

**GENERAL INSTRUCTIONS**

**Purpose of Form**

PA S corporations, partnerships and limited liability companies taxed as partnerships use PA-20S/PA-65 Schedule D to report the allocated gain (loss) from the sale, exchange or disposition of property within and outside of Pennsylvania.

**Net Gain (Loss) from the Sale, Exchange or Disposition of Property**

The PA S corporation or partnership must report the sale, exchange or disposition of capital assets and gains on the distribution of appreciated assets to its partners, members and shareholders (owners). The entity must report the gain on the sale, exchange or disposition of property to its owners in the year in which the amount realized from the conversion of the property into cash or other property exceeds the adjusted basis of the property. A loss is recognized only on transactions the PA S corporation or partnership entered into for profit and only in the taxable year in which the transaction, in respect to which loss is claimed, is closed and completed by an identifiable event that fixes the amount of the loss so there is no possibility of eventual recoupment.

Net gain or net income, less net loss, derived from the sale, exchange or disposition of property, including real property, tangible personal property, intangible personal property or obligations issued on or after the effective date of this amendatory act by the Commonwealth; any public authority, commission, board or other agency created by the Commonwealth; any political subdivision of the Commonwealth or any public authority created by any such political subdivision; or by the federal government as determined in accordance with accepted accounting principles and practices.

**NOTE:** Amounts from federal Schedule D and other federal forms may not be accurate for Pennsylvania personal income tax purposes.

Other issues that the PA S corporation or partnership must consider:

- Pennsylvania law recognizes capital gains distributions from mutual funds and other regulated investment companies as dividend income on the partner's/shareholder's (owner's) personal income tax return, not as gains on federal Schedule D.
- Adjusted Basis - The entity determines the basis of real, personal, tangible and intangible property it acquired on or after June 1, 1971, on the date of acquisition. The entity must adjust the basis of property it acquired before June 1, 1971, to reflect the property's value on that date. For determining a gain, the basis of such property is the greater of (1) the property's cost or other basis, as adjusted, or (2) the property's fair market value on June 1, 1971. For determining a loss, the basis of such property is the cost or other basis, as adjusted, without reference to its fair market value on June 1, 1971. For instructions on how to determine the basis of assets acquired on or before June 1, 1971, obtain REV-1742, Gain or Loss on Property Acquired Prior to June 1, 1971, PA Schedule D-71.

Report the kinds of transactions in the following table on PA-20S/PA-65 Schedule D. However, nonresident owners may or may not have to report the gains (losses).

Reporting Gain (Loss) From Federal Forms For Pennsylvania Personal Income Tax Purposes	
Federal Form Reference	Pennsylvania Personal Income Tax
Federal Form 4797: Sale or exchange of property used in trade or business and involuntary conversions from other than casualties or thefts - most property held more than one year. Ordinary gain (loss) includes property held one year or less.	Gain on the sale or exchange of property used in a business, profession, or farm and involuntary conversion from other than casualty or theft of business property and the proceeds reinvested and used to acquire similar property used in the same kind of business must be classified by the entity as business income used in determining the net profit (loss) of the PA S corporation or partnership. Otherwise it should be classified as PA-20S/PA-65 Schedule D gain. There are no provisions for the carryover of losses from one tax year to another year. Pennsylvania does not allow an offset of loss against gain from one class of income to another or between two taxpayers (i.e. spouses).
Federal Schedule D: Long-term and short-term capital gain (loss) is reported on federal Schedule K.	Pennsylvania makes no distinctions for capital gains, whether long-term or short-term. Such gain (loss) must be classified by the entity as either net profit (loss) of the PA S corporation or partnership, or PA-20S/PA-65 Schedule D gain. There are no provisions for the carryover of losses from one tax year to another year. PA does not allow an offset of loss against gain from one class of income to another or between two taxpayers (i.e. spouses).

**NOTE:** Gain (loss) from ordinary business transactions where the proceeds are reinvested in the same line of business is classified as incurred in the ordinary course and operations of the business, profession or other qualified activity. The determination of whether gain is classified as incurred in the ordinary course of operations of the business, profession or other qualified activity is a factual determination that requires a tracing of the sales' proceeds and the reinvestment of the proceeds in the same line of business as defined under the North American Industry Classification System (NAICS) code.

Refer to the Pennsylvania Personal Income Tax (PA PIT) Guide, Chapter 12 for the specific rules used to define a line of business under the North American Industry Classification System code.

The determination of whether gains are classified as incurred in the ordinary course of operations of the business, profession or qualified activity are not determined based on the character of the federal income. As an example, ordinary income recapture is not automatically classified as incurred in the ordinary course of operations of the business, profession or qualified activity. Likewise, as to the long-term and short-term federal classification as Schedule D gain:

- Aggregate federal gain (loss) from operations other than real estate is first aggregated and then classified for Pennsylvania personal income tax purposes as either Schedule D gain (loss) or net profit (loss).
- All aggregate federal gain (loss) that is not classified as net profits and reported on PA-20S/PA-65 Schedule M, Part A are adjusted for Pennsylvania/federal differences on the PA-20S/PA-65 Schedule D, Part I and PA-20S/PA-65 Schedule D, Part III.
- Gains from the disposal of IRC § 179 deductions reported on the federal Schedule K-1 should be addressed on PA-20S/PA-65 Schedule D, Part-I and PA-20S/PA-65 Schedule D, Part-III, Lines 6.
- Net IRC § 1231 gain (loss) from federal Form 4797 is reported on PA-20S/PA-65 Schedule M and/or PA-20S/PA-65 Schedule D. If IRC § 1231 gain (loss) is classified as PA-20S/PA-65 Schedule D gain, it is included in PA-20S/PA-65 Schedule D, Part-I and/or PA-20S/PA-65 Schedule D, Part-III and reported on Line 5. PA-20S/PA-65 Schedule D, Part-I and PA-20S/PA-65 Schedule D, Part-III also includes any other sales not included above. If IRC § 1231 gain (loss) is classified to net profits from a business, it is included in PA-20S/PA-65 Schedule M, Part A.

**SPECIFIC INSTRUCTIONS**

**PA-20S/PA-65 Schedule D-I**  
**PART I**

**Allocated Gain (Loss) from the Sale, Exchange or Disposition of Property Within Pennsylvania**

In Part I, enter the allocated gain (loss) from the sale, exchange or disposition of property within Pennsylvania.

Enter whole dollars only.

If this is an amended schedule, fill in the oval.

If Part I is blank, fill in the oval.

**Line 1. All Pennsylvania-Source Gain (Loss) included in Ordinary Business Income (Loss)**

Enter the amount reported on PA-20S/PA-65 Schedule M, Part A, Line 1, Column (e) (Pennsylvania-source gain (loss) only).

NOTE: On the PA-20S/PA-65 Schedule D, the sum of Part I, Line 1 and Part III, Line 1 will equal the amount reported on PA-20S/PA-65 Schedule M, Part A, Line 1, Column (e).

**Line 2. All Pennsylvania-Source Gain (Loss) included in Ordinary Net Rental/Royalty Income (Loss) from Federal Form 8825**

Enter the amounts reported on PA-20S/PA-65 Schedule M, Part A, Lines 2, 3, and 6, Column (e) (Pennsylvania-source gain (loss) only).

NOTE: On the PA-20S/PA-65 Schedule D, the sum of Part I, Line 2 and Part III, Line 2 will equal the amount reported on PA-20S/PA-65 Schedule M, Part A, Lines 2, 3 and 6, Column (e).

**Line 3. All Pennsylvania-Source Net Short-Term Capital Gain (Loss) from Federal Schedule D**

Enter the amount reported on PA-20S/PA-65 Schedule M, Part A, Line 7, Column (a) (Pennsylvania-source gain (loss) only).

NOTE: On the PA-20S/PA-65 Schedule D, the sum of Part I, Line 3 and Part III, Line 3 will equal the amount reported on the PA-20S/PA-65 Schedule M, Part A, Line 7, Column (a).

**Line 4. All Pennsylvania-Source Net Long-Term Capital Gain (Loss) from Federal Schedule D**

Enter the amount reported on PA-20S/PA-65 Schedule M, Part A, Line 8, Column (a) (Pennsylvania-source gain (loss) only).

NOTE: On the PA-20S/PA-65 Schedule D, the sum of Part I, Line 4 and Part III, Line 4 will equal the amount reported on the PA-20S/PA-65 Schedule M, Part A, Line 8, Column (a).

**Line 5. All Other Pennsylvania-Source Net IRC § 1231 Gain (Loss) Reported on Federal Form 4797 not Listed Above**

Enter the amount reported on PA-20S/PA-65 Schedule M, Part A, Line 10, Column (e) (Pennsylvania-source gain (loss) only).

NOTE: On the PA-20S/PA-65 Schedule D, the sum of Part I, Line 5 and Part III, Line 5 will equal the amount reported on the PA-20S/PA-65 Schedule M, Part A, Line 10, Column (e).

**Line 6. All Pennsylvania-Source Gain (Loss) from the Disposition of IRC § 179 Property**

Enter the amount reported on PA-20S/PA-65 Schedule M, Part A, Line 9, Column (e) (Pennsylvania-source gain or loss only).

NOTE: On the PA-20S/PA-65 Schedule D, the sum of Part I, Line 6 and Part III, Line 6 will equal the amount reported on the PA-20S/PA-65 Schedule M, Part A, Line 9, Column (e).

**Line 7. Capital Gains Distributions Taxed as Dividends**

Enter the amounts reported on PA-20S/PA-65 Schedule M, Part A, Lines 7 and 8, Column (d).

**Line 8. Total Pennsylvania-Source Federal-Realized and Recognized Reportable Gain (Loss) Before Classification and/or Adjustment Amounts for Pennsylvania Personal Income Tax Purposes**

Add Lines 1 through 6, minus Line 7. Enter the result on Line 8.

**Line 9. Pennsylvania-Source Gain (Loss) on Federal Non-Taxable Exchanges on IRC Sections 1031 and 1033**

Enter the Pennsylvania-source amount from federal Form 8824, like-kind exchanges. Pennsylvania does not recognize like-kind exchanges under IRC Sections 1031 and 1033. Report federal deferred gain (loss) on this line.

**Line 10. Total Pennsylvania-Source Federal Gain (Loss) Reportable for Pennsylvania Personal Income Tax Before Additional Classification and/or Adjustments**

Enter the sum of Lines 8 and 9.

**Line 11. Pennsylvania-Source Adjustment for Gain (Loss) Reflected on Part A of Schedule M for Business Income (Loss) (Net Profits from a Business, Profession or Farm)**

Enter the amounts reported on PA-20S/PA-65 Schedule M, Part A, Lines 7 and 8, Column (b) (Pennsylvania-source gain (loss) only).

**NOTE:** If the proceeds from assets sold have been reinvested back into the business operations and the business has the same North American Industry Classification System code, then the gain (loss) should be reflected as ordinary income.

**Line 12. Pennsylvania-Source Personal Income Tax Reportable Schedule D Gain (Loss) Before Pennsylvania Personal Income Tax Adjustments**

Enter the difference of Line 10 minus Line 11.

**Line 13. Net or Aggregate Pennsylvania-Source Personal Income Tax Adjustments for Schedule D Gain (Loss) From Transactions Requiring Adjustment for Pennsylvania/Federal Gain (Loss) Differences. Itemize in Part II of this Schedule.**

Full details must be provided on PA-20S/PA-65 Schedule D, Part II when there is a difference between PA/federal gain (loss) for assets disposed. Enter the sum of the aggregate difference in Pennsylvania/federal gain (loss) from PA-20S/PA-65 Schedule D, Part II on this line. Include any other difference in gain, e.g., an installment sale, on this line, and itemize on PA-20S/PA-65 Schedule D, Part II. Difference in Pennsylvania/federal gain (loss) equals Pennsylvania gain (loss) minus federal gain (loss).

If there is no difference between Pennsylvania/federal gain (loss) for assets disposed, fill in the "blank" oval on PA-20S/PA-65 Schedule D, Part II.

**Line 14. Net Adjustment to Arrive at Pennsylvania-Source Personal Income Tax Schedule D Reportable Gain (Loss)**

Enter the sum of Lines 12 and 13.

**Line 15. Pennsylvania-Source Partnership and PA S Corporation Gain (Loss) from PA-20S/PA-65 Schedules RK-1 and NRK-1**

Enter the amount of Pennsylvania-source gain (loss) from flow through entities.

**Line 16. Total Pennsylvania-Source Schedule D Net Gain (Loss) from Property Within Pennsylvania – Residents Only**

Enter the sum of Lines 14 and 15. Also enter this amount on the PA-20S/PA-65 Information Return, Page 1, Part III, Line 5b.

**Line 17. Pennsylvania-Source Adjustment for Gain (Loss) on Short-Term Portfolio Investments Not Used in Working Capital for Nonresidents Only**

Enter the amount of gain (loss) from the sale of intangible portfolio investments. Obtain this number from entity level books and records.

**Line 18. Total Pennsylvania-Source Schedule D Net Gain (Loss) From Property Within Pennsylvania (Nonresidents only)**

Enter the difference of Lines 16 and 17. Allocate this line to the PA-20S/PA-65 Schedules NRK-1 based on percentage interest.

**PA-20S/PA-65 Schedule D-II**  
**PART II**

**Sale, Exchange or Disposition of Property Within Pennsylvania**

On PA-20S/PA-65 Schedule D, Part II, enter the allocated gain (loss) from the sale, exchange or disposition of property within Pennsylvania, included on federal Schedule K line amounts.

Enter whole dollars only.

If this is an amended schedule, fill in the oval.

If Part II is blank, fill in the oval.

**NOTE:** Part II is blank if there is no difference in the gain (loss) on the federal return and the gain (loss) on the PA-20S/PA-65 Information Return.

**Type of Property:**

R = Real

S = Security

P = Personal

O = Other Intangible (not security)

**Lines 1 through 5.** The entity must take the gross sales price, less cost or other Pennsylvania basis, less Pennsylvania-allowed or allowable depreciation, to obtain the Pennsylvania gain (loss). Pennsylvania gain (loss) minus federal gain (loss) equals the difference between Pennsylvania/federal gain (loss). If any of the federal gain (loss) transactions require adjustment, list each transaction and show the differences in federal gain (loss). If the difference is negative, fill in the loss oval. The sum of all differences in Pennsylvania/federal gain (loss) fields must equal the amount reported on the PA-20S/PA-65 Schedule D, Part I, Line 13.

**PA-20S/PA-65 Schedule D-III**  
**PART III**

**Allocated Gain (Loss) from the Sale, Exchange or Disposition of Property Outside Pennsylvania**

On PA-20S/PA-65 Schedule D, Part III, enter the allocated gain (loss) from sale, exchange or disposition of property outside Pennsylvania.

Enter whole dollars only.

If this is an amended schedule, fill in the oval.

If Part III is blank, fill in the oval.

**PA-20S/PA-65 Schedule D**  
**Sale, Exchange or Disposition of Property**  
**Within/Outside of Pennsylvania**  
**Instructions**  
**PA-20S/PA-65 Schedule D (12-09)**



NOTE: The gain (loss) from the sale or disposition of an intangible asset is not Pennsylvania-source for nonresidents. This gain (loss) is reported on PA-20S/PA-65 Schedule D, Part III, Sale, Exchange or Disposition of Property Outside Pennsylvania.

**Line 1. All Outside Pennsylvania Gain (Loss) Included in Ordinary Business Income (Loss)**

Enter the amount reported on PA-20S/PA-65 Schedule M, Part A, Line 1, Column (e) (Outside Pennsylvania gain (loss) only).

NOTE: On the PA-20S/PA-65 Schedule D, the sum of Part I, Line 1 and Part III, Line 1 will equal the amount reported on PA-20S/PA-65 Schedule M, Part A, Line 1, Column (e).

**Line 2. All Outside Pennsylvania Gain (Loss) Included in Ordinary Net Rental/Royalty Income (Loss) From Federal Form 8825**

Enter the amounts reported on PA-20S/PA-65 Schedule M, Part A, Lines 2, 3, and 6, Column (e) (Outside Pennsylvania gain (loss) only).

NOTE: On the PA-20S/PA-65 Schedule D, the sum of Part I, Line 2 and Part III, Line 2 will equal the amounts reported on PA-20S/PA-65 Schedule M, Part A, Lines 2, 3 and 6, Column (e).

**Line 3. All Outside Pennsylvania Net Short-Term Capital Gain (Loss) From Federal Schedule D**

Enter the amount reported on PA-20S/PA-65 Schedule M, Part A, Line 7, Column (a) (Outside Pennsylvania gain (loss) only).

NOTE: On the PA-20S/PA-65 Schedule D, the sum of Part I, Line 3 and Part III, Line 3 will equal the amount reported on the PA-20S/PA-65 Schedule M, Part A, Line 7, Column (a).

**Line 4. All Outside Pennsylvania Net Long-Term Capital Gain (Loss) From Federal Schedule D**

Enter the amount reported on PA-20S/PA-65 Schedule M, Part A, Line 8, Column (a) (Outside Pennsylvania gain (loss) only).

NOTE: On the PA-20S/PA-65 Schedule D, the sum of Part I, Line 4 and Part III, Line 4 will equal the amount reported on the PA-20S/PA-65 Schedule M, Part A, Line 8, Column (a).

**Line 5. All Other Outside Pennsylvania Net IRC § 1231 Gain (Loss) Reported on Federal Form 4797 Not Listed Above**

Enter the amount reported on PA-20S/PA-65 Schedule M, Part A, Line 10, Column (e) (Outside Pennsylvania gain (loss) only).

NOTE: On the PA-20S/PA-65 Schedule D, the sum of Part I, Line 5 and Part III, Line 5 will equal the amount reported on the PA-20S/PA-65 Schedule M, Part A, Line 10, Column (e).

**Line 6. All Outside Pennsylvania Gain (Loss) From the Disposition of IRC § 179 Property**

Enter the amount reported on PA-20S/PA-65 Schedule M, Part A, Line 9, Column (e) (Outside Pennsylvania gain (loss) only).

NOTE: On the PA-20S/PA-65 Schedule D, the sum of Part I, Line 6 and Part III, Line 6 will equal the amount reported on the PA-20S/PA-65 Schedule M, Part A, Line 9, Column (e).

**Line 7. Capital Gains Distributions Taxed As Dividends**

Enter the amounts reported on PA-20S/PA-65 Schedule M, Part A, Lines 7 and 8, Column (d).

**Line 8. Total Federal-Realized and Recognized Outside Pennsylvania Reportable Gain (Loss) Before Classification and/or Adjustment Amounts for Pennsylvania Personal Income Tax Purposes**

Add Lines 1 through 6, minus Line 7. Enter the result on Line 8.

**Line 9. Outside Pennsylvania Gain (Loss) on Federal Non-Taxable Exchanges on IRC Sections 1031 and 1033**

Enter the outside Pennsylvania amount from federal Form 8824, like-kind exchanges. Pennsylvania does not recognize like-kind exchanges under IRC Sections 1031 and 1033. Report federal deferred gain (loss) on this line.

**Line 10. Total Outside Pennsylvania /Federal Gain (Loss) Reportable for Pennsylvania Personal Income Tax Before Additional Classification and/or Adjustments**

Enter the sum of Lines 8 and 9.

**Line 11. Outside Pennsylvania Adjustment for Gain (Loss) Reflected on PA-20S/PA-65 Schedule M, Part A, for Business Income (Loss) (Net Profits from a Business, Profession or Farm)**

Enter the amounts reported on PA-20S/PA-65 Schedule M, Part A, Lines 7 and 8, Column (b) (Outside Pennsylvania gain (loss) only).

NOTE: If the proceeds from assets sold have been reinvested back into the business operations and the business has the same North American Industry Classification System code, then the gain (loss) should be reflected as ordinary income.

**Line 12. Outside Pennsylvania Personal Income Tax Reportable Schedule D Gain (Loss) Before Pennsylvania Personal Income Tax Adjustments**

Enter the difference of Line 10 minus Line 11.

**Line 13. Net or Aggregate Outside Pennsylvania Personal Income Tax Adjustments for Schedule D Gain (Loss) From Transactions Requiring Adjustment for Pennsylvania/Federal Gain (Loss) Differences. Itemize in Part IV of this Schedule.**

Full detail must be provided on PA-20S/PA-65 Schedule D, Part IV when there is a difference between federal and PA gain (loss) for assets disposed. Enter the sum of the aggregate difference on this line. Include any other difference in gain, e.g., an installment sale, on this line, and itemize on PA-20S/PA-65 Schedule D, Part IV.

If there is no difference between Pennsylvania/federal gain (loss) for assets disposed, fill in the "blank" oval on PA-20S/PA-65 Schedule D, Part IV.

**Line 14. Net Adjustment to Arrive at Outside Pennsylvania Personal Income Tax Schedule D Reportable Gain (Loss)**

Enter the sum of Lines 12 and 13.

**Line 15. Outside Partnership and PA S Corporation Gain (Loss) from PA-20S/PA-65 Schedules RK-1 and NRK-1**

Enter the amount of outside Pennsylvania gain (loss) from pass through entities.

**PA-20S/PA-65 Schedule D**  
**Sale, Exchange or Disposition of Property**  
**Within/Outside of Pennsylvania**  
**Instructions**  
**PA-20S/PA-65 Schedule D (12-09)**



Line 16. Total Outside PA-20S/PA-65 Schedule D Net Gain (loss)  
From Property Outside Pennsylvania  
Enter the sum of Lines 14 and 15. Also enter this amount on the PA-  
20S/PA-65 Information Return, Part III, Line 5a.

PA-20S/PA-65 Schedule D-IV  
PART IV

**Sale, Exchange or Disposition of Property Outside Pennsylvania**  
In PA-20S/PA-65 Schedule D, Part IV, enter the allocated gain (loss)  
from the sale, exchange or disposition of property outside Pennsylvania,  
as included on federal Schedule K line amounts.

Enter whole dollars only.

If this is an amended schedule, fill in the oval.

If Part IV is blank, fill in the oval.

NOTE: PA-20S/PA-65 Schedule D, Part-IV is blank if there is no  
difference in the gain (loss) on the federal return and the gain (loss) on  
the PA-20S/PA-65 Information Return.

**Type of Property:**

R = Real                                      S = Security  
P = Personal                                O = Other Intangible (not security)

**Lines 1 through 5.** The entity must take the gross sales price, less cost  
or other Pennsylvania basis, less Pennsylvania-allowed or allowable  
depreciation, to obtain the Pennsylvania gain (loss). Pennsylvania gain  
(loss) minus federal gain (loss) equals the difference between  
Pennsylvania/federal gain (loss). If any of the federal gain (loss)  
transactions require adjustment, list each transaction and show the  
differences in federal gain (loss). If the difference is negative, fill in the  
loss oval. The sum of all differences in Pennsylvania/federal gain (loss)  
fields must equal the amount reported on the PA-20S/PA-65 Schedule  
D, Part III, Line 13.