratio (Divide line 2 by line 3) ..... %
- 5) Nonresident fiduciary exemption (multiply line 1 by line 4) ..... \$ \_\_\_\_\_

Line 49, Column D, is the net income of the nonresident estate or trust from Kansas sources applicable to the fiduciary which should be entered on line 1 of Form K-41.

### PART IV

**Part IV** is used to compute the nonresident beneficiaries' shares of income and to compute the amount of tax to be withheld by the fiduciary of a resident estate or trust from the amount distributed or distributable to the nonresident beneficiaries. Fiduciaries must provide to each nonresident beneficiary the amount of the nonresident beneficiary's share of income. In addition, Kansas law requires the fiduciary of a resident estate or trust to withhold tax from a nonresident beneficiary and to pay the amount of this tax with the Form K-41.

**Column A** - Enter on lines (a) through (d) the names and addresses of the nonresident beneficiaries.

**Column B** - Enter the Social Security numbers of the nonresident beneficiaries.

**Column C** - Enter on lines (a) through (d) the percentage of the estate or trust to be distributed to each beneficiary in accordance with the documents or laws controlling distribution of the estate or trust. **Note:** Since neither the resident beneficiaries' nor the fiduciary's percentages are shown here, it is unlikely this column will total 100%.

**Column D** - Enter on lines (a) through (d) each beneficiary's portion of the total taxable income from Kansas sources by multiplying Column C by the amount on line 49, Column C, Part III.

**Column E** - Compute the amount of tax to be withheld from each nonresident beneficiary by multiplying each beneficiary's income in column D by 2.5%. Enter these amounts on lines (a) through (d). The tax reported in this column is to be withheld and paid by the fiduciary for the beneficiary. Enter the total amount from Column E on page 1, line 6, Form K-41. Column E need not be calculated to completion if the nonresident share has already been withheld.

If any tax is required to be withheld, complete a Form K-18 for each nonresident beneficiary. The Form K-18 and instructions are on the back page of Form K-41.



## Improve the Processing of Your Return

Your Kansas return is imaged on our computers, enabling us to process your return faster and with fewer errors. In order for our system to work, it is important that you use care in completing your return.

- Use only black or dark blue ink and write legibly.
- Send the original copy, not a photocopy, to KDOR.
- Your EIN is part of your Kansas tax account number. To ensure proper credit to your account, include it on your return.
- Do not staple or otherwise attach pages of the return or check together.
- If you use a software package to complete your Kansas return, be sure it is approved by KDOR. Visit [ksrevenue.gov](http://ksrevenue.gov) for a list of approved software vendors.
- If you are “reproducing” your own tax forms, contact KDOR for information on the approval process.



### – TAX ASSISTANCE –

**FILING ASSISTANCE.** For assistance in completing your Kansas Fiduciary Tax return, contact our Taxpayer Assistance Center. Office hours are 8:00 a.m. to 4:45 p.m., Monday through Friday.

Taxpayer Assistance Center  
Docking State Office Building - 1st floor  
915 SW Harrison Street  
Topeka, KS 66625-2007

**Phone:** (785) 368-8222

**Fax:** (785) 291-3614

**REQUEST FOR FORMS.** Be sure to use an original form printed by the Kansas Department of Revenue (KDOR) or a form from an *approved* software package (see our web site at [ksrevenue.gov](http://ksrevenue.gov)). To obtain a KDOR printed form, call the Taxpayer Assistance Center.