

PA-20S/PA-65 Schedule H-Corp

Corporate Partner Apportioned

Business Income (Loss)

Instructions

PA-20S/PA-65 Schedule H-Corp (12-09)



WHAT'S NEW THIS YEAR

Top of Form

"Apportionment for (Tax Type)" and three check boxes were added at the top of the schedule:

- Capital Stock/Foreign Franchise and Corporate Net Income Taxes
- Capital/Stock/Foreign Franchise Tax Only
- Corporate Net Income Tax Only

Line Changes

- The multiplying factor for Table 1 was changed to 8.5
- The multiplying factor for Table 2 was changed to 8.5
- The multiplying factor for Table 3 was changed to 83

GENERAL INSTRUCTIONS

Purpose of Form

Partnerships are required to complete this schedule and provide a copy of the PA-20S/PA-65 Schedule H-Corp to all corporate partners who are business entities. The PA-20S/PA-65 Schedule H-Corp is used to calculate the apportionment for Line 14 of the PA-20S/PA-65 Schedule CP. All amounts not in agreement with information on federal Form 1065 must be reconciled.

The PA-20S/PA-65 Schedule H-Corp property, payroll and sales factors of this entity should be included with the other respective property, payroll and sales factors at the corporate level to determine the applicable corporate net income tax associated with the distributive share from the entity. This schedule should also be issued to limited liability companies and PA S corporations for capital stock/foreign franchise tax purposes.

IMPORTANT: The PA-20S/PA-65 Schedule H-Corp is for information purposes only for partners who are business entities. **Do not** use PA-20S/PA-65 Schedule H-Corp to arrive at the calculations for non-corporate partners or members income. The PA-20S/PA-65 Schedule H-Corp must be completed and distributed to partners who are business entities. You may make photocopies of this schedule.

Apportionment for Tax Type

In situations where a corporate taxpayer has an investment in a business entity subject to capital stock/foreign franchise tax, but not subject to corporate net income tax (i.e. a limited liability company that files federal Form 1065 with the IRS), the apportionment factors used in the calculation of corporate net income tax will include the property, payroll and sales of the limited liability company. However, the activity of the limited liability company will not be included in the apportionment factor used for the calculation of capital stock/foreign franchise tax.

Since a corporate taxpayer's investment in a limited liability company or business trust can be treated differently for capital stock/foreign franchise tax and corporate net income tax, a partnership with investments in these types of entities is required to provide two PA-20S/PA-65 Schedule H-Corps: one for income tax purposes including the activity of the underlying limited liability company and business

trusts, and another for capital stock/foreign franchise tax excluding the property, payroll and sales of those entities. When completing PA-20S/PA-65 Schedule H-Corp, the partnership must indicate to which tax(es) the apportionment schedule applies: capital/stock/foreign franchise tax only, corporate net income tax only or both capital stock/foreign franchise and corporate net income taxes by checking the appropriate box at the top of the schedule.

If the partnership is required to withhold corporate net income tax for non filing corporate partners, it must complete PA-20S/PA-65 Schedule CP. The apportionment figure used to calculate the corporate net income tax withholding should be the Pennsylvania apportionment figure derived from PA-20S/PA-65 Schedule H-Corp prepared for the corporate net income tax.

Apportioned Business Income (Loss) for Corporate Partners Only

If the partnership derives business income from sources within and outside Pennsylvania or totally within Pennsylvania, complete this form.

The entity calculates a decimal figure from a formula, which consists of an average of the sum of the following three fractions: property factor, payroll factor and sales factor.

NOTE: A partnership with no Pennsylvania activity (no Pennsylvania-source income and/or no Pennsylvania assets) is still required to complete the PA-20S/PA-65 Schedule H-Corp showing the total property, payroll and sale of the partnership.

When completing this form, enter the name, the federal employer identification number (FEIN) and the date the taxable period ended for the partnership.

SPECIFIC TABLE INSTRUCTIONS

Table 1 – Property Factor (Real Estate and Tangible Property)

Lines 1A and 1B. The numerator of the fraction is the average value of the partnership's real and tangible personal property owned and/or used or rented and used in Pennsylvania during the taxable period. The denominator of the fraction is the average value of all the partnership's real and tangible personal property owned and used or rented and used during the taxable period.

Line 1C. Divide Line 1A by Line 1B. Multiply by 8.5. Calculate to six decimal places.

Table 2 - Payroll Factor (Wages, Salaries, Commissions, and Other Compensation)

Lines 2A and 2B. The numerator of the fraction is the total amount paid in Pennsylvania during the tax period by the partnership for compensation, and the denominator of the fraction is the total compensation paid everywhere during the tax period.

Line 2C. Divide Line 2A by 2B. Multiply by 8.5. Calculate to six decimal places.

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Table 3 - Sales Factor (Sales)

Lines 3A and 3B. The numerator of the fraction is the total sales of the partnership in Pennsylvania during the tax period, and the denominator is the total sales of the partnership everywhere during the taxable period.

Line 3C. Divide Line 3A by Line 3B. Multiply by 83. Calculate to six decimal places.

Pennsylvania Apportionment

Add Lines 1C, 2C and 3C and divide by 100 if all three proportions apply. Calculate to six decimal places.

IMPORTANT: A factor is ignored if both the numerator and denominator are zero. If only two of the proportions apply and neither one is the sales factor, divide the sum by 17. If only two of the proportions apply and one of them is the sales factor, divide the sum by 91.5. If only one of the proportions apply (not the sales factor), divide by 8.5. If only the sales factor applies, divide by 83. Enter the resulting decimal and carry to six decimal places. Please refer to Corp Tax Bulletin 2006-01 on the department's Web site.

Special Apportionment To Be Completed Only By Railroad, Truck, Bus, Airline, Pipeline or Natural Gas, and Water Transportation Entities

Enter as (A) the numerator, which is the total Revenue miles in Pennsylvania. Enter as (B) the denominator, which are the total Revenue miles everywhere. Divide and enter the result to six decimal places.

• **Railroad, Truck, Bus or Airline Entities**

All business income of railroad, truck, bus or airline entities is apportioned to Pennsylvania by multiplying the income by a fraction. The numerator of the fraction is the taxpayer's total revenue miles within Pennsylvania during the taxable period. The denominator of the fraction is the total revenue miles of the taxpayer everywhere during the taxable period. A revenue mile is the average receipts derived from the transportation by the taxpayer of persons or property one mile.

Where revenue miles are derived from the transportation of persons and property, the revenue mile fractions attributable to each class of transportation are calculated separately. The average of the two fractions, weighted in accordance with the ratio of total receipts from each class of transportation everywhere to total receipts from both such classes of transportation everywhere, is used to apportion business income to Pennsylvania.

Example: Company A is in the business of transporting persons and property. During the current tax period Company A reported receipts of \$1 million, \$400,000 from the transportation of persons and \$600,000 from the transportation of property. Company A's Pennsylvania revenue miles for the transportation of persons is \$40,000. Its Pennsylvania revenue miles from the transportation of property are \$120,000. The special apportionment fraction for Company A for the current tax period is calculated as follows.

Transportation of Persons

$$\begin{array}{r} \text{PA Rev Miles } \$40,000 \\ \hline \text{Total Rev Miles } \$400,000 \end{array} \times \begin{array}{r} \text{Receipts for Transportation} \\ \text{of persons } \$ 400,000 \\ \hline \text{Total Receipts } \$1,000,000 \end{array} = .040000$$

Transportation of Property

$$\begin{array}{r} \text{PA Rev Miles } \$120,000 \\ \hline \text{Total Rev Miles } \$600,000 \end{array} \times \begin{array}{r} \text{Receipts for Transportation} \\ \text{of persons } \$ 600,000 \\ \hline \text{Total Receipts } \$1,000,000 \end{array} = .120000$$

Company A's apportionment for the current tax period is 0.040000 + 0.120000 or 0.160000.

• **Pipeline or Natural Gas Entities**

All business income of pipeline entities is apportioned to Pennsylvania by multiplying the income by a fraction. The numerator of the fraction is the revenue ton miles, revenue barrel miles, or revenue cubic feet miles of the taxpayer in Pennsylvania during the tax period. The denominator is the revenue ton miles, revenue barrel miles, or revenue cubic feet miles of the taxpayer everywhere during the tax period. A revenue ton mile, revenue barrel mile, or revenue cubic feet mile means, respectively, the receipts derived from the transportation by the taxpayer of one ton of solid property, one barrel of liquid property or one cubic foot of gaseous property transported one mile.

All business income of natural gas entities subject to regulation by the Federal Power Commission or by the Pennsylvania Public Utility Commission is apportioned to Pennsylvania by multiplying the income by a fraction. The numerator of the fraction is the cubic foot capacity of the taxpayer's pipelines in Pennsylvania. The denominator of the fraction is the cubic foot capacity of the taxpayer's pipelines everywhere, at the end of the taxable period. Determine the cubic foot capacity of a pipeline by multiplying the square of its radius (in feet) by its length (in feet).

• **Water Transportation Entities Operating on High Seas**

All business income of water transportation entities operating on high seas is apportioned to Pennsylvania by multiplying the business income by a fraction. The numerator of the fraction is the number of port days spent inside Pennsylvania. The denominator of the fraction is the total number of port days spent outside and inside Pennsylvania.

Port days does not include periods when ships are not in use because of strikes, withheld from service for repair or out of use because of seasonal reduction of services. Days in port are calculated by dividing the aggregate number of hours in all ports by 24.

• **Water Transportation Entities Operating on Inland Waters**

All business income of water transportation entities operating on inland waters are apportioned to Pennsylvania by multiplying the business income by a fraction. The numerator of the fraction is the taxpayer's total revenue miles within Pennsylvania during the taxable period. The denominator of the fraction is the total

revenue miles of the taxpayer everywhere during the taxable period. In the determination of revenue miles, one-half of the mileage of all navigable waterways bordering Pennsylvania and another state shall be considered Pennsylvania miles. A revenue mile means the revenue receipts derived from the transportation by the taxpayer of persons or property one mile.