

INSTRUCTIONS FOR SCHEDULE K-88

For taxable years commencing after December 31, 2010, K.S.A. 79-32,266 provides a credit against the tax liability of a resident individual taxpayer in an amount equal to 95% of their income tax liability for Kansas source income received from a qualified company that is business income attributable to business activities conducted at the business facility, office, department or other operation relocated to Kansas. The taxpayer must own the qualified company and materially participate in such business activities conducted at the relocated business facility, office, department or other operation of the qualified company which qualified for benefits under the provisions of subsection (a)(1) of K.S.A. 74-50, 212, and amendments thereto.

On or after January 1, 2013, this credit shall not be available to any taxpayer that makes a modification to income under K.S.A. 79-32,117(b)(xix) or K.S.A. 79-32,117(c)(xx).

PART A PEAK AND MATERIAL PARTICIPATION TEST

LINE 1: Your qualified company must have a signed PEAK incentive agreement with the Kansas Department of Commerce (KDOC) in order for you, the owner, to claim this credit.

LINE 2: Answer the seven questions in line 2 to determine if you, the owner or part owner of the qualified business, materially participated in the business. You must answer yes to at least one of the seven questions to qualify for this credit.

PART B – GENERAL INFORMATION

LINE 3: Enter the name and employer identification number of the business that meets all the PEAK qualifications and has signed an incentive agreement with KDOC.

LINE 4: Enter the address for the qualified company.

LINE 5: Enter the date the qualified company began operations at the address listed on line 4.

LINE 6: The business must have relocated a business facility, office, department or other operation from a location outside of Kansas to a location in Kansas. If the business was not located outside of Kansas you do not qualify for the Owners PEAK tax credit.

PART C – COMPUTATION OF CREDIT

LINE 7: Enter the total of all business income apportioned to Kansas. If all of your business income is from Kansas only, enter that amount on line 7 as Kansas business income and go on to line 8. If your business income is from both in Kansas and outside of Kansas you will need to complete a Kansas business income apportionment schedule to calculate the total of all your business income that is apportioned to Kansas (this may have already been completed at the business level). You may use the Kansas Corporation Apportionment Schedule, K-120AS, for the calculation. Visit KDOR's website at ksrevenue.org for more information on apportioning Kansas business income. This must be done before apportioning the PEAK qualified business income derived for the qualified business relocated to Kansas.

LINE 8: To determine your PEAK qualified business income apportionment factor you will need to complete the Qualified Company Apportionment Schedule, PART D. See instructions for PART D.

LINE 9: Multiply line 7 by line 8 and enter result. This is the business income attributable to business activities conducted

at the business facility, office, department or other operation relocated to Kansas.

LINE 10: Enter the percentage that represents your proportionate share in the partnership, S corporation, LLC or LLP. All other taxpayers: Enter 100%.

LINE 11: Multiply line 9 by line 10. This will be the owner's share of income.

LINE 12: Use amount on line 11 and the tax computation schedule provided to calculate the Kansas tax liability attributed to the income of the qualified business. Enter result on line 12.

LINE 13: Multiply line 12 by 95%. This is your share of the Owners PEAK credit.

LINE 14: Your Kansas tax liability after any *other states' tax credit(s)* and/or *child care credit*. From your Form K-40, subtract lines 13 and 14 from line 12 and enter result.

LINE 15: Total credit. Enter amount from line 13 or line 14, whichever is less. Also enter this amount on line 15 of Form K-40.

PART D – QUALIFIED COMPANY APPORTIONMENT SCHEDULE (QCAS)

To determine the business income attributable to the business activity conducted at the qualified business relocated to Kansas, the business income determined in PART C, line 7 must be multiplied by a three-factor formula comprised of the PEAK location Kansas property, payroll and sales factors divided by total Kansas property, payroll and sales factors.

The **property factor** is a fraction, the numerator of which is the average value of the company's real and tangible personal property owned or rented and used during the tax period at such relocated facility, office, department or other relocated operation in Kansas, and the denominator of which is the average value of the company's real and tangible personal property owned or rented and used within this state during the tax period. (Rented property is equal to the sum of; total rented property at the beginning of the year plus total rented property at the end of the year divided by 2. Multiply the result of this by 8.)

The **payroll factor** is a fraction, the numerator of which is the total amount paid during the tax period by the company for compensation at such relocated facility, office, department or other relocated operation in Kansas, and the denominator of which is the total compensation paid by the company in this state during the tax period.

The **sales factor** is a fraction, the numerator of which is the total sales of the relocated facility, office, department or other relocated operation in this state during the tax period, and the denominator of which is the total sales of the company in this state during the tax period.

TAXPAYER ASSISTANCE

For assistance in completing this schedule contact KDOR:

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*****The K-88 can only be filed electronically*****