**Final Written Determination**

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| **Docket Number:** | **WFD-P-2001-4** |

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| **Tax Type:** | **Corporate Income Tax** |
| **Brief Description:** | **Dispute of calculation methodology.** |
| **Keywords:** |  |
| **Approval Date:** | **07/06/2001** |

**Body:**

**Office of Administrative Appeals**

July 6, 2001

**Written Final Determination, Docket No. 00-497**

On September 15, 2000, the Taxpayer timely filed a written request for an informal conference with the Kansas Secretary of Revenue (Secretary). This was in response to a Notice of Final Assessment dated July 20, 2000 from the Kansas Department of Revenue (Department).  
  
The Internal Revenue Service (IRS) conducted an examination of the Taxpayer’s federal tax returns for the years 1989 through 1994, inclusive. At the conclusion of the examination an IRS Revenue Agent’s Report (RAR) was issued to the Taxpayer. The Taxpayer then provided a copy of the RAR together with amended returns based on the adjustments to the Department. The returns indicated that the Taxpayer overpaid in 1989, 1990, 1991 and 1993, and underpaid in 1992 and 1994. The Department’s analysis of the amended returns resulted in a net cumulative assessment of $636,217.00 in tax for the 1989 through 1994 period. During this same period the Taxpayer was credited with $740,546.00 in interest from overpayments. The Department continued to charge interest on the April 15, 1995 tax balance of $636,217.00 through September 15, 2000. The additional interest on tax owed of $367,415.00 was then deducted from the Taxpayer’s interest credit of $740,546.00 to leave the Taxpayer an interest credit balance of $373,131.00. The deduction of the $373,131.00 interest credit from the $636,217.00 April 15, 1995 tax balance resulted in a total net tax and interest due of $263,086.00, the amount of the Department’s assessment. The Department did not assess a penalty.  
  
The Taxpayer disputes the calculation methodology used by the Department at the end of the RAR period and contends that the Department should have offset the April 15, 1995 tax balance of $636,217.00 with its $740,564.00 interest credit from the overpayments. This would have entitled the Taxpayer to a $104,329.00 refund of the remaining interest credit.  
  
Upon review it appears that once the amount of the net cumulative tax was determined at the end of the tax periods on April 15, 1995, the Department should have offset the tax at that time with the Taxpayer’s cumulative interest credit from the overpayments. The Taxpayer’s interest credit was greater than its net cumulative tax. The application of the offset to the tax due would have left the Taxpayer with an interest credit balance. The amount of the interest credit balance would not accrue interest because the Department is not authorized to pay interest on interest.  
  
Upon reconsideration of all of the facts and issues underlying the Taxpayer’s request for an informal conference, it is the final determination of the Secretary’s Designee that the net cumulative tax of $636,217.00 owed by the Taxpayer on April 15, 1995 be offset by its $743,743.00 interest credit from the overpayments. The $107,526.00 balance consisting of interest only shall be refunded to the Taxpayer without interest. (Note: the correction of a calculation error increased the amount of the interest credit)  
  
  
  
Sincerely,  
  
  
  
David J. Heinemann  
Secretary’s Designee  
  
  
**Date Composed: 07/12/2001 Date Modified: 10/09/2001**

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