

# K-51

(Rev. 9/06)

# KANSAS

## AGRICULTURAL LOAN INTEREST REDUCTION CREDIT

|                                                                                         |                                                    |
|-----------------------------------------------------------------------------------------|----------------------------------------------------|
| Name of taxpayer (as shown on return)                                                   | Social Security Number or Employer ID Number (EIN) |
| If partner, shareholder or member, enter name of partnership, S corporation, LLC or LLP | Employer ID Number (EIN)                           |

### PART A – ELIGIBLE AGRICULTURAL BORROWER INFORMATION

|                               |                                                             |
|-------------------------------|-------------------------------------------------------------|
| 1. Original loan information: | 2. Extension, renewal or reduced interest rate information: |
| a. Loan Number                | a. Loan Number                                              |
| b. Loan Date                  | b. Date of Extension, Renewal or Reduced Interest Rate      |
| c. Principal Amount           | c. Principal Amount                                         |
| d. Rate of Interest           | d. Rate of Interest                                         |
| e. Maturity Date              | e. Maturity Date                                            |

3. Type of interest rate reduction (Please check one): ☐ Extension ☐ Renewal ☐ Reduced Interest Rate
4. You are required to write a narrative as to why this borrower can now be reasonably expected to service the principal and interest for the term of this loan. Enclose any supporting documentation. \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

### PART B – COMPUTATION OF ALLOWED INTEREST RATE REDUCTION

5. Enter lowest interest rate made on loans with equivalent collateral at time of interest rate reduction. 5. \_\_\_\_\_ %
6. Enter original interest rate. 6. \_\_\_\_\_ %
7. Enter extension, renewal or reduced interest rate. 7. \_\_\_\_\_ %
8. Reduction of interest: If extended or renewed, subtract line 7 from line 5;  
If reduced, subtract line 7 from line 6. 8. \_\_\_\_\_ %
9. Allowed interest rate reduction. Enter the lesser of line 8 or 3%. 9. \_\_\_\_\_ %

### PART C – COMPUTATION OF INTEREST REDUCTION CREDIT FOR THIS LOAN

10. Enter the remaining principal balance of this loan from line 2c above. If a reduced amount is required by line 6b of Schedule K-52, check here ☐. See instructions. 10. \_\_\_\_\_
11. Maximum amount of credit allowable for a one-year period. Multiply line 9 by line 10. 11. \_\_\_\_\_
12. Enter the number of calendar days from the date the loan was extended, renewed, or reduced on or after July 1, 2001 to the maturity date of the new loan or to June 30, 2004, whichever is less. 12. \_\_\_\_\_
13. Percent of interest income. Divide line 12 by 365. 13. \_\_\_\_\_ %
14. Amount of interest reduction credit for this loan. Multiply line 11 by line 13. 14. \_\_\_\_\_

**YOU MUST COMPLETE A SCHEDULE K-51 FOR EACH QUALIFYING LOAN**

# GENERAL INFORMATION FOR CLAIMING THE INTEREST REDUCTION CREDIT

## KANSAS SCHEDULES K-51 AND K-52

K.S.A. 79-32,181 provides a credit against tax for interest rate reduction for agricultural production loan by production credit association. A state bank, national banking association, production credit association, or agricultural credit association chartered by the Farm Credit Administration which extends or renews an agricultural production loan to an eligible agricultural production borrower at an interest rate which is at least one whole percentage point (1%) less than the lowest interest rate made on loans with equivalent collateral or which reduces the rate of interest being charged on any outstanding agricultural production loan to an eligible agricultural borrower by at least one whole percentage point (1%) shall receive a credit against their tax liability. Extensions, renewals, or reduced interest rates based upon the variable interest provisions of the original loan do not qualify for the credit.

An "eligible agricultural borrower" means any individual, limited agricultural partnership, limited liability agricultural company or family farm corporation, as defined in K.S.A. 17-5903, and amendments thereto, located in the state of Kansas, having an agricultural production loan which has been classified as substandard or doubtful by:

- (1) any banking regulator, the farm credit administration or a district farm credit system institution which is subject to review by the farm credit administration; or
- (2) the designated loan committee of such banking association prior to examination for classification eligibility

by the banking regulator, the farm credit administration or a district farm credit system institution which is subject to review by the farm credit administration.

The total credit against tax liability will be the amount by which the interest income to the lender on and after July 1, 2000 and prior to July 1, 2004, has been reduced due to the reductions in rates of interest, except that the credit allowed as a result of an interest rate reduction on any one agricultural production loan shall not exceed an amount equal to 3 percent (3%) per annum on the unpaid principal balance of the loan. A credit for an **interest rate reduction** will be allowed for any one (1) loan only when the eligible borrower can reasonably be expected to service the principal and interest for the term of such loan. The tax credit will be allowed for interest rate reductions on agricultural production loans having a total principal amount not exceeding 15 percent (15%) of the amount of such loans reflected in the lender's report filed with the Federal Deposit Insurance Corporation as of December 31, 1999 or with the Farm Credit Administration for calendar year 1999.

The credit may be claimed for taxable years commencing after December 31, 1999, and may be claimed every year thereafter until fully absorbed. The amount of credit allowable in any taxable year may not exceed 20 percent (20%) of the total allowable interest reduction credit. Any unused credit will be allowed as a carryforward except that the amount claimed in any one carryforward taxable year cannot exceed 20 percent (20%) of the total allowable interest reduction credit.

## INSTRUCTIONS FOR SCHEDULE K-51 AND K-52

A Schedule K-51 must be completed for each eligible agricultural borrower loan for which you are claiming an interest reduction credit. A Schedule K-51 must be enclosed with Form K-40, K-120 or Form K-130 for each year the credit is being claimed.

Schedule K-52 must be completed for each year you are claiming an interest reduction credit. The schedule must be enclosed with Form K-40, K-120 or Form K-130. When claiming a credit carryforward only, you should complete Schedule K-52, Lines 7 through 12.

### COMPLETION STEPS:

1. Complete lines 1 through 14 of Schedule K-51 for each and every loan for which an interest reduction credit is being claimed.
2. Compute lines 1 through 6a or 6b of Schedule K-52.
3. If line 4 of Schedule K-52 is less than line 3, complete line 6a. If line 3 of Schedule K-52 is less than line 4, complete line 6b.
4. If you are completing line 6b of Schedule K-52, you must reduce the total remaining principal balance on some or all of the loans reported on Schedule(s) K-51. To do this, reduce the remaining principal balance on individual loans (line 10 of Schedule K-51) so that the total remaining principal balance of all loans is equal to the amount shown on line 3 Schedule K-52. Recompute lines 10 through 14 on Schedule(s) K-51 for those loans where the remaining principal balance has been reduced.
5. Complete the K-52 Carry Forward Worksheet on the back of Schedule K-52 if you are claiming a credit from a previous year.

6. Using the information from the K-52 Worksheet, complete lines 7 through 12 on Schedule K-52.

7. In some instances a loan is paid off with more than one payment. In this situation, the interest reduction credit should be based upon the difference between the interest which would have accrued under the original interest rate, and the interest actually accrued or paid at the reduced interest rate during the period from July 1, 2003 to June 30, 2004. If there is more than one payment, the taxpayer should enclose additional computations with Form K-51.

For example, assume that a loan is extended, renewed, or reduced on July 1, 2003. The principal balance is \$100,000. The new interest rate is 8% and the original rate was 9%. On December 31, 2003, the farmer pays \$50,000 of the principal to the bank along with accrued interest. On June 30, 2004, the remaining principal and accrued interest is paid. The interest reduction credit would be \$750 based on the following computations:

*First Period Interest Credit - (7-1-2003 to 12-31-2004):*

|           |   |      |   |         |
|-----------|---|------|---|---------|
| \$100,000 | X | 1%   | = | \$1,000 |
| \$1,000   | X | 6/12 | = | \$500   |

*Second Period Interest Credit - (1-1-2004 to 6-30-2004):*

|          |   |      |   |       |
|----------|---|------|---|-------|
| \$50,000 | X | 1%   | = | \$500 |
| \$500    | X | 6/12 | = | \$250 |

*Total Credit: \$500 + \$250 = \$750*