Kansas Administrative Regulations

Kansas Department of Revenue

Article 12.—Income Tax

92-12-20. Change from accrual to installment method of accounting.

If for any tax year beginning after December 31, 1967, the taxpayer is allowed or required to change from the accrual to the installment method of accounting to comply with K.S.A. 1967 Supp. 79-32,114 (c) or (d) (i), no part of the installments collected in the year of the change or thereafter may be excluded from income, even though the income reported before the year of change had already reflected the amount of the sales including such installments. Therefore, for the year of change or subsequent years, (such years being referred to as the adjustment years) in which such amounts are reflected in income the second time, the tax for such year of change or subsequent year shall be reduced by an adjustment computed as follows:

(1) Determine separately the portion of the tax for each taxable year before the year of change which is attributable to the gross profit from installment sales which was included in gross income in that year and which is also includable in gross income for any adjustment year;

(2) Determine separately the portion of the tax for each adjustment year which is attributable to the gross profit described in subdivision (1) of this regulation;

(3) Select for each adjustment year the lesser of the amounts determined under subdivisions (1) and (2) of this regulation;

(4) The tax imposed in any adjustment year shall be reduced by the amount as determined in subdivision (3) of this regulation or the sum of all such amounts if more than one prior taxable year is involved.

The portion of the tax for any taxable year attributable to the gross profit described in subdivision (1) of this regulation shall be that proportion of the tax determined for such year, without regard to the adjustments under this regulation, which the gross profit included in gross income in the prior year and includable in gross income for the adjustment year bears to the gross income of such prior year.

(Authorized by K.S.A. 79-3236, K.S.A. 1967 Supp. 79-32,114; effective Jan. 1, 1968.)