**Opinion Letter**

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| **Letter Number:** | **O-2000-008** |

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| **Tax Type:** | **Individual Income Tax** |
| **Brief Description:** | **Amounts received under the community service program.** |
| **Keywords:** |  |
| **Approval Date:** | **04/25/2000** |

**Body:**

Office of Policy & Research

April 25, 2000

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XXX

Dear XXX:

Thank you for your letter of March 13, 2000 regarding the community service program.

You have posed two questions in your letter in regards to the amount received by the assignor to be included as income and any income to be reported by the assignee.

Question 1: Is the full amount of money that the nonprofit organization (the assignor) receives by assigning a credit considered taxable income or is it the amount in excess of its donation to the qualified community service organization?

Answer: K.S.A. 79-32,197a provides in part:

“The amount received by the assignor of such tax credit shall be taxable as income of the assignor, . . . ” (emphasis added)

Therefore, if the nonprofit organization (assignor) receives $400 for the assigning of a tax credit valued at $500, the amount of $400 must be reported as Kansas income to the nonprofit organization (assignor), only if that nonprofit organization is required to file a federal return and therefore then required to file a Kansas return.

Question 2: In making a determination about the amount of taxable income of the assignee, how is the value of the credit determined? Is it the face value of the credit or is it the original cost of obtaining the credit, i.e., twice the face value for contributions made to urban community service organizations, and ten/sevenths of the face value for contributions made to rural community service organizations?

Answer: An example may be best to explain the answer. Assume a nonprofit organization makes a contribution of $1,000 to a community service organization located in an urban area and receives a credit in the amount of $500. The nonprofit organization then sells the credit to a Kansas business entity (assignee) for $400. Your question is: Is the value of the credit the actual amount of credit ($500) or the original cost of obtaining the credit by the nonprofit organization making the contribution ($1,000)?

K.S.A. 79-32,197a provides in part:

“ . . . and the excess of the value of such credit over the amount paid by the assignee for such credit shall be taxable as income of the assignee.” (emphasis added)

The value of the credit is the actual amount of credit ($500). Therefore, the Kansas business entity (assignee) will be allowed a tax credit in the amount of $500 and must report $100 as taxable income (the excess of value of the credit ($500) over the amount paid by the assignee to receive the credit ($400)).

If I may be of further assistance, please contact me at your earliest convenience.

Sincerely,

Kathleen M. Smith, Tax Specialist
Office of Policy and Research

**Date Composed: 04/25/2000 Date Modified: 10/10/2001**