UMKC residents of KS - New refund for 1% KCMO earnings tax

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Dear Colleagues:

If you reside in Missouri, this e-mail is of no use to you. The delete key is your friend.

If you reside in Kansas, this email contains links and instructions to get a refund from the State of Kansas for some or all of the 1% Kansas City Earnings Tax that was imposed on your UMKC compensation.

I ran the numbers with my own income tax returns. For the year 2012, it looks like I’m entitled to a refund equal to 100% of the 1% Kansas City earning tax that was withheld from my paycheck. So I will make a claim for that year. For the years 2013 and 2014, there was only a $4 (yes, four dollar) refund, so I will not change my Kansas returns filed for those years.

My thanks to Prof Levit for alerting me to this development. I was out of the area when the news broke.

The rest of this document contains a brief explanation of the change in the law, as well as links to the documents that you will need to file to get your refund.

Just trying to be helpful.

With Best Wishes,

Chris Hoyt

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WHY ARE YOU ELIGIBLE TO GET THIS REFUND ?

Residents of Kansas must pay Kansas income tax on wages that they earn in another state, such as Missouri. However, Kansas residents can claim a credit against their Kansas income tax liability for the income taxes that were paid to Missouri on those wages earned in Missouri.

All of us Kansas residents have been claiming a credit on our Kansas income tax returns for the 6% Missouri income tax imposed on our UMKC wages. But a recent US Supreme Court decision concluded that we are entitled to claim a credit for both the 6% Missouri state income tax and the 1% Kansas City Earnings Tax that was imposed on your UMKC compensation. So, oversimplified, you are entitled to a 7% credit on your Kansas income tax return for your UMKC wages rather than just a 6% credit.

On August 10, 2015, the Kansas Department of Revenue formally agreed that Kansas residents can amend their Kansas income tax returns to claim a credit for taxes paid to a local jurisdiction, such as Kansas City. Here is a link to Notice 2015-15:

<http://www.ksrevenue.org/taxnotices/notice15-15.pdf>

WHAT YEARS CAN YOU GET A REFUND FOR ?

The general statute of limitations for a tax return is three years. So you can amend your 2012, 2013 and 2014 Kansas income tax returns. If, however, you filed for an extension on your 2011 income tax return, you might also be able to amend your 2011 Kansas income tax return if you act quickly.

MAYBE YOU WILL ONLY GET A REFUND FROM YOUR 2012 KANSAS TAX RETURN

In the year 2012, the highest marginal Kansas income tax rate (6.45%) was higher than the highest Missouri income tax rate of 6%. By amending your 2012 return and claiming credit for a 7% tax rate (Missouri 6% plus KCMO 1%) that was imposed on your UMKC compensation, you might qualify for a refund of some of your 2012 Kansas income tax.

By comparison, the highest Kansas income tax rate in 2013 fell to 4.9%. That is less than the 6% Missouri rate that you claimed as a credit on your Kansas income tax return for 2013. Trying to claim a larger 7% tax credit might not produce any Kansas refunds for years 2013 or 2014. Consequently, may I suggest that you start by amending your 2012 Kansas income tax return before you do the computations to see whether you qualify for refunds on your 2013 and 2014 Kansas income tax returns.

**WHAT DO I HAVE TO DO TO GET A REFUND?**

**You will need to file an amended Kansas income tax return, and then attach four additional documents.** Here are instructions for amending your 2012 Kansas income tax return. Then repeat for 2013 and 2014.

**Amend Your Kansas Income Tax Return for 2012:**

Here is a link to the 2012 Kansas Form 40.

<http://www.ksrevenue.org/pdf/k-4012.pdf>

Locate your original Kansas Form 40 from the year 2012.

Enter the numbers from your original Form 40, up to line 12.

Then make changes on these lines and carry the numerical changes through the amended return:

\* Front page: AMENDED RETURN (Check box: Amended affects Kansas only)

\* Line 13 – Credit for taxes paid to other states [compute the number from the WORKSHEET, described below in “**(3)**”]

\* Line 25 - Payment remitted with original return (if tax was due on your original 2012 return)

\* Line 26 - Overpayment from original return (if you had a refund on your original 2012 return)

**What are the four documents I have to attach to the amended Kansas return?**

Here are the instructions contained in Notice 2015-15 from the Kansas Department of Revenue.

<http://www.ksrevenue.org/taxnotices/notice15-15.pdf>

I inserted explanatory text *in italics* and added links so you can get the documentation that you will need.

“Any taxpayer claiming a credit for income taxes paid to another state which includes tax paid to a local jurisdiction within that state should include with the Kansas return:

**(1) a copy of the income tax return filed with other state;**

[*Attach a copy of your 2012 Missouri income tax return]*

**(2)** a copy of the income or earnings tax return filed with the local jurisdiction **(or, if not required to be filed with the local jurisdiction, a copy of the completed return showing the amount of tax paid to the local jurisdiction**);

[ *Note: You probably did not file a Kansas City return. You probably were not required to do so.*

*“Do not file this form if your 1% earnings tax is fully withheld by your employer.”*

*But to get the refund from Kansas, it looks like you should probably fill out Kansas City Form RD-109. State that it is for the period January 1, 2012 to December 1, 2012, and attach it to your amended Kansas income tax return. Use Form RD-109 rather than Form RD-109NR (non-resident). Here is a link to the Kansas City form:*

http://kcmo.gov/wp-content/uploads/sites/12/2015/01/RD-109Rev.09-12.pdf

**(3)** a copy of the **Worksheet for Credit Calculation (from the instructions for Kansas Form K-40),**

*[For the worksheet instruction “*Amount of 2012 tax actually paid to the other state” , *insert the total of BOTH*

*\* the State of Missouri tax liability from your 2012 Missouri income tax return*

*AND*

*\*the amount of KC earnings tax that you paid the City of Kansas City, as reported on your W-2 Form for the year 2012. The KC amount should be 1% of your taxable UMKC wages for the year 2012.*

*The worksheet for 2012 appears on page 10 of this link, with some instructions on page 9*

<http://www.ksrevenue.org/pdf/ip12.pdf>

and; **(4) a copy the federal W-2 form.**

“This is true for both returns filed for tax year 2015 and future tax years, and for amended returns filed to claim a refund for a prior tax year within the applicable statute of limitations. An amended Kansas return, including the above documentation, will be required for each prior tax year for which the credit is sought.”

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Hope that this is helpful!

With Best Wishes,

Chris Hoyt

**SUMMARY LINKS TO ALL FORMS FOR YEARS 2012, 2013 and 2014:**

**2012 KANSAS RETURNS**

Form K-40

[http://www.ksrevenue.org/pdf/k-4012.pdf](file:///C%3A%5CUsers%5Cwardsmithp%5CAppData%5CLocal%5CMicrosoft%5CWindows%5CTemporary%20Internet%20Files%5CContent.Outlook%5CJ89Z936M%5C_blank)

Instructions – **Worksheet** on page 10

[http://www.ksrevenue.org/pdf/ip12.pdf](file:///C%3A%5CUsers%5Cwardsmithp%5CAppData%5CLocal%5CMicrosoft%5CWindows%5CTemporary%20Internet%20Files%5CContent.Outlook%5CJ89Z936M%5C_blank)

KCMO Form RD-109

[http://kcmo.gov/wp-content/uploads/sites/12/2015/01/RD-109Rev.09-12.pdf](file:///C%3A%5CUsers%5Cwardsmithp%5CAppData%5CLocal%5CMicrosoft%5CWindows%5CTemporary%20Internet%20Files%5CContent.Outlook%5CJ89Z936M%5C_blank)

**2013 KANSAS RETURNS**

Form K-40

[http://www.ksrevenue.org/pdf/k-4013.pdf](file:///C%3A%5CUsers%5Cwardsmithp%5CAppData%5CLocal%5CMicrosoft%5CWindows%5CTemporary%20Internet%20Files%5CContent.Outlook%5CJ89Z936M%5C_blank)

Instructions – **Worksheet** on page 8

[http://www.ksrevenue.org/pdf/ip13.pdf](file:///C%3A%5CUsers%5Cwardsmithp%5CAppData%5CLocal%5CMicrosoft%5CWindows%5CTemporary%20Internet%20Files%5CContent.Outlook%5CJ89Z936M%5C_blank)

KCMO Form RD-109

[http://kcmo.gov/wp-content/uploads/sites/12/2015/01/RD-109Rev.09-12.pdf](file:///C%3A%5CUsers%5Cwardsmithp%5CAppData%5CLocal%5CMicrosoft%5CWindows%5CTemporary%20Internet%20Files%5CContent.Outlook%5CJ89Z936M%5C_blank)

**2014 KANSAS RETURNS**

Form K-40

[http://www.ksrevenue.org/pdf/k-4014.pdf](file:///C%3A%5CUsers%5Cwardsmithp%5CAppData%5CLocal%5CMicrosoft%5CWindows%5CTemporary%20Internet%20Files%5CContent.Outlook%5CJ89Z936M%5C_blank)

Instructions – **Worksheet** on page 8

[http://www.ksrevenue.org/pdf/ip14.pdf](file:///C%3A%5CUsers%5Cwardsmithp%5CAppData%5CLocal%5CMicrosoft%5CWindows%5CTemporary%20Internet%20Files%5CContent.Outlook%5CJ89Z936M%5C_blank)

KCMO Form RD-109

[http://kcmo.gov/wp-content/uploads/sites/12/2015/01/RD-109Rev.09-12.pdf](file:///C%3A%5CUsers%5Cwardsmithp%5CAppData%5CLocal%5CMicrosoft%5CWindows%5CTemporary%20Internet%20Files%5CContent.Outlook%5CJ89Z936M%5C_blank)