

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): January 23, 2006

Kirby Corporation

(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction
of incorporation)

1-7615
(Commission
File Number)

75-1884980
(IRS Employer
Identification No.)

55 Waugh Drive, Suite 1000
Houston, Texas 77007
(Address of principal executive offices)

Registrant's telephone number, including area code: (713) 435-1000

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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2005 Bonuses

On January 23, 2006, the Compensation Committee of Kirby's Board of Directors awarded discretionary bonuses to the Company's Chief Executive Officer and four other most highly compensated executive officers (the "named executive officers") under the Company's incentive bonus plan for 2005.

The Company's 2005 incentive bonus plan is based on the achievement of three equally weighted performance measures by each of the Company's three business groups — inland marine transportation, diesel engine services and offshore marine transportation — and by the Company as a whole. The three performance measures are EBITDA (net earnings before interest expense, taxes on income, depreciation and amortization), return on total capital and earnings per share.

At the beginning of the year, the Compensation Committee established objectives for each of the three performance measures for the year, based on the budget for the year approved by the Board of Directors. A target bonus expressed as a percentage of base salary was established for each participant. There is a range of possible bonuses under the plan, with no bonus earned unless at least 80% of the target performance is achieved and a maximum possible award of 200% of the target bonus if 120% of the target performance is achieved. Bonuses for employees of the Company itself (a holding company which conducts operations through its subsidiaries) are based entirely on the performance of the Company as a whole. Bonuses for the heads of the Company's business groups are based 50% on the performance of the business group and 50% on overall Company performance. Bonuses for all other employees in a business group are based 70% on the performance of the business group and 30% on Company performance.

Seventy-five percent of each participant's bonus is based on the achievement of the target performance by the Company and its business groups for the year (shown as the "formula bonus" in the table below); 25% of each participant's bonus is allocated based on a discretionary assessment of individual performance for the year (shown as the "discretionary bonus" in the table below).

At its January 23 meeting, the Compensation Committee awarded the full discretionary 25% of the bonus award to each named executive officer. The total bonuses earned by each named executive officer for 2005 were as follows:

<u>Officer</u>	<u>Formula Bonus</u>	<u>Discretionary Bonus</u>
Joseph H. Pyne President and Chief Executive Officer	\$ 645,802	\$ 215,267
C. Berdon Lawrence Chairman of the Board	\$ 494,189	\$ 164,730
Stephen P. Valerius President, Kirby Inland Marine, LP	\$ 290,562	\$ 96,854
Norman W. Nolen Executive Vice President, Treasurer and Chief Financial Officer	\$ 236,903	\$ 78,967
Mark R. Buese Senior Vice President- Administration	\$ 182,233	\$ 60,744

2006 Target Bonuses

For 2006, the Compensation Committee modified the annual incentive plan to identify a fourth business group, Osprey Line, L.L.C., approved EBITDA, return on total capital and earnings per share as the three performance measures under the plan for 2006 and set the target bonuses for participants in the annual incentive plan, including target bonuses at the following percentages of base salary for the named executive officers:

Joseph H. Pyne President and Chief Executive Officer	90%
C. Berdon Lawrence Chairman of the Board	90%
Steven P. Valerius President of Kirby Inland Marine, LP	70%
Norman W. Nolen Executive Vice President, Treasurer and Chief Financial Officer	70%
Mark R. Buese Senior Vice President-Administration	70%

The range of possible bonuses under the plan and the weighting between Company and business group performance remain the same as they were for 2005.

Item 9.01. Financial Statements and Exhibits.

(c) Exhibits

**Exhibit
Number**

Description of Exhibit

10.1 Annual Incentive Plan Guidelines (2006 Plan Year)

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated January 27, 2006.

KIRBY CORPORATION
(Registrant)

By /s/ G. Stephen Holcomb
G. Stephen Holcomb
Vice President

EXHIBIT INDEX

**Exhibit
Number**

Description of Exhibit

10.1 Annual Incentive Plan Guidelines (2006 Plan Year)



ANNUAL INCENTIVE PLAN

2006 Plan Year

Guidelines

KIRBY CORPORATION

January 2006

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Introduction

Kirby Corporation established its Annual Incentive Plan to focus employees on identifying and achieving business strategies that will grow the business and lead to an increase in shareholder value. The Annual Incentive Plan is also intended to reward superior performance by employees, for their contributions toward achieving Kirby's objectives. This program may be offered, in whole or in part, to wholly owned subsidiaries of the Company, at the Company's discretion.

Certain aspects of this Bonus Plan are complex. Although these guidelines establish rules for Plan operation, those rules may not work in all cases. Therefore, the Compensation Committee of the Kirby Board of Directors shall have the discretionary authority to interpret, and if determined appropriate, deviate from the Guide to insure that the awards are consistent with the Plan's purposes and the Company's interests. All decisions by the Compensation Committee shall be final and binding.

This Plan, or any part thereof, may be amended, modified, or terminated at any time, without prior notice, by written authorization of the President and Chief Executive Officer of the Company.

This Plan supercedes all prior annual incentive bonus plans or programs maintained by the Company.

The initial Plan became effective January 1, 2003.

The Annual Incentive Plan

The Annual Incentive Plan is an award for total Company performance, and for the performance of our four Business Groups; Kirby Inland Marine, Kirby Engine Systems, Dixie Offshore Transportation and Osprey, Line. Awards are 75% formula-driven and 25% driven by individual performance, and are based on achieving Company, Business Group and individual performance objectives.

Performance Measurement Period

Performance is measured on a calendar year basis for the Annual Incentive Plan. The Performance Period begins on January 1 and ends on December 31.

Eligibility

- Generally, shore staff managerial employees in salary grades 15 and above, and Wheelhouse employees classified as Captain, Relief Captain or Pilot, will be eligible for consideration to be participants. Selection for participation in the Plan will be based upon each position's ability to impact long-term financial results of the Company. Consequently, all employees in positions at salary grades 15 and above might not be included in the Plan, and employees in positions below salary grade 15 might be included.
- In order to be eligible to receive an award participants must be employed on the last day of the Performance Period, and on the date bonuses are actually paid for the respective Performance Period, unless their earlier termination is due to death, normal retirement¹ or disability¹.
- It should also be noted that participation in the Bonus Plan in one year does not guarantee participation in future years. Participants in the Plan will be notified annually of their selection for participation.

¹ Normal retirement or disability as defined for shore based employees in the Company's Profit Sharing Plan, and as defined for wheelhouse employees in the Vessel Pension Plan

Plan Objectives

The Annual Incentive Plan has five key objectives:

- Provide an annual incentive plan that drives performance toward objectives critical to creating shareholder value.
- Offer competitive cash compensation opportunities to key Kirby employees.
- Award outstanding achievement among employees who can directly affect Kirby's results.
- Assist Kirby in attracting and retaining high quality employees.
- Reflect both quantitative and qualitative performance factors in actual bonus payouts.

Performance Measures

The performance measures for the Annual Incentive Plan are:

- EBITDA
- Return on Total Capital
- Earnings per share

Annual performance targets will be established for each measure based on Kirby's projected budget, and individual bonus payments will be based on a combination of Company performance and individual performance.

Participants will receive 75% of their award based on Company performance in achieving the three performance measures, with the remaining 25% based on an assessment of individual performance for the year.

Each of the performance measures will have equal weight in calculating the bonus payout pool.

Corporate & Business Group Weighting

The Annual Incentive Plan bonus is calculated at the end of the year based on the performance of Kirby and the performance of our four Business Groups, Kirby Inland Marine, Kirby Engine Systems, Dixie Offshore Transportation and Osprey Line, relative to objectives established at the beginning of the year.

The award for Business Group employees will be primarily tied to Business Group performance, with a defined portion tied to Company performance.

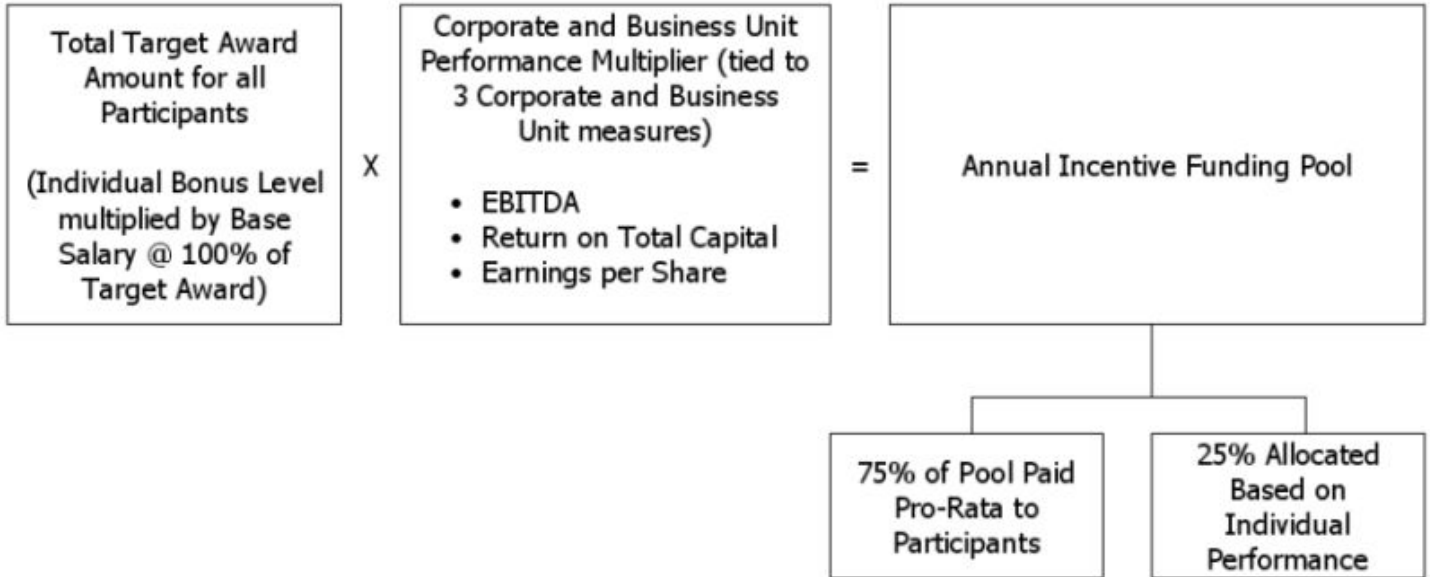
The award for Corporate employees will be tied entirely to total Kirby performance.

	Annual Incentive Plan Calculation	
	Incentive Bonus Calculation %	
	Kirby (Company)	Business Group
All Corporate Employees	100%	0%
Business Group Employees (Inland, Engine Systems, Offshore and Osprey)	30%	70%
Inland & Engine Systems Presidents	50%	50%

Individual Bonus Targets

Each participant will be assigned a bonus level which is based on competitive market practices, as well as the employee’s ability to impact long-term Company performance. Market practices will be determined using data from either general industry, the marine transportation industry, or the diesel repair industry, depending upon the individual position being considered. It is the Company’s intent that salary plus target annual bonus be positioned to provide a competitive market opportunity for target performance.

Annual Incentive Plan Concept



Performance Measures and Weighting

Measure	Weight
n EBITDA (Earnings Before Interest, Taxes, Depreciation and Ammortization)	33-1/3%
n Return on Total Capital (Earnings before interest and taxes divided by average beginning and ending shareholders equity plus long-term debt)	33-1/3%
n Earnings per Share	33-1/3%
	100%

Performance Standards & Award Opportunities

Performance Level	Definition	Relationship to Budget	% of Target Earned
Threshold	Minimal acceptable performance for payout	80% of Budget	50%
Target	Expected performance at a stretch level	100% of Budget	100%
Maximum	Outstanding performance	120% of Budget	200%

Performance must be at least to Threshold to earn a bonus payment.

Example Award Calculation

Performance Objectives	Performance Standards				Example Calculation			
	Below Threshold	Threshold	Target	Maximum	Assumed Actual Results (% Budget Achieved)	Percent of Target Award Earned	Objective Weight	Weighted Percent of Target Award Earned
Percent of Target Award Earned:	0%	50%	100%	200%				
EBITDA (% Budget Achieved)	< 80%	80%	100%	120%	90%	75%	33-1/3%	25%
Return on Total Capital (% Budget Achieved)	< 80%	80%	100%	120%	110%	150%	33-1/3%	50%
Earnings per Share (% Budget Achieved)	< 80%	80%	100%	120%	100%	100%	33-1/3%	33.3%
Total Percent of Target Awards Earned for Bonus Pool:								108.3%

- n As shown in the exhibit, actual performance on each objective results in a corresponding percent of target award earned.
- n The percents of target award earned for each objective are then multiplied by the weight for the objective, producing a weighted percent of target award earned for each objective.
- n The weighted percents of target award earned for all objectives are summed to produce a total percent of target awards earned. This factor, when multiplied by the sum of target bonuses for plan participants, equals the bonus funding pool.
- n 75% of the total pool is paid to participants pro-rata, based on their individual bonus level and their applicable base salary for the period.
- n The remaining 25% is awarded to participants based on individual performance.

Administration

Award Payout

A participant's Final Award is paid out in cash within 90 days following the end of the Company's fiscal year, based on audited financials.

Eligibility Limitation

Unless otherwise provided for as a special circumstance (below), selected participants must be employed by the Company on the last day of the Performance Period, and on the date bonuses are actually paid for the respective Performance Period, in order to be eligible to receive a bonus award.

Special Circumstances

Listed below are guidelines addressing termination and other events. The Committee will have the sole authority to resolve disputes related to Plan administration. Decisions made by the Committee will be final and binding on all participants.

New Employees. New employees hired after the beginning of a Performance Period who are selected for participation in the Plan, will receive prorated awards for the then current Performance Period, subject to the Termination of Employment restrictions.

Termination of Employment. If employment terminates before the end of the full Performance Period, or before the date bonuses are actually paid for the respective Performance Period, as a result of death, normal retirement³, or disability³, the participant (or the participant's heirs) will be entitled to receive a prorated award at the end of the Performance Period, based upon base wages earned while employed during the Performance Period.

If employment terminates prior to the last day of the applicable Performance Period, or prior to the date bonuses are actually paid for the respective Performance Period, for any reason other than death, normal retirement³, or disability³, the participant will be ineligible to receive an award.

³ Normal retirement or disability as defined for shore based employees in the Company's Profit Sharing Plan, and as defined for wheelhouse employees in the Vessel Pension Plan.

Transfer. A participant who is transferred between business units of the Company will be entitled to receive a weighted award based upon the time spent at each of the units. The weighted award is calculated by adding (1) the participant's prorated award for time spent at the first business unit, to (2) the participant's prorated award for time spent at the second business unit⁴.

Promotions. A participant who is promoted or reassigned during any Performance Period, and whose bonus target is subsequently increased or decreased, will be eligible to receive a weighted award. The award is calculated by adding (1) the prorated award for service before the promotion or reassignment, to (2) the prorated award for service after the promotion or reassignment⁴.

Compensation Committee

The Compensation Committee has the responsibility for the overall governance and administration of the Plan. In fulfilling its duties, the Committee will be responsible for interpreting the Plan and will rely on these guidelines in making all determinations that are necessary or advisable for administration of the Plan.

In administering the Plan the Committee will, on an annual basis:

- Approve the designation of Business Groups within the Company
- Approve the Performance Measures and the Threshold, Target and Maximum budget performance levels
- Approve linkage for participants to Company and Business Group performance
- Approve the Bonus Levels for all participants whose salaries are at or above \$100,000

President & CEO

The CEO will have primary responsibility for recommending Plan guidelines to the Committee, and for carrying out the administrative duties associated with annual award calculations. In addition, the Compensation Committee may delegate additional administrative duties to the CEO or any Company officer.

⁴ Company and Business Group performance factors are calculated using performance for the entire Performance Period.

CFO

The CFO will be responsible for calculating performance under the Plan and recommending adjustments to the performance objectives. In this capacity, the CFO will:

- Provide annual reports to the Compensation Committee and the CEO on each Business Group's performance at the end of the Company's fiscal year
- Maintain a financial information system that reports results on an estimated quarterly and annual basis
- Coordinate with the Company's auditors to properly recognize any accounting expense associated with awards under the Plan
- Provide the VP of Human Resources with the performance results of each Business Group as well as overall Company performance
- Calculate new Threshold, Target and Maximum performance objectives as required by the Plan

VP of Human Resources

The VP of Human Resources will have primary responsibility for the day-to-day administration of the Plan. In this capacity, the VP of Human Resources will:

- Develop and recommend Target Award Guidelines and eligible participants for each new Performance Period to the CEO for approval
- Coordinate communications with participants, including materials to facilitate understanding the Plan's objectives and goals
- Provide quarterly performance updates to Plan participants
- Calculate participants' awards, using the performance factors provided by the CFO
- Process paperwork approving individual award payments

Business Group Presidents and Vice Presidents

Business Group Presidents and Vice Presidents will:

- Recommend participants for each Performance Period
- Coordinate with the CFO to determine any significant changes in business conditions for purposes of reviewing the Threshold, Target and Maximum performance objectives
- Insure that participants are informed of the actual award earned for each Performance Period