

PA-20S/PA-65

PA S CORPORATION/PARTNERSHIP INFORMATION RETURN

2009 GENERAL INSTRUCTIONS

PART I: What's In This Publication

Overview

This publication contains reporting requirements, general information and principals to prepare the PA-20S/PA-65 PA S Corporation/Partnership Information Return (PA-20S/PA-65 Information Return) submitted to the Pennsylvania Department of Revenue (department) for PA S corporations, partnerships and limited liability companies filing as partnerships. The specific line instructions for the PA-20S/PA-65 schedules and forms are separate documents directly under the appropriate form or schedule on the department's Web site.

This publication is organized into ten parts:

Part I:	What's In This Publication
Part II:	General Information
Part III:	What's New This Year
Part IV:	Who Must File
Part V:	Filing Requirements
Part VI:	Income (Classes, Calculation, Distribution)
Part VII:	Depreciation
Part VIII:	General Information and Principles for PA S Corporations and Partnerships
Part IX:	Taxpayer Services and Assistance
Part X:	Pennsylvania Department of Revenue District Offices

There are links throughout these instructions. A link is underlined and usually in blue. To access a link, press Ctrl + click.

Each line in the Table of Contents is linked to the appropriate page(s) and section(s) throughout these instructions.

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PART II: General Information

Forms, Schedules, and Publications

All Pennsylvania Department of Revenue forms, schedules and publications are available for download on the department's Web site.

Signature Requirements for Preparers

Pennsylvania follows federal rule for signature requirements for the PA-20S/PA-65 Information Return and the PA-65 Corp, Directory of Corporate Partners.

Reproduced Tax Forms and Substitute Tax Forms

The Pennsylvania Department of Revenue continues to identify and contact taxpayers, tax return preparers, forms developers, and software developers who use or distribute unapproved tax forms that do not conform to department standards.

Unapproved tax forms filed with the department may be rejected and returned to the taxpayer or tax return preparer. This may result in the imposition of interest and penalties. In addition, unapproved tax forms filed with the department may delay the processing of refunds.

If you are filing any tax form other than an official tax form, please read Miscellaneous Tax Bulletin 2008-02 issued Aug. 13, 2008 on the department's Web site.

CD Format for PA-20S/PA-65 Schedules RK-1/NRK-1

Entities that have a 100 or more owners are required to submit the PA Schedules RK-1/NRK-1 in CD format; however, they must meet the department's specifications. To receive the department's specifications for CD format, please send a request to thicks@state.pa.us.

Only PA-20S/PA-65 Schedules RK-1/NRK-1 can be included on the CD. Do not include federal returns, federal schedules K-1 and PA-20S/PA-65 Information Returns. These documents must be sent in paper form when submitting the Schedules RK-1/NRK-1 in CD format. The PA-20S/PA-65 Information Return will be considered incomplete if the federal information is not included with the paper return. All federal information submitted in CD format is invalid and will be destroyed.

Pennsylvania offers another option, electronic filing, that does not have a filing limit on the number of PA Schedules RK-1/NRK-1. To obtain the electronic filing and payment formats or to obtain additional information on electronic filing and payment options visit Revenue's e-Services Center on the department's Web site.

S corporations and partnerships that have less than 100 owners have the option to file and make payment by electronic means or on paper.

Federal/State e-File for S Corporations and Partnerships

Since March, 2009, Pennsylvania businesses can electronically file PA-20S/PA-65 PA S Corporation/Partnership Information Returns; PA-65 Corp, Directories of Corporate Partners; and schedules. Corporate net income tax withholding payments and the final nonresident withholding tax payment or final catch-up payment can only be filed electronically with Pennsylvania e-Filed returns. Visit Revenue's e-Services Center for more information.

Federal/State e-File for Estimated Nonresident Individual Quarterly Withholding

Starting with the 2009 tax year, taxpayers will have the option of electronically submitting four future estimated nonresident individual quarterly withholding tax payments. These four future payments can only be electronically submitted when the current year PA-20S/PA-65 S Corporation/Partnership Information Return is filed through the Federal/State Modernized e-File (MeF) Program and the current year return has a final "catch-up" payment made through the electronic fund withdrawal method. The four future payments will be a separate electronic transaction from the final "catch-up" payment. The department warehouses the four payments until the specified due date. Visit Revenue's e-Services Center for more information.

International ACH Transactions

The Federal Office of Foreign Assets Control has imposed additional reporting requirements on all electronic banking transactions that directly involve a financial institution outside of the territorial jurisdiction of the United States. These transactions are called International ACH Transactions (IAT). Presently, the Pennsylvania Department of Revenue does not support IAT ACH Debit Transactions. Taxpayers, who instruct the department to process electronic banking transactions on their behalf, are certifying that the transactions do not directly involve a financial institution outside of the territorial jurisdiction of the United States at any point in the process.

Federal IRS Forms

Federal (IRS) forms, schedules, and publications can be downloaded at <http://www.irs.gov>.

Adobe Acrobat Reader^{RM}

The fill-in forms and schedules are in "pdf" format and require Adobe Acrobat Reader 7.0 or higher in order to complete them. The department offers a link for a free download of the latest version of [Adobe Acrobat ReaderTM](#).

Privacy Notification

By law (42 U.S.C. §405(c)(2)(C)(i); 61 Pa. Code §117.16), the department has the authority to use the Social Security number (SSN) to administer Pennsylvania personal income tax and other Commonwealth of Pennsylvania tax laws. The department uses the SSN to identify individual taxpayers and verify their incomes. The department also uses the SSN to administer a number of tax-offset and child-support programs required by federal and Pennsylvania laws. The Commonwealth may also use the SSN in exchange-of-tax-information agreements with governmental authorities. Pennsylvania law prohibits the Commonwealth from disclosing information that individuals provide on income tax returns, including the SSN(s), except for official purposes.

Your Use Tax Responsibility

If you or your business buys items that are subject to sales tax for which the seller does not charge and collect the tax on the invoice (or receipt), you are responsible for remitting the tax directly to the Pennsylvania Department of Revenue. This tax is called use tax.

Purchases made over the Internet, through toll-free numbers (800, 866, 888, and 877), from mail order catalogs, or from an out-of-state location are examples of purchases that would be subject to use tax. The tax rate is the same as the sales tax rate - 6 percent state plus a 1 percent local tax if the purchaser is located in Allegheny County and 2 percent in Philadelphia. Please refer to the department's brochure, form REV-935, Pennsylvania Use Tax for Businesses, for more information and examples of what may be a taxable purchase for use tax purposes. The tax must be reported on form PA-1, Use Tax Return. You can obtain this form from the department's Web site, any Pennsylvania Department of Revenue district office, or from one of the [Forms Ordering Services in Part IX](#) of this publication.

Pennsylvania statutes generally exclude from sales and use tax items such as clothing, most foods purchased from a grocery store, and prescription medicines. Examples of taxable items include computers, sports and recreational equipment, and formal clothing.

Health Savings Accounts (HSA)

Contributions by a partnership to a bona fide partner's HSA are not contributions by an employer. The contributions are treated as a distribution of money and are not included in the partner's gross income. Contributions by a partnership to a partner's HSA for services rendered, however, are treated as guaranteed payments that are deducted by the partnership and included in the partner's income. In both situations, the partner can deduct the contribution made to the partner's HSA. Contributions to a nonresident partner's HSA for services must be apportioned.

Contributions by an S corporation to a 2 percent shareholder-employee's HSA for services rendered are treated the same as guaranteed payments to partners for services rendered and are deducted by the S corporation as wage or salary expense and included in the shareholder-employee's gross compensation. The shareholder-employee can deduct the contribution made to the shareholder-employee's HSA.

Unauthorized Insurance

Insurance purchases can be made through companies that are not registered in Pennsylvania. Insurance purchased from non-licensed foreign carriers is subject to unauthorized insurance gross premiums tax.

Under the law, any individual or business purchasing insurance for coverage within Pennsylvania from insurance companies or agents not licensed to do business in Pennsylvania must file an RCT-122, Unauthorized Gross Premiums Tax Report. This report must be filed within thirty days of each purchase or renewal. The tax rate on premiums paid to unauthorized foreign insurance companies is 2 percent of the taxable gross premiums on life insurance and annuities and 3 percent on all other types of insurance.

Any questions on reporting and payment of unauthorized insurance gross premiums tax can be directed to (717) 783-6031:

**UNAUTHORIZED INSURANCE
BUREAU OF CORPORATION TAXES
SPECIALTY TAXES
PO BOX 280704
HARRISBURG PA 17128-0704**

Pennsylvania/Federal Differences

Pennsylvania generally does not follow federal tax law. The Pennsylvania Personal Income Tax Guide has additional information on differences between Pennsylvania and federal tax law. Refer to the specific chapters related to the income class for which you have a question.

Listed below are some of the Pennsylvania/federal differences and the result of recent Pennsylvania and federal legislation. Also, refer to [PART VI, Income](#) and [PART VII, Depreciation](#).

American Jobs Creation Act of 2004

Many provisions of the 2004 American Jobs Creation Act were not adopted for Pennsylvania income tax purposes. Specifically, the provisions regarding the domestic production activities expense deduction (IRC § 199) and immediate expensing of intangible costs for start-up expenses, organizational expenses, and syndication fees may not be used in the calculation of Pennsylvania personal income tax liabilities.

Economic Stimulus Act of 2008

Provisions of the federal Economic Stimulus Act of 2008 allowing for additional IRC § 179 expense and bonus depreciation may not be used in the calculation of Pennsylvania personal income tax liabilities. In addition, any stimulus payments received are not to be included in taxable income for Pennsylvania personal income tax purposes or eligibility income for tax forgiveness purposes.

PART III: What's New This Year

CHANGES TO TAX YEAR 2009 FORMS AND SCHEDULES

Obsolete Forms for Tax Year 2009

PA-20S/PA-65 Information Return Tax Booklet

- The 2009 PA-20S/PA-65 PA S Corporation/Partnership Information Return Tax Booklet, forms and schedules will not be printed or mailed, and will no longer be available through the department's forms ordering service. The PA-20S/PA-65 forms and schedules will continue to be available on the department's Web site.
- The form PA-V payment voucher will no longer be available because the PA-20S/PA-65 Tax Booklet for tax year 2009 was discontinued. The 2009 Nonresident Withholding Payment substitute voucher will continue to be used by entities using approved software. Otherwise, submit a check or money order. Refer to Final Payment of Nonresident Withholding Tax.

Revisions to Tax Year 2009 Forms and Schedules

The following revisions were made to the PA-20S/PA-65 Information Return and related forms and schedules for TY 2009:

PA-20S/PA-65 Information Return

Page 2

- Line 13b - "Out-of-State Credits for Resident Partners and Shareholders" was changed to "Resident Credit."
- Part VII – Line 12 is a new line – "PA Apportionment as reported on PA-20S/PA-65 Schedule H-Corp _____"

PA-65 Corp

- Line 5 – is a new line – "PA Apportionment as reported on PA-20S/PA-65 Schedule H-Corp _____"

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

- "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
- 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

PA-20S/PA-65 Partner/Member/Shareholder Directory

- Codes – Two new codes were added:
 - “LS = LLC taxed as S Corporation”
 - “LC = LLC taxed as C Corporation”
- Codes - “L = LLC” code was changed to “L = LLC taxed as a Partnership.”

PA-20S/PA-65 Schedule J

- Total Estate or Trust Income – For clarification, the instructions were changed to the following:

“Column (c) – Total Column (c) and enter the amount on the PA-20S/PA-65 Information Return, Part III, Line 7b.”

“Column (d) – Total Column (d), subtract Column (c) from Column (d) and enter difference on the PA-20S/PA-65 Information Return, Part III, Line 7a.”

PA-20S/PA-65 Schedule OC

- Line 5 – Out of State Credits – PA Resident S Corporation only was changed to Out-of-State Credits – S Corporation Only
- Line 12 – Alternative Energy Production tax credit was deleted.

PA-20S/PA-65 Schedule T

- Line 5 – For clarification, the instructions were changed to the following:

“Subtract Line 4 from Line 3 in Column (a) and Column (b). Enter the amount from Column (a) on PA-20S/PA-65 Information Return, Part III, Line 8b. Subtract Column (a) from Column (b) and enter the difference on PA-20S/PA-65 Information Return, Part III, Line 8a.”

PA-20S/PA-65 Schedule RK-1

- Line 8 - “Out-of-State Credits for Resident Partners and Shareholders” was changed to “Resident Credit.”

PA-40 NRC

- Line 5 – Added a Loss oval.

PART IV: Who Must File

PA S Corporation/Partnership/Limited Liability Company (LLC)

PA S Corporation

A domestic or foreign PA S corporation must file the PA-20S/PA-65 Information Return if:

- During the taxable year, the PA S corporation or its qualified subchapter S subsidiary earned, received or acquired any gross taxable income (loss) allocable or apportionable to Pennsylvania, regardless of the amount of its income (loss) ; and/or
- The PA S corporation had at least one shareholder that was a PA resident individual, estate, trust, or single-member limited liability company that is owned by a Pennsylvania resident, individual, estate or trust.

A PA S corporation must file a PA-20S/PA-65 Information Return to report the income, deductions, gains, losses etc. from its operations. The PA S corporation passes through any profits (losses) to resident and nonresident shareholders. Shareholders include their share of the income (loss) on the PA-40 Individual Income Tax Return; PA-41 Fiduciary Income Tax Return; or other PA returns.

Each PA S corporation must submit with the PA-20S/PA-65 Information Return a complete copy of its federal income tax return including all schedules, statements, federal Form 1120S Schedule(s) K-1, along with the PA-20S/PA-65 Schedule(s) RK-1 and/or NRK-1 received as an owner in other pass through entities, such as a partnership or limited liability company. With the PA-20S/PA-65 Information Return, the PA S corporation must also submit copies of the PA-20S/PA-65 Schedule RK-1 that it provides to resident shareholders and copies of the PA-20S/PA-65 Schedule NRK-1 that it provides to nonresident shareholders. If the PA S corporation has already forwarded a complete copy of its federal return to the Bureau of Corporation Taxes with the RCT-101, PA Corporate Tax Report, do not send another copy.

All PA S corporations that conduct business in Pennsylvania must file the RCT-101, PA Corporate Tax Report, for the capital stock/foreign franchise tax.



NOTE: A PA S corporation, incorporated in another state with a Pennsylvania resident shareholder that has neither Pennsylvania-source income or Pennsylvania activity is not required to file the RCT -101, PA Corporate Tax Report.

Partnership

Per 72 P.S § 7335(c) a domestic or foreign partnership or limited liability company (LLC) that is classified as a partnership for federal income tax purposes must file the PA-20S/PA-65 Information Return if:

- During the taxable year, the partnership earned, received, or acquired any gross taxable income (loss) allocable or apportionable to Pennsylvania, regardless of the amount of its income (loss); and/or

- The partnership, at year-end, had at least one partner that was a Pennsylvania resident individual, estate, trust, or other pass through entity such as a partnership, PA S corporation or limited liability company.

A partnership must file a PA-20S/PA-65 Information Return to report the income, deductions, gains, losses etc. from their operations. The partnership passes through any profits (losses) to resident and nonresident partners. Partners include their share of the income (loss) on the PA-40, Individual Income Tax Return; PA-41, Fiduciary Income Tax Return; or other Pennsylvania returns.



NOTE: A partnership or limited liability partnership (LLP), jointly owned by husband and wife that elects to file on federal Schedule C, E, or F with the Internal Revenue Service (IRS) files PA-40 Schedule C, E, or F with the PA-40, Individual Income Tax Return for Pennsylvania.

Each partnership must submit with the PA-20S/PA-65 Information Return a complete copy of its federal income tax return including all schedules, statements, federal Form 1065 Schedule(s) K-1, along with the PA-20S/PA-65 Schedule(s) RK-1 and/or NRK-1 received as an owner in other pass through entities such as a partnership, PA S corporation or limited liability company. With the PA-20S/PA-65 Information Return, the partnership must also submit copies of the PA-20S/PA-65 Schedule RK-1 that it provides to resident partners and copies of the PA-20S/PA-65 Schedule NRK-1 that it provides to nonresident partners. If the partnership is a limited liability company filing as a partnership and has already forwarded a complete copy of its federal return to the Bureau of Corporation Taxes with the RCT-101, PA Corporate Tax Report, do not send another copy.

This is assuming the partnership files federal Form 1065 with the Internal Revenue Service (IRS). Limited liability companies electing to file federal Form 1120 with the IRS are required to report income on the RCT-101, PA Corporate Tax Report, and would not be required to file the PA-20S/PA-65 Information Return.



NOTE: A partnership with operations within Pennsylvania, whose partners are all C corporations, must provide to the department a complete copy of its federal Form 1065. Such a partnership must submit a PA-65 Corp, Directory of Corporate Partners and does not complete a PA-20S/PA-65 Information Return.


PA-65 Corp - Directory of Corporate Partners

A partnership must complete the PA-65 Corp, Directory of Corporate Partners if the partnership has income (loss) from operating a business, profession or farm within Pennsylvania and/or income (loss) from the ownership of property within Pennsylvania, and either of the following applies:

- If the entity has any partner that is a nonfiling corporation subject to corporate net income tax, and the partnership is making corporate net income tax withholding payments on behalf of its nonfiling corporate partner, or
- All of its partners are C corporations.

Refer to the PA-65 Corp instructions available on the department's Web site.

Any excess withholding will be refunded when the corporation's RCT-101, PA Corporate Tax Report, is filed and processed. The refund will be sent to the corporate partner and not the partnership submitting the payment.

 **IMPORTANT:** Mail the PA-65 Corp, Directory of Corporate Partners separate from all other Pennsylvania returns. [Refer to PART V, Mailing Instructions](#) for the PA-65 Corp.

Limited Liability Company

- All limited liability companies must report capital stock/foreign franchise tax on the RCT-101, PA Corporate Tax Report, to Revenue's Bureau of Corporation Taxes unless it meets the de minimis standards as outlined in Corporation Tax Bulletin 2004-01. These corporations file the RCT-101D, Declaration of de minimis PA Activity, affirming the Pennsylvania activity during that period is de minimis.
- A limited liability company that elects to file as a C corporation with the Internal Revenue Service files as a C corporation for Pennsylvania.
- A limited liability company that elects to file as an S corporation with the Internal Revenue Service and has not elected out of PA Subchapter S status for Pennsylvania by filing form REV-976, Election Not To Be Taxed as A Pennsylvania S Corporation must file as an S corporation for Pennsylvania and must file a PA-20S/PA-65 Information Return.
- A limited liability company that elects to file as a partnership with the Internal Revenue Service files as a partnership for Pennsylvania using the PA-20S/PA-65 Information Return.
- A single-member limited liability company owned by an individual or limited liability company jointly owned by husband and wife that elects to file as a disregarded entity with the IRS is an entity separate from its owner for capital stock/foreign franchise tax purposes, but not for Pennsylvania personal income purposes. A single-member limited liability company owned by an individual or limited liability company jointly owned by husband and wife and filing as a disregarded entity for federal income tax files PA-40 Schedule C, E, or F with the PA-40 Individual Income Tax return and RCT-101, PA Corporate Tax Report. A single-member limited liability company owned by an entity reports income (loss) on the parent return.

PART V: Filing Requirements

When to File

A PA S corporation, partnership, or limited liability company that files on a calendar year, reports all taxable income recognized between January 1 and December 31. For calendar year 2009, the PA S corporation or partnership must file its PA-20S/PA-65 Information Return and applicable RCT-101, PA Corporate Tax Report, on or before April 15, 2010 unless an extension of time to file has been granted.

Extension Due Dates

For a calendar year filer, the extension due date for the PA-20S/PA-65 Information Return is September 15.

For a fiscal year filer, the extension due date for the PA-20S/PA-65 Information Return is 5 months on or before the 15th day of the fourth month following the close of the fiscal year.

Penalties, Additions and Fees

If a taxpayer fails to include in taxable income an amount more than 25 percent of the taxable income that was reported by reason of negligence or intentional disregard of rules and regulations but without intention to defraud, there shall be added an amount equal to 25 percent of the amount of underpayment. See Section 352(b)(2).

Any person required to furnish an information return who furnishes a false or fraudulent return shall be subject to a penalty of \$50.00 for each failure.

Every PA S corporation required to file a return that furnishes a false or fraudulent return or fails to file a return shall be subject to a \$250 penalty for each failure. See Section 352(f).

If any individual, estate or trust files a return that does not contain sufficient information to determine the correct liability or which contains information which indicates the liability is significantly incorrect and the return is filed frivolously or to delay or impede the administration of the tax law, the filer shall pay a \$500 penalty. See Section 342(l).

NOTE: A partnership that did not file a return and did not request an extension would be penalized \$50 for each non filed year. If the partnership files the required returns, the \$50 penalty per return will not be imposed. However, if the partnership has nonresident withholding tax and/or corporate net income tax withholding due with the non filed returns, interest and penalty will be applied.

Fiscal-Year Entity

A fiscal-year entity reports all taxable income recognized during the fiscal year, and files a PA-20S/PA-65 Information Return and applicable RCT-101, PA Corporate Tax Report, on or before the 15th day of the fourth month following the close of the fiscal year. A partnership may use a 52/53 week-year if it keeps its books on that basis. If the due date falls on a Saturday, Sunday, or business holiday, the entity must file its PA-20S/PA-65 Information Return no later than midnight on the first business day following the Saturday, Sunday or business holiday. The U.S. Postal Service postmark date on the envelope is proof of timely filing. Pennsylvania follows same tax year as federal.

Changing From a Fiscal-Year Entity to a Calendar-Year Entity

To change from a fiscal-year entity to a calendar-year entity, the entity files a short-year return. The entity then files the next calendar year on or before April 15, unless an extension of time to file has been granted. The entity is also required to submit a copy of its federal election form with both the short-year return and the calendar-year return.

Short Taxable Year Return

If a PA S corporation, partnership, or limited liability company is required to file a short-year return, the entity must use the most recent PA-20S/PA-65 Information Return, schedules, and forms on the department's Web site. If the tax year on the forms is not the current tax year and/or the tax year for which the entity is filing, then the entity must cross out and write the correct tax year for which it is filing a short-year return.

Since a short-year return is a fiscal-year return, the due date is on or before the 15th day of the fourth month following the close of the fiscal year.

Assembling the PA-20S/PA-65 Information Return

Assemble the PA-20S/PA-65 Information Return in the following order:

- Signed original PA-20S/PA-65 Information Return (Pages 1 through 3). Do not mail a photocopy
- PA Schedule P-S KOZ – attach behind the Information Return
- PA-20S/PA-65 Partner/Member/Shareholder Directory
- PA-20S/PA-65 Schedules D-I, D-II, D-III and D-IV
- PA-20S/PA-65 Schedule E
- PA-20S/PA-65 Schedules RK-1 that the entity provides to resident owners
- PA-20S/PA-65 Schedules NRK-1 that the entity provides to nonresident owners
- PA-20S/PA-65 Schedule M
- PA-20S/PA-65 Schedule OC - and the required supporting documents for claiming any of the business credits allowed by Pennsylvania law
- PA-20S/PA-65 Schedules A & B
- PA-20S/PA-65 Schedule H
- PA-20S/PA-65 Schedule H-Corp
- PA-20S/PA-65 Schedule NW

- PA-20S/PA-65 Schedule J
- PA-20S/PA-65 Schedule T
- All other required, supporting, and supplemental documentation including a copy of the federal extension
- A complete copy of the corresponding federal tax return including all schedules, statements and federal Schedules K-1. If the entity is a PA S corporation or limited liability company and has already forwarded a complete copy of its federal tax return to the Bureau of Corporation Taxes with the RCT-101, PA Corporate Tax Report, do not send another copy.



CAUTION: DO NOT STAPLE DOCUMENTS.

Complete and Processable Returns

To constitute a complete and processable return, the PA-20S/PA-65 Information Return for a PA S corporation or partnership, must satisfy all requirements found in these instructions and the line-by-line schedule instructions.

The PA-20S/PA-65 Schedules RK-1 and NRK-1 are required attachments for resident and nonresident owners' share of income, deductions, credits, etc. The entity must also submit the PA-20S/PA-65 Schedules RK-1 and NRK-1 that it received as an owner in other entities.

If you are filing any tax form other than an official tax form, refer to Miscellaneous Tax Bulletin 2008-02 on the department's Web site.

Foreign Address Instructions

Any entity outside the U. S. must write its foreign address on its PA-20S/PA-65 Information Return, PA-65 Corp, Directory of Corporate Partners and PA-40 Nonresident Consolidated Income Tax Return according to U.S. Postal Service (USPS) standards. Failure to use these standards may delay correspondence necessary to complete the processing of the return.

Canadian and International Addresses – General Requirements

Eliminate apostrophes, commas, periods and hyphens.

1. Write the business name in the space provided;
2. Write the building number with street, suite or room number, and street or postal delivery location in the spaces provided for the First Line of Address;
3. Write the name of the city, city and province, and/or foreign postal number (ZIP code equivalent) in the spaces provided for the Second Line of Address; and

4. Write only the name of the country in the space provided for the City or Post Office. DO NOT include any entries in the state or ZIP code spaces. The bottom line of the address should show only the country name, written in full (no abbreviations) and preferably in capital letters. DO NOT PLACE THE POST CODES (ZIP CODES) OF FOREIGN COUNTRY DESTINATIONS ON THE LAST LINE OF THE ADDRESS.

An example of a correct foreign address follows:

INGE DIETRICH FISCHER		
HARTMANNSTRASSE 7	or	117 RUSSELL DR
5300 BONN 1		LONDON W1PGHQ
FEDERAL REPUBLIC OF GERMANY		ENGLAND

For Canada Only

Eliminate apostrophes, commas, periods and hyphens, except the hyphen in a ZIP + 4.

Either of the following address formats may be used when the postal address delivery zone number is included in the address:

MS HELEN SAUNDERS	or	MS HELEN SAUNDERS
1010 CLEAR ST		1010 CLEAR ST
OTTAWA ONT K1A OB1		OTTAWA ONT CANADA
CANADA		K1A OB1

Domestic Address Instructions

- Eliminate apostrophes, commas, periods and hyphens, except the hyphen in a ZIP + 4.
- Use only RR (Rural Route) and HC (Highway Contract) abbreviations. All others (Star Route, Mountain Route, Rural Delivery, etc) have been converted to RR or HC.
- Corner Addresses, i.e. "Corner Smith and Duke" will be replaced by numerical street addresses. Examples of the new format would be "1700 DUKE ST" or "1 N SMITH ST".
- Combining two types of addresses is acceptable, like "24 N GREEN ST PO BOX 10", however, the USPS preference is to put the actual delivery address on the line immediately above the city, state and zip code.

The following examples illustrate various formats that include ZIP + 4 Codes.

1. PO BOX

MISS SALLY SMITH
PO BOX 34
DULUTH MN 55806-0034

2. RURAL ROUTE OR HIGHWAY CONTRACT ROUTE

H E BROWN	L E DOE
RR 3 BOX 194 C	RR 5 BOX 87
CANTON OH 44730-9615	DULUTH MN 55811-9615

3. BUILDING/BUSINESS/PERSONAL NAME

ATTN SUE MOBLEY
SOUTHERN CORP
LOUISIANA INDUSTRIAL PK
1725 E BEAUREGARD AVE
NEW ORLEANS LA 70124-1299

4. STANDARD STREET ADDRESS NUMERIC

MISS K JONES	MR JOHN DOE
5765 E 53 RD ST APT 221	605 1 ST ST
CHICAGO IL 60615-1234	DETROIT MI 48226-1234

5. STANDARD STREET ADDRESS ALPHABETIC

MR A HOOP	MS H HOWE	MR B BASS
603 MAIN ST	4417 BROOKS ST NE APT 666	APT 306
DETROIT MI 48223-3107	WASHINGTON DC 20019-4606	1234 MASSACHUSETTS AVE NW

Providing the address in this format will ensure the department will be able to contact you if additional information is needed.

Mailing Instructions - Original and Amended Returns, Nonresident Individual Withholding Payments

PA-20S/PA-65 PA S Corporation/Partnership Information Return

Partnership

Any partnership, including a limited liability company filing as a partnership, must submit the PA-20S/PA-65 Information Return, a complete copy of the federal income tax return including all schedules and statements, federal Form 1065 Schedule(s) K-1, the PA-20S/PA-65 supporting schedules and the PA-20S/PA-65 Schedules RK-1 and/or NRK-1. If the limited liability company has already forwarded a complete copy of the federal income tax return and federal Form 1065 Schedules K-1 to the Bureau of Corporation Taxes with the RCT-101, PA Corporate Tax Report, do not send another copy.

Send to:

WITHOUT PAYMENT:

PA DEPARTMENT OF REVENUE
BUREAU OF INDIVIDUAL TAXES
PO BOX 280509
HARRISBURG PA 17128-0509

WITH PAYMENT:

PA DEPARTMENT OF REVENUE
BUREAU OF INDIVIDUAL TAXES
PO BOX 280502
HARRISBURG PA 17128-0502

PA S Corporation

Any PA S corporation, including a limited liability company filing as a PA S corporation, must submit the PA-20S/PA-65 Information Return, a complete copy of the federal income tax return including all schedules and statements, federal Form 1120S Schedule(s) K-1, the PA-20S/PA-65 supporting schedules and the PA-20S/PA-65 Schedules RK-1 and/or NRK-1. If the PA S corporation or limited liability company has already forwarded a complete copy of the federal income tax return and federal Form 1065 Schedules K-1 to the Bureau of Corporation Taxes with the RCT-101, PA Corporate Tax Report, do not send another copy.


Send to:

WITHOUT PAYMENT:

PA DEPARTMENT OF REVENUE
BUREAU OF INDIVIDUAL TAXES
PO BOX 280509
HARRISBURG PA 17128-0509

WITH PAYMENT:

PA DEPARTMENT OF REVENUE
BUREAU OF INDIVIDUAL TAXES
PO BOX 280502
HARRISBURG PA 17128-0502

 **IMPORTANT:** Do not mail the PA-20S/PA-65 Information Return with the RCT-101, PA Corporate Tax Report.

PA Corporate Tax Report

PA S Corporation

Any PA S corporation, including a limited liability company filing as a PA S corporation, must submit the RCT-101, PA Corporate Tax Report, supporting schedules and a complete copy of the federal income tax return, including federal Form 1120S Schedules K-1 to:

PA DEPARTMENT OF REVENUE
BUREAU OF CORPORATION TAXES
PO BOX 280427
HARRISBURG PA 17128-0427

Limited Liability Company

Any limited liability company filing as a partnership must submit the RCT-101, PA Corporate Tax Report, supporting schedules and a complete copy of the federal income tax return, including federal Form 1065 Schedules K-1 to:

PA DEPARTMENT OF REVENUE
BUREAU OF CORPORATION TAXES
PO BOX 280427
HARRISBURG PA 17128-0427

Disregarded Entity

Any limited liability company owned by one individual, that the Internal Revenue Service considers a disregarded entity, must:

- File as a sole proprietor on a PA-40 Individual Income Tax Return, with all supporting Pennsylvania schedules, and mail the complete return to the applicable PA-40 address.
- File the RCT-101, PA Corporate Tax Report, with all applicable schedules, including a balance sheet, and mail the complete return to the Bureau of Corporation Taxes address shown above.

PA-65 Corp, Directory of Corporate Partner

Any partnership or limited liability company filing as a partnership that has a partner that is a non-filing C corporation must submit the PA-65 Corp, Directory of Corporate Partners, PA-20S/PA-65 Schedule CP, PA-20S/PA-65 Schedule H-Corp, and the corporate net income tax withholding payment.

Any partnership solely owned by C corporations(s) is not required to file the PA-20S/PA-65 Information return.

Any partnership whose owners are nonfiling C corporations and entities other than a C corporation are required to file the PA-65 Corp and the PA-20S/PA-65 Information Return.


If a limited liability company filing as a partnership did not forward a complete copy of its federal return to the Bureau of Corporation Taxes with the RCT-101, PA Corporate Tax Report, it must submit a complete copy of the federal income tax return, including federal Form 1065 Schedules K-1 to:


WITHOUT PAYMENT:


PA DEPARTMENT OF REVENUE
BUREAU OF INDIVIDUAL TAXES
PO BOX 280509
HARRISBURG PA 17128-0509

WITH PAYMENT:

PA DEPARTMENT OF REVENUE
BUREAU OF INDIVIDUAL TAXES
PO BOX 280502
HARRISBURG PA 17128-0502

 **IMPORTANT:** Corporate net income tax withholding payments can only be filed electronically with e-Filed PA-65 Corp returns. Visit Revenue's e-Services Center for more information.

 **IMPORTANT:** Mail the PA-65 Corp, Directory of Corporate Partners separate from all other Pennsylvania returns.

 **IMPORTANT:** Do not send corporate net income tax withholding payments to the Bureau of Corporation Taxes.

PA-40 NRC – Nonresident Consolidated Income Tax Return

Any PA S corporation, partnership or limited liability company filing on behalf of its qualifying electing nonresident individual owners must submit a PA-40 Nonresident Consolidated Income Tax Return with or without payment and include the PA-40 Schedules NRC-I and/or NRC-O, and PA-20S/PA-65 Schedules NRK-1.

Send to:

PA DEPARTMENT OF REVENUE
CONSOLIDATED RETURN
PO BOX 280418
HARRISBURG PA 17128-0418

Nonresident Individual Quarterly Withholding Tax Payments

Any entity submitting a quarterly withholding tax payment for nonresident owners that are individuals is required to submit form PA-40 ESR (F/C) along with the payment.

An electronic option is available. See [Federal/State e-File, Important](#)

Final/Catch-Up Payment of Nonresident Withholding Tax

If the Pennsylvania personal income tax due on the taxable income allocable to nonresidents exceeds the tax withheld, the final payment is due on the date prescribed for the filing of the PA-20S/PA-65 Information Return.

If the tax of the nonresident owners exceeds the nonresident withholding tax payments, the PA S corporation or partnership must pay the deficiency by the date prescribed for filing the entity's PA-20S/PA-65 Information Return or if the nonresident owners elect to file on a PA-40 Nonresident Consolidated Income Tax Return, the entity may make the final/catch-up payment with the PA-20S/PA-65 Information Return, PA-40 Nonresident Consolidated Income Tax Return or with an extension request.

There are three ways to make a final withholding tax payment or final catch-up payment for nonresident owners that are individuals, estates, or trusts.

Follow these instructions:

With Approved Software Form

- If using approved software, submit payment along with the 2009 Nonresident Withholding Payment substitute voucher in the same envelope with the PA-20S/PA-65 Information Return, PA-40 Nonresident Consolidated Income Tax Return or extension request. Do not staple payment to your return or the substitute voucher.


Without Approved Software Form

- Submit payment with the PA-20S/PA-65 Information Return, PA-40 Nonresident Consolidated Income Tax Return or extension request. Print the last four digits of the entity's federal employer identification number (FEIN) and 2009 Final Nonresident Withholding on the check or money order made payable to the PA Dept. of Revenue.

- Submit payment in the same envelope with the PA-20S/PA-65 Information Return, PA-40 Nonresident Consolidated Income Tax Return or extension request. Do not staple payment to your return.

Federal/State e-File

- The final nonresident withholding tax payment or final catch up payment can only be filed electronically when submitted with the Federal/State e-File PA-20S/PA-65 PA S corporation and partnership returns. Visit Revenue's e-Services Center for more information.

 **IMPORTANT:** Starting with the 2009 tax year, taxpayers will have the option of electronically submitting four future estimated nonresident individual quarterly withholding tax payments. These four future payments only can be submitted when the current year PA-20S/PA-65 S Corporation/Partnership Information return is filed through the Federal/State Modernized e-File (MeF). The four future payments must be a separate electronic transaction from the final/catch-up payment. The department will warehouse the four payments until the specified due date.

Extension of Time to File

When a PA S corporation or partnership requests an extension of time to file, it does not extend the filing time for its owners. Each owner must individually obtain an extension of time to file the PA-40 Individual Income Tax Return, PA-41 Fiduciary Income Tax Return, or other Pennsylvania tax returns.

An extension of time to file a PA-20S/PA-65 Information Return does not extend the time for full payment of the final/catch-up nonresident withholding tax, nor does it preclude the assessment of penalty and interest for underpayment of tax due. Pay in full the amount reasonably estimated as the final/catch-up nonresident withholding tax due on or before the original due date.

Print the last four digits of the entity's federal employer identification number and 2009 Final Nonresident Withholding on the check or money order made payable to the PA Dept. of Revenue and submit with form REV-276, Application for Extension of Time to File.

There are several ways to obtain an extension of time to file:

1. If the entity has an extension of time to file the federal income tax return, the department will grant the entity a five-month extension of time to file the PA-20S/PA-65 Information Return and PA-41 Fiduciary Income Tax Return.
2. If a PA S corporation or limited liability company has an approved extension of time to file the RCT-101, PA Corporate Tax Report, the department will automatically grant a five-month extension of time for filing the PA-20S/PA-65 Information Return and PA-41 Fiduciary Income Tax Return.
3. An extension of time to file the PA-20S/PA-65 Information Return does not extend the filing deadline for the RCT-101, PA Corporate Tax Report. A PA S corporation or limited liability company must obtain a separate extension of time to file the RCT-101, PA Corporate Tax Report.

4. A PA S corporation, partnership, or limited liability company must obtain a separate extension of time to file the PA-40 Nonresident Consolidated Income Tax Return. A federal extension does not grant an extension of time to file the PA-40 Nonresident Consolidated Income Tax Return. The extension time for the PA-40 Nonresident Consolidated Income Tax Return is six months.
5. If the entity does not have an extension of time to file the federal income tax return or the PA-40 Nonresident Consolidated Income Tax Return, the entity may request an extension of time to file by completing the form REV-276, Application for Extension of Time to File. The department must receive the form REV-276 in sufficient time to consider and act upon it prior to the due date of the PA-40 Nonresident Consolidated Income Tax Return.

Mail form REV-276 to:

PA DEPARTMENT OF REVENUE
BUREAU OF INDIVIDUAL TAXES
PO BOX 280504
HARRISBURG PA 17128-0504

When filing a PA-20S/PA-65 Information Return for which an extension was requested, the entity must:

- Fill in the "Extension Requested" oval at the top of the PA-20S/PA-65 Information Return;
- If the entity did not file form REV-276, Application for Extension of Time to File, submit a copy of federal Form 7004 with the PA-20S/PA-65 Information Return;
- If the entity electronically filed a federal extension, submit a statement with an explanation and the confirmation number received; and
- If the entity submitted a form REV-276, Application for Extension of Time to File, it should not submit the extension paperwork with the PA-20S/PA-65 Information Return.

The department will not send a letter to confirm an extension of time to file has been granted. However, the department will send a letter if it has questions concerning the extension.

The department will not grant an extension of time to file the PA-20S/PA-65 Information Return or PA-41 Fiduciary Income Tax Return for longer than 5 months except in the case of a taxpayer outside the U.S.

Filing an Amended Return

If after filing the PA-20S/PA-65 Information Return and/or the PA-40 Nonresident Consolidated Income Tax Return, a PA S corporation, partnership, or limited liability company discovers that an incorrect return has been submitted to the department, the entity must submit an amended return. In addition, the amended PA-20S/PA-65 Schedules RK-1 and/or NRK-1 must be included with the amended return. The entity must:

- Correct the error by completing and filing a PA-20S/PA-65 Information Return and clearly mark the amended return oval;
- Provide owners with the amended PA-20S/PA-65 Schedules RK-1 and/or NRK-1 and clearly mark the amended schedule oval; and
- Re-submit the federal return if it was amended.



NOTE: The PA-65 Corp, Directory of Corporate Partners must be amended if the partnership amends federal Form 1065.



IMPORTANT: If an amended PA-20S/PA-65 Schedule NRK-1 is issued, the original PA-40 Nonresident Consolidated Income Tax Return must also be amended to reflect the changes on the PA-20S/PA-65 Schedule NRK-1.

Refund Claim - Over Reported Income

If the PA S corporation or partnership over reported income, failed to claim allowable credits, failed to report allowable deductions, or events transpired that decreased its reportable Pennsylvania-taxable income, including an IRS Report of Change, the PA S corporation or partnership must file an amended PA-20S/PA-65 Information Return. The amended return must be filed within three years of the original due date of the PA-20S/PA-65 Information Return, including extensions. The amended PA-20S/PA-65 Schedules RK-1 and/or NRK-1 must show the corrected Pennsylvania-taxable income, so the shareholders or partners can request refunds of Pennsylvania income tax they overpaid.

The owners must also file an amended Pennsylvania tax return within three years of the due date including extensions.

Tax Due - Under Reported Income

If the PA S corporation or partnership under reported income, erroneously claimed credits or deductions to which it was not entitled, or events transpired that increased reportable Pennsylvania-taxable income, including an IRS Report of Change, within 30 days from the determination of such increase the PA S corporation or partnership must file an amended PA-20S/PA-65 Information Return. The amended PA-20S/PA-65 Schedules RK-1 and/or NRK-1 must show the corrected PA-taxable income so the shareholders or partners can pay the tax due.

The entity and owners must also file an amended Pennsylvania tax return within 30 days of the discovery of the error.

Records Retention

The PA S corporation or partnership must retain books and records for at least seven years. All amounts reported on the PA-20S/PA-65 Information Return, schedules and forms are subject to verification and audit by the department.

Information that substantiates the calculation of basis for a PA S corporation, partnership or individual, in any investment (partnership, S corporation, stocks, bonds, real estate, etc.), must be retained indefinitely or for at least four years after the investment is sold. Information that substantiates the calculation of basis in an investment shall include but not be limited to broker

statements, Pennsylvania and other states' income tax returns, PA-20S/PA-65 Schedules RK-1, closing statements, etc.


PART VI: Income (Classes, Calculation, Distribution)

General Information

The entity must determine when an activity, transaction, receipt of income, or an expense is directly related to its business and when it falls within another income class. For Pennsylvania purposes, a business is an enterprise, activity, profession, vocation, trade, joint venture, commerce, or any other undertaking of any nature when engaged in as a commercial enterprise and conducted for profit or ordinarily conducted for profit, whether by an individual, PA S corporation, partnership, association or other unincorporated entity.

For each Pennsylvania income class, there are differences in reporting for federal and personal income tax purposes. Within each Pennsylvania income class there are:

- IRC sections that Pennsylvania law does not allow when determining Pennsylvania-reportable income (loss);
- Rules for Pennsylvania personal income tax purposes that are specific to Pennsylvania only;
- In limited circumstances, Pennsylvania will accept the use of federal tax accounting rules at its discretion, provided it is consistently used.

 **IMPORTANT:** The entity determines the correct line for reporting its receipts, expenses, profits (loss), gains (loss), and net income (loss) for Pennsylvania personal income tax purposes from the activities, operations, or transactions from which the entity earned, received, or realized the income (loss). The entity does not rely on the name of the transaction, activity, or line to classify Pennsylvania income (loss), because certain transactions reported on a line of the federal form require an allocation to more than one line of the PA-20S/PA-65 Information Return. The entity may also need to reconcile each federal Schedule K line to the appropriate line of the PA-20S/PA-65 Information Return to report the correct Pennsylvania personal income tax amounts.

When calculating income (loss) in the income classes listed below, the PA S corporation or partnership:

- cannot offset gains in one Pennsylvania income class with a loss in any other class; and
- cannot carry losses back or forward to other taxable periods.

The PA S corporation or partnership may deduct allowable costs and expenses attributable to business, profession, farm income, income from the sale, exchange or disposition of property, or rents and royalties.

Classes of Income

The entity must report all apportioned and allocated income, gains (losses), expenses, costs, and liabilities in these income classes on the PA-20S/PA-65 Information Return:

- Pennsylvania taxable business income (loss) from operations (Parts I and II)
- Interest income (Part III - Line 3)
- Dividend income (Part III - Line 4)
- Net gain (loss) from the sale, exchange or disposition of property (Part III - Line 5)
- Net income (loss) from rents, royalties, patents and copyrights (Part III - Line 6)
- Income from estates or trusts (Part III - Line 7)
- Gambling and lottery winnings (losses) (Part III - Line 8)

Pass Through Income (Loss) from Another Pass Through Entity


If the PA S corporation/partnership completing the PA-20S/PA-65 Information Return received a PA-20S/PA-65 Schedule RK-1 or NRK-1 from another entity in which it is an owner, the PA S corporation/partnership already has the classified income (loss) amount for completing the PA-20S/PA-65 Information Return, Parts I, II, III.

Calculating Income and Expenses

For Pennsylvania personal income tax purposes, a PA S corporation or a partnership generally calculates reportable income (loss) in the same manner as individuals, estates, and trusts calculate Pennsylvania-taxable income (loss).

Distributive Shares

The Pennsylvania-taxable income of a PA S corporation or a partnership is taxable to its shareholders or partners, whether or not the entity distributes the income. The entity determines each owner's share of income (loss) as if the shareholder or partner realized it directly from the same source and in the same manner that the PA S corporation or partnership realized it. Except for certain guaranteed payments (partnerships only), actual distributions of money or property, including advances against an owner's distributive share, are not taxable to a resident provided they do not exceed the member's adjusted Pennsylvania personal income tax basis in the PA S corporation or partnership. Once distributions exceed a resident's Pennsylvania basis in the entity, the owner must report the excess distribution as a gain on PA-20S/PA-65 Schedule D. Refer to the Pennsylvania Personal Income Tax Guide, Chapter 16 for additional information.

 **IMPORTANT:** It is the owner's responsibility to track their basis in the entity. Refer to worksheets form REV-998, Shareholder Tax Basis in PA S Corporation Stock Worksheet and form REV-999, Partner PA Outside Tax Basis in a Partnership Worksheet on the department's Web site.

Discharge and/or Cancellation of Indebtedness

Please refer to the Pennsylvania Personal Income Tax Guide, Chapter 24 for additional information concerning Discharge and Cancellation of Indebtedness.

PART VII: Depreciation

Bonus Depreciation

Under Pennsylvania personal income tax law, a PA S corporation or partnership may not use any of the bonus depreciation elections enacted for federal purposes.

Many provisions of the 2004 American Jobs Creation Act were not adopted for Pennsylvania personal income tax purposes. Specifically, the provisions regarding Internal Revenue Code (IRC) § 199 domestic production activities expense deduction and immediate expensing of intangible costs for start-up expenses, organizational expenses, and syndication fees may not be used in the calculation of Pennsylvania personal income tax liabilities.

Other Depreciation Expense Difference

Pennsylvania tax law allows ACRS or MACRS only when:

- They are also used for federal tax purposes, and
- The property, when placed in service, has the same adjusted basis for Pennsylvania and federal tax purposes.

Moreover, deductions under ACRS and MACRS are allowable only to the extent allowable under the version of the IRC in effect as amended to Jan. 1, 1997, whichever is less.

Additionally, for any year in which an ACRS or MACRS deduction is allowed or allowable:

- The S corporation or partnership must reduce its basis in the depreciable property by the amount by which the deduction reduced its net income; and
- Each owner must reduce outside basis by the owner's share of net loss or the amount of the owner's share of depreciation allowed or allowable using the straight-line method of depreciation.

IRC Section 179 Property Deductions

Pennsylvania tax law allows IRC § 179 property deductions on a limited basis. They are allowable with respect to the entity and each owner only to the extent allowable under the IRC in effect on Jan. 1, 1997. For example, the aggregate dollar limitation is \$25,000 less the amount by which the cost of IRC § 179 property placed in service during the taxable year exceeds \$200,000. Federal increases enacted after 1997 are disregarded for PIT purposes.

Additionally, for any year in which an IRC § 179 property deduction is claimed, basis must be reduced by the amount of the deduction, regardless of whether the deduction results in a reduction of net income.

PART VIII: General Information and Principles for PA S Corporations and Partnerships

PA S CORPORATIONS

Small Corporation

A small corporation is any corporation that has a valid election in effect under Subchapter S of Chapter 1 of the IRC of 1986, as amended on Jan. 1, 2005. For purposes of determining whether a corporation qualifies as a small corporation:

- A qualified subchapter S subsidiary (QSSS) owned by a small corporation shall not be treated as a separate corporation, and all gross receipts and passive investment income of such qualified subchapter S subsidiary shall be treated as earned by the parent corporation; and
- All inter-corporate payments or distributions between the parent corporation and any qualified subchapter S subsidiary owned by such corporation shall be eliminated.

PA S Corporation S Status

Effective for tax years beginning on or after Dec. 31, 2005, any corporation with a valid federal S corporation election is automatically a PA S corporation. Any federal S corporation that does not desire to be a PA S corporation must file form REV-976, Election Not to be Taxed as a Pennsylvania S Corporation on or before the due date, or extended due date, of the report for the first tax period in which the election is to be in effect. For example, a taxpayer without an approved extension for the tax period ending Dec. 31, 2008 is required to file the election on or before April 15, 2008, for the election to be effective for that period. This election must be signed by 100 percent of the shareholders of the S corporation on the date of the election.

Federal Accumulated Adjustments Account (AAA) Used to Calculate Accumulated Earnings & Profits (AE&P)

The department allows a transitional election by federal S corporations that have become PA S corporations by the operation of Act 67 of 2006. The department also allows a new PA S corporation taxpayer to elect to use their federal accumulated adjustments account as the functional equivalent of their Pennsylvania accumulated earnings and profits.

Effect of PA S Corporation Status

As a PA S Corporation:

- The corporation will only be subject to corporate net income tax on its net recognized built-in gain reported on federal Schedule D, federal Form 1120S. If any tax is imposed on a PA S corporation (or any qualified subchapter S subsidiary owned by the PA S corporation) pursuant to § 1374 of the IRC of 1986, the amount of tax so imposed shall be treated as a loss sustained by that PA S corporation during such years. The character of such loss shall be determined by allocating the loss proportionately among the recognized built-in gains giving rise to such tax.

- The corporation will remain subject to all other Pennsylvania corporate taxes including capital stock/foreign franchise tax.
- The PA S corporation passes its income (loss) and credits to its shareholders in the applicable class of income taxable under the Pennsylvania personal income tax law.

Qualified Subchapter S Subsidiary (QSSS)

A domestic or foreign corporation, for federal income tax purposes, is treated as a qualified subchapter S subsidiary, as defined in § 1361(b)(3)(B) of the IRC of 1986 (Public Law 99-514, 26 U.S.C. § 1361), as amended to Jan. 1, 2005.

A qualified subchapter S subsidiary may not be a PA S corporation or elect not to be a PA S corporation separate from the parent corporation. If a qualified subchapter S subsidiary and/or parent of a qualified subchapter S subsidiary does not desire to be taxed as a PA S corporation, the parent must file form REV-976, Election Not to be Taxed as a Pennsylvania S Corporation for itself and all qualified subchapter S subsidiary (s). The parent corporation shall submit a schedule with the election, identifying the name, address, PA Account # (Box Number) and federal employer identification number of each qualified subchapter S subsidiary owned by the corporation and doing business in Pennsylvania. The PA Account # is assigned by the Pennsylvania Department of Revenue's Bureau of Corporation Taxes and is applicable to PA S corporations, C corporations and limited liability companies only.

Pennsylvania law does not treat a qualified subchapter S subsidiary owned by a PA S corporation as a separate corporation for corporate net income tax purposes.

Pennsylvania law treats all assets, liabilities, and items of income, deduction and credit of a qualified subchapter S subsidiary as assets, liabilities, and items of income, deduction, and credit of the parent PA S corporation for income tax purposes. On the PA-20S/PA-65 Information Return, the parent PA S corporation must report the assets, liabilities, and items of income, deduction, and credit of the qualified subchapter S subsidiary.



NOTE: Shareholders receive the income distribution from the parent corporation not from each subsidiary.

The following provisions apply to a qualified subchapter S subsidiary in Pennsylvania:

- The parent corporation is not required to register with the Pennsylvania Department of State if its only activity in Pennsylvania is its investment in the qualified subchapter S subsidiary that is registered in Pennsylvania. Therefore, the parent corporation is not required to file the RCT-101, PA Corporate Tax Report. If the qualified subchapter S subsidiary is not registered, then either the parent or the qualified subchapter S subsidiary must register. However, the parent is required to file a PA-20S/PA-65 Information Return.
- For Pennsylvania capital stock/foreign franchise tax purposes, the parent corporation, and each qualified subchapter S subsidiary is a separate entity, and receives its own PA Account #. Each entity must file an annual RCT-101, PA Corporate Tax Report on a separate company

basis. On a separate company basis, each entity submits with its RCT-101, PA Corporate Tax Report, an individual income statement, beginning and ending balance sheet, and statement of retained earnings (or a pro-forma federal Form 1120S).

- If the parent corporation must file the RCT-101, PA Corporate Tax Report, the parent must also submit a consolidated beginning and ending balance sheet for itself and its qualified subchapter S subsidiary (s).
- The parent company files the PA-20S/PA-65 Information Return and lists the qualified subchapter S subsidiary on the PA-20S/PA-65 Information Return, Part IX (indicate "yes" for the qualified subchapter S subsidiary). There is no ownership percentage for the qualified subchapter S subsidiary because it is a division of the parent company. Since the qualified subchapter S subsidiary is a division of the parent company, the qualified subchapter S subsidiary is not included on the Partner/Member/Shareholder Directory. Only the owners of the parent company are listed on the Directory.

Short Taxable Year Return

A short-year return is the part of the revocation or termination year that begins on the first day of the corporation's tax year and ends the day before the revocation or termination is effective.

PA S corporations, partnerships and limited liability companies must file a PA-20S/PA-65 Information Return for a short taxable year. In addition, PA S corporations and limited liability companies also must file an RCT-101, PA Corporate Tax Report, for a short taxable year.

Division of Income

After the PA S corporation divides its revocation or termination year into two periods, it divides the separately stated items of income (loss), credit, and the amount of the non-separately calculated income (loss) between the periods. The PA S corporation can use one of two methods to make this division:

1. **Pro Rata Allocation** - This method of allocation must be used unless the shareholders and the PA S corporation specifically choose the other allocation method. The pro rata allocation is made as follows:
 - a. First, determine the amount of each separately stated item of income, deduction, or credit and the amount of the non-separately calculated income (loss).
 - b. Then, divide each amount by the number of days in the PA S corporation revocation or termination year, by the total tax year.
 - c. Multiply the amounts from Step b. by the number of days in the PA S corporation's short taxable year. Use these amounts to file the PA-20S/PA-65 Information Return for the revocation or termination year.
 - d. Multiply the amounts from Step b. by the number of days in the RCT-101, PA Corporate Tax Report, short taxable year. Use these amounts to file the RCT-101, PA Corporate Tax Report, for the Pennsylvania S revocation or termination year.

2. **Allocation Based on Normal Accounting Rules** - This is the alternate method of allocation. The PA S corporation must choose this method and all persons who are shareholders during the PA S revocation or termination year must consent to the choice. The PA S corporation then will report all items of income (loss) or credit based on its books and records, including worksheets. Therefore, the items are split between the PA-20S/PA-65 for the short taxable year and the RCT-101, PA Corporate Tax Report, for the short taxable year according to the time it was realized or incurred based on the books and records of the corporation.

Allocation of Income

Pennsylvania law imposes personal income tax on shareholders that are nonresident individuals, estates, or trusts on taxable income allocable to Pennsylvania. Items of income (loss), cost, expense, and liability not allocable to Pennsylvania are ignored in calculating the Pennsylvania-taxable income of such shareholders. Special allocation rules apply to each of the following:

- Net income (loss) from trusts, estates, partnerships and other PA S corporations;
- Net income (loss) from business, profession, or farm activities;
- Net gain (loss) from the sale, exchange or disposition of tangible property;
- Net gain (loss) from the sale, exchange or disposition of intangible personal property;
- Net rental income (loss) from ownership of property.

IRC rules for determining basis, adjustments to basis and gains by the PA S corporation generally are followed with these exceptions:

- For business assets placed into service after 1982, their basis will not have to be reduced by a percentage of the federal income tax credit for which the asset qualifies.
- Losses realized by a PA S corporation on bona fide sales or exchanges of property with related parties may be offset against any gains received from other sales or exchanges.

If the asset being disposed of by the PA S corporation was acquired prior to June 1, 1971, the June 1, 1971 valuation can be used in determining gain (loss). For instructions on how to determine the basis of assets acquired on or before June 1, 1971, obtain form REV-1742, Gain or Loss on Property acquired Prior to June 1, 1971, Schedule D-71.

Beginning with sales made on or after Jan. 1, 1984, the PA S corporation may elect to report a gain of real or tangible personal property on the installment sales method. For instructions, obtain form REV-1689, PA Schedule D-1, Computation of Installment Sale Income.

There is no preferential treatment for gains recognized as capital gains under the Internal revenue Code and no disadvantageous treatment for losses recognized as long-term under the Internal Revenue Code.

Figuring Shareholder Taxable Income (Loss)

Each shareholder reports the applicable pro rata share of non-separately stated net profits from business, profession or farm from the PA-20S/PA-65 Information Return; PA-40 Individual Income Tax Return; or PA-41 Fiduciary Income Tax Return. These tax forms and instructions are available on the department's Web site.

Pennsylvania does not permit offsetting gain (loss) between the classes of income the PA S corporation distributes to its shareholders. The character of any PA S corporation item included in the shareholder's pro rata share is determined as if the item was realized directly by the shareholder.

Pro Rata Share

Each shareholder's pro rata share is determined on a per day/per share basis, as follows:

1. If there is no change in shareholders or in the percentage of stock, each shareholder owns during the tax year, multiply the amount of the income, loss, or credit by the shareholder's percentage.
2. If there is a change in shareholders or percentage:
 - a. Determine the daily amount by dividing the income, loss, or credit by the number of days in the S corporation's tax year;
 - b. Determine the shareholder's daily part by multiplying the daily amount from "a" by the percentage of shares held by the shareholder, by the number of days they were a shareholder during the taxable year.

Limitation on Loss and Loss Carryovers

The aggregate amount of losses taken into account by a Pennsylvania resident shareholder is limited to the sum of the adjusted basis of the shareholder's stock for the tax year. The nonresident shareholder may not deduct any losses that exceed their economic interest in the PA S corporation. The aggregate amount of losses taken into account by a nonresident shareholder is limited to the shareholder's economic interest in the PA S corporation.

There is no provision allowing for carryover of losses by the shareholders of a PA S corporation.

Adjustments to Basis of Stock (Shareholder's Capital Investment)

Each shareholder must adjust the basis of stock in the PA S corporation, as follows:

1. Increases - Each shareholder's pro rata share of the following items increases the basis of stock:
 - a. Net profits from business, profession or farm that is distributable to the shareholder
 - b. Other classes of Pennsylvania personal income tax income items distributable to the shareholder
 - c. Nontaxable income
 - d. Additional capital contributions
2. Decreases - Each shareholder's pro rata share of the following items decreases the basis of stock, but not below zero:
 - a. Losses from business, profession or farm activities that is distributable to the shareholder

- b. Other classes of Pennsylvania personal income tax loss items that is distributable to the shareholder
- c. Nontaxable distributions other than dividend distributions

Basis is reduced only to the extent that the losses reduce the shareholder's income subject to Pennsylvania personal income tax or a tax on or measured by income imposed on the shareholder by any other state. Refer to the Pennsylvania Tax Benefit Rules in the Pennsylvania Personal Income Tax Guide, Chapter 16. If the loss was not utilized, the taxpayer must reduce his basis by his share of straight-line depreciation.

Adjustments to Basis of Indebtedness (Shareholder's Loans to PA S Corporations) - Reduction in Basis of Indebtedness

If the shareholder's basis of stock in a PA S corporation is decreased to zero, any amount of excess loss is used to reduce the shareholder's basis of indebtedness of the PA S corporation to the shareholder, but not below zero.

Restoring Basis

If the shareholder's basis in indebtedness is reduced, the reduction shall be restored before the shareholder's basis in the stock of the PA S corporation is adjusted.

Estimated Quarterly Tax Payments for Resident Shareholders

Individual resident shareholders are subject to the estimated quarterly tax provisions under the Pennsylvania Personal Income Tax Act. Resident shareholders must make declarations and quarterly estimated Pennsylvania tax payments if they reasonably expect income, other than compensation on which Pennsylvania tax is withheld, to exceed \$8,000. Individual shareholders should refer to form REV-413I, Instructions for Estimating PA Personal Income Tax for Individuals Only. Estate and trust shareholders should refer to form REV-413F, Instructions for Estimating PA Fiduciary Income Tax for Estate or Trusts Only.

Quarterly Withholding Tax Payments for Nonresident Shareholders

Under Act 22 of 1991, PA S corporations must withhold quarterly Pennsylvania personal income tax from nonresident shareholders that are individuals, estates and trusts. This quarterly withholding tax payment is based on each nonresident shareholder's expected share of distributions of taxable Pennsylvania-source income. The entity should refer to form REV-413P/S, Instructions for Withholding PA Personal Income Tax from Nonresident Members by Partnerships and PA S Corporations.

If making a quarterly withholding tax payment for the first time, use form PA-40 ESR (F/C) Declaration of Estimated or Estimated Withholding Income Tax for Fiduciary and Partnerships. Associations & PA S corporations may also use this form. The PA S corporation makes the initial quarterly withholding tax payment and all future quarterly withholding tax payments under the federal employer identification number, name, and address of the entity.



NOTE: An entity may not withhold Pennsylvania personal income tax for another entity or for intangibles such as interest, dividends, or sale of stock.

Overpayment of Withholding for Nonresident Shareholders

The PA S corporation must submit a written request if it did not file a PA-40 Nonresident Consolidated Income Tax Return and wants a refund, or to carry-forward to the next tax year the entire amount of tax withheld or the excess over the withholding passed through to the nonresident owners that are individuals, estates or trusts.

Send to:

PA DEPARTMENT OF REVENUE
BUREAU OF INDIVIDUAL TAXES
PO BOX 280509
HARRISBURG PA 17128-0509

Distributions to Shareholders

Resident shareholders must adjust their stock and loan basis at the end of each PA S corporation taxable year. The steps in the adjustment process are as follows:

Determine the Year-End Stock and Loan Basis Excluding All Tax Year Distributions

This is the adjusted basis figure used to determine the tax treatment of any distributions during the tax year.

1. PA S Corporations with no C Corporation Accumulated Earnings and Profits (AE & P)
A distribution from a corporation with no accumulated earnings and profits for Pennsylvania personal income tax purposes is a nontaxable reduction to the basis.
2. PA S Corporations with C Corporation Accumulated Earnings and Profits
A distribution from a corporation in excess of accumulated adjustments account with accumulated earnings and profits for Pennsylvania personal income tax purposes is handled as follows:
 - a) Reduce the distribution by the pro rata share of the accumulated adjustments account. If the distribution is not pro rata for any given year, a resident shareholder cannot receive tax-free distributions in excess of what the resident previously reported in prior years for personal income tax. Nonresidents are not taxed on distributions from the PA S corporation. Consequently, when distributions are made which are not pro rata in any given year, adjustments are required for either the resident and or nonresident to properly reflect the appropriate treatment for Pennsylvania personal income tax purposes.
 - b) The excess of the distribution beyond the amount taken in (a) is a taxable dividend to the extent of the shareholder's pro rata share of the accumulated earnings and profits of the corporation.
 - c) The excess of the distribution beyond (a) and (b) is a nontaxable reduction to the basis. (Cannot go below zero)
 - d) Any distributions beyond (c) above (distributions in excess of basis) are treated as gain from the sale, exchange, or disposition of property.

For a nonresident all distributions are nontaxable. The nonresident's economic investment is reduced by the fair market value of the distribution. A nonresident cannot deduct losses in excess of their economic investment.



NOTE: New PA S corporations can treat federal accumulated adjustments account as Pennsylvania accumulated earnings and profits in lieu of calculating actual accumulated earnings and profits.

In summary, distributions are:

- Non-taxable to the extent of the accumulated adjustments account to the extent of basis;
- Taxable as dividends to the extent of C corporation earnings and profits;
- Non-taxable return of capital to the extent of basis, and
- Taxable as a gain from the sale, exchange or disposition of property.

All distributions to nonresident shareholders reduce the nonresidents' economic investment in the PA S corporation. If the distribution is used up at any priority level, the levels below that level are ignored.

A distribution from a PA S corporation that is paid from the Pennsylvania C corporation's accumulated earnings and profits before it elected PA S corporation status is dividend income to its resident corporation shareholders. All other distributions are nontaxable return of the shareholder's basis in stock.

A nontaxable return of basis distribution will reduce the shareholder's basis in stock first. If such distribution exceeds the shareholder's basis in stock holdings, the shareholder may apply the excess against the basis of any indebtedness of the corporation to the shareholder. If such distribution exceeds the shareholder's basis in stock and indebtedness, the shareholder must report a gain from the disposition of property.

If the PA S corporation distributes appreciated property, the PA S corporation is treated as if it had sold the property to the shareholders at fair market value. Such a distribution will produce gains from the sale of property that will have to be reported by the PA S corporation as net gains from the sale, exchange, or disposition of property. To document all PA S corporation distributions during a taxable year, the PA S corporation must complete the PA-20S/PA-65 Information Return, Part VI and Part VIII.

A PA S corporation should report distributions on the shareholder's PA-20S/PA-65 Schedules RK-1 and NRK-1 under Part V. Each resident shareholder must reflect distributions on the PA-20S/PA-65 Schedule RK-1 and determine whether such distributions are taxable from the calculations on form REV-998, Shareholder Tax Basis in PA S Corporation Stock Worksheet and/or form REV-999, Partner PA Outside Tax Basis in a Partnership Worksheet. Use these worksheets to calculate personal basis in each PA S corporation and each partnership in which there is an ownership interest, and to identify if a shareholder must report a gain on a PA-40 Individual Income Tax Return. Distributions to nonresidents are not taxable. The worksheets are available on the department's Web site.

Reconciliation of Federal-Taxable Income to Pennsylvania-Taxable Income

The PA S corporation should use the PA-20S/PA-65 Schedule M, Reconciliation of Federal Taxable Income to PA-Taxable Income, to reconcile from federal ordinary income (loss) to Pennsylvania-taxable income (loss) from business, profession, or farm operations, and from rental or royalty income (loss).

In many instances, Pennsylvania personal income tax law and regulations do not provide specific treatment similar to federal tax laws. This is especially true with regard to federal elections concerning the timing of income and expense items. Taxpayers should not use federal elections to determine Pennsylvania personal income tax income (loss).

Schedule of Differences Between Federal Tax Law and Pennsylvania Personal Income Tax Law for PA S Corporations

Table 1

IRC Code Section	Description of Federal Tax Treatment	Pennsylvania Tax Treatment
§ 108	Exclusion of cancellation of indebtedness (COD) income	Pennsylvania does not follow federal treatment. Refer to the Pennsylvania Personal Income Tax Guide, Chapter 24: Cancellation of Debt for Pennsylvania Personal Income Tax Purposes
§ 179	Federal law extends and expands the IRC § 179 enhanced expensing provisions beginning in 2002 through year 2010. It provides an increase in the expensing limit from \$125,000 to \$250,000 with phase-out beginning at \$800,000 for 2008.	Pennsylvania follows federal treatment as of Jan. 1, 1997. Any changes made to IRC § 179 after Jan. 1, 1997 are not applicable to Pennsylvania. The Pennsylvania § 179 expense is \$25,000 and will be phased out for purchases in excess of \$200,000.
§ 338 (h)(10)	Election to treat a stock sale as an asset sale	Pennsylvania does not follow federal treatment.
§ 351	Contribution of property to a corporation on a tax-free basis	Pennsylvania follows federal treatment.
§ 465	Federal loss not allowed due to federal at risk limitations Federal loss for year higher than Pennsylvania loss as a result of federal at risk carryover	Pennsylvania personal income tax loss allowed to extent of Pennsylvania personal income tax basis and income in class. There is no carryover of a loss. Basis is reduced by amount of loss offset by income. If losses are not used the basis must be reduced by the shareholder's share of straight-line depreciation. Percentage of unused loss is multiplied by shareholder's share of straight-line depreciation. Basis is reduced by the result. There is no carryover of a loss for Pennsylvania personal income tax purposes. Loss was incurred in prior year. Any unused Pennsylvania personal income tax loss in prior year is forgone.

Schedule of Differences Between Federal Tax Law and Pennsylvania Personal Income Tax Law for PA S Corporations
Table 1

IRC Code Section	Description of Federal Tax Treatment	Pennsylvania Tax Treatment
§ 469	<p>Federal loss not allowed due to federal passive loss limitations</p> <p>Federal loss for year higher than Pennsylvania loss as a result of federal passive loss carryover</p>	<p>Pennsylvania personal income tax loss allowed to extent of Pennsylvania personal income tax basis and income in class. There is no carryover of a loss. Basis is reduced by amount of loss offset by income. If losses are not used the basis must be reduced by the shareholder's share of straight-line depreciation. Percentage of unused loss is multiplied by shareholder's share of straight-line depreciation. Basis is reduced by the result.</p> <p>There is no carryover of a loss for Pennsylvania personal income tax purposes. Loss was incurred in prior year. Any unused Pennsylvania personal income tax loss in prior year is forgone.</p>
§ 1031	No gain (loss) recognized on any like-kind exchange transactions.	Pennsylvania does not follow federal treatment.
§ 1361	<p>One class of stock requirement</p> <p>Qualified subchapter S subsidiaries (QSSS)</p>	<p>Pennsylvania follows federal treatment.</p> <p>Pennsylvania permits qualified subchapter S subsidiaries ; however, each qualified subchapter S subsidiaries is considered a separate corporation for purposes of the capital stock/foreign franchise tax. Refer to Act 206-67</p>
§ 1362	Election of S corporation	Pennsylvania follows federal treatment for tax years beginning Jan. 1, 2006.
§ 1362(d)	Passive income test	Pennsylvania does not follow federal treatment.
§ 1368	Accumulated Adjustments Account (AAA)	Calculation required for years when PA S status is in place.
§ 1374	Built-in-gains tax	<p>Pennsylvania generally follows federal treatment. Pennsylvania does not follow federal for 25 percent passive income test. If any built-in-gains tax is imposed on a PA S corporation (or any qualified subchapter S subsidiaries owned by such PA S corporation), the amount of tax so imposed shall be treated as a loss sustained by such PA S corporation during such years. The character of such loss shall be determined by allocating the loss proportionately among the recognized built-in gains giving rise to such tax. If entity is subject to federal built-in-gains tax, it will be subject to Pennsylvania corporate net income tax.</p>
§ 1377	Election to terminate year	Pennsylvania follows federal treatment.
NA	Tax Benefit Rule	<p>For Pennsylvania purposes, a shareholder must reduce basis in the S corporation by losses but only to the extent that the losses reduce either the income subject to Pennsylvania tax or the income tax of another state or country. If losses are not utilized, the basis must be reduced by the shareholder's share of straight-line depreciation. Percentage of unused loss is multiplied by shareholder' share of straight-line depreciation.</p>

PARTNERSHIPS

A partnership, for Pennsylvania personal income tax purposes, is an unincorporated entity that is subject to any of the requirements of Subchapter K of the IRC.

Examples of a partnership are a domestic or foreign general partnership, joint venture, limited partnership (LP), limited liability partnership, limited liability company, business trust, investment club, or other unincorporated entity that for federal income tax purposes is classified as a partnership (§ 72 P.S. 7301 (n.0)).



NOTE: For tax year 2005 and forward, an investment club that derives all of its receipts for the taxable year from either federally taxable portfolio interest income or dividends or from the sale and exchange of securities, is considered a partnership for Pennsylvania purposes and is required to file a PA-20S/PA-65 Information Return.

Partners are not employees and are not issued a Form W-2. The partnership must furnish copies of PA-20S/PA-65 Schedule RK-1 and/or NRK-1 to the partners before the PA-20S/PA-65 Information Return is required to be filed, including extensions.

The term partnership does not include the following kinds of organizations:

- Condominium management associations, residential real estate management associations, or similar organizations, provided that no part of the income inures, other than by enhancing the value of the property of the association or its members, to the benefit of any member;
- Political organizations; or
- Organizations described in IRC § 501(c).

The taxable year of a partnership with respect to a partner ends at the close of business on the day of:

- Disposition, when the partner sells his or her entire interest in the partnership;
- Redemption, when the partner liquidates his or her entire interest in the partnership; or
- The date of death of the partner.

The partnership apportions items of income, gain and expense or loss to a partner only for that portion of the partnership-year when the partner was a member. It may be necessary to divide the partnership-year into daily or other segments and treat each such segment as a separate accounting period in order to satisfy this rule.

Estimated Quarterly Tax Payments for Resident Partners

Individual resident partners are subject to the estimated quarterly tax provisions under the Pennsylvania Personal Income Tax Act. Resident partners must make declarations and estimated quarterly Pennsylvania tax payments if they reasonably expect income, other than compensation on which Pennsylvania tax is withheld, to exceed \$8,000. Individual partners should refer to form *REV-413I, Instructions for Estimating PA Personal Income Tax for Individuals Only*.

Withholding Quarterly Tax Payments for Nonresident Partners

Under Act 22 of 1991, partnerships must withhold quarterly Pennsylvania personal income tax from partners that are nonresident individuals, estates or trusts. This quarterly withholding tax payment is based on each nonresident partner's expected share of distributions of taxable Pennsylvania-source income. The entity should refer to form *REV-413P/S, Instructions for Withholding PA Personal Income Tax from Nonresident Members by Partnerships and PA S corporations*

If making a quarterly withholding tax payment for the first time, use form *PA-40 ESR (F/C) Declaration of Estimated or Estimated Withholding Income Tax for Fiduciary and Partnerships*. The partnership makes the initial quarterly withholding tax payment and all future quarterly withholding tax payments under the federal employer identification number, name, and address of the partnership.



NOTE: An entity may not withhold Pennsylvania personal income tax for another entity or for intangibles such as interest, dividends or sale of stock.

Overpayment of Withholding for Nonresident Partners

The partnership must submit a written request if it did not file a PA-40 Nonresident Consolidated Income Tax Return and wants a refund, or to carry-forward to the next tax year the entire amount of tax withheld or the excess over the withholding passed through to the nonresident owners that are individuals, estates or trusts.

Send to:

PA DEPARTMENT OF REVENUE
BUREAU OF INDIVIDUAL TAXES
PO BOX 280509
HARRISBURG PA 17128-0509

Contributions in Exchange for Interest in Partnership

Neither the partnership nor its partners or members recognize gain (loss) in the case of a contribution in exchange for an interest in the partnership, unless:

- The purpose of the contribution was to affect an exchange of property between two or more partners; or
- The contributing partner receives, in exchange for its contribution, an interest in the partnership plus other property or cash.

Termination of a Partnership

The transfer of cash or property to a partner or member of a partnership or association in liquidation of its interest therein shall give rise to gain (loss) to the extent of the difference between the cash and fair market value of other property received and the basis of the partner or member for its partnership or association interest immediately before the distribution.

An existing partnership continues until it terminates. A partnership terminates only when:

- Neither the partnership nor any of its partners continues the business, financial operation, or venture of the partnership; or
- Within a 12-month period, there is a 50 percent or more change in ownership interest.

Dissolving a Partnership

General partnerships that are not required to withhold tax at the source (e.g. employer withholding and sales tax) are not required to obtain clearance certificates if they are merely ceasing to do business within Pennsylvania or selling their assets in a bulk or auction sale. However, limited partnerships or general partnerships that withhold at the source (e.g. employer withholding and sales tax) must obtain a tax clearance certificate before filing required documents with the Pennsylvania Department of State.

A partnership desiring to withdraw from Pennsylvania must obtain a clearance certificate from the department. To obtain a tax clearance certificate from the department, the entity must file all state tax reports/returns and pay all taxes (including interest, penalties, fees, charges and other liabilities) due to Pennsylvania up to and including the date that all assets were liquidated and distributed to partners, or the date business operations ceased in Pennsylvania, whichever is later.

To obtain a Tax Clearance Certificate from the Pennsylvania Department of Revenue, the entity must complete *form REV-181, Application for Tax Clearance Certificate*. Refer to *form REV-181-1* for instructions.

Elections

Pennsylvania law determines income (loss) under accepted accounting principles and practices. The partnership, not the partners, make the choice for calculating income (loss) from the partnership's activities. The partnership chooses the recognized method of accounting, method of calculating depreciation, capitalization of organizational fees, and the use of the installment sales provisions. All partnership elections are applicable equally to all partners, but any election made by the partnership will not apply to any partner's other income or gain. Pennsylvania law does not provide all the elections that partnerships and partners may make for federal purposes, including the elections under IRC Sections 59(e); 108; 614; 1031; 617; 732(d); 734(b); 743(b); 754; 901, 1033, and 6222(b).

Federal Optional Adjustments to Basis

For Pennsylvania purposes, the partnership may not adjust the basis of its property in the manner provided in IRC § 734(b) or § 743(b). Pennsylvania does not permit the IRC § 732(d) or 754 election.

Determining a Partner's Distributive Share

The partnership shall allocate each item of income (loss) by class to the partners in the same proportion that it uses for federal purposes. The partnership must submit a statement with its PA-20S/PA-65 Information Return explaining the reason for a different allocation.

Guaranteed Payments

There are differences between federal tax law and Pennsylvania tax law for reporting guaranteed payments to partners. The partnership classifies guaranteed payments to partners as follows:

- If services are rendered directly in the production of income from a business, profession or farm, the guaranteed payments to the recipient are gross income from that specific income class. If the partnership does not deduct these guaranteed payments on its federal return, it may deduct them to determine net profits on the PA-20S/PA-65 Information Return, Part I.
- If services are rendered directly in the production of rental or royalty income, the guaranteed payments are gross income from that income class to the recipient. If the partnership does not deduct these guaranteed payments to determine rental income and royalty income on its federal return it may deduct them to determine rental and royalty income on the PA-20S/PA-65 Information Return, Part III.
- To the extent paid for other services or for the use of capital, Pennsylvania characterizes such distributions as:
 - A withdrawal proportionately from the capital of all partners
 - A gain from the disposition of the recipient's partnership interest and a loss from the disposition of the other partners' partnership interests, to the extent derived from the capital of the other partners
 - A return of capital by the recipient to the extent derived from his/her own capital. The distributions that the partnership makes that represent repayments of the partner's own capital are not income for Pennsylvania personal income tax purposes
 - A guaranteed payment is derived from sources within and is allocable to Pennsylvania, to the extent deductible from net profits or rental and royalty income that is derived from sources within and allocable to Pennsylvania
 - The partnership does not receive a deduction for a guaranteed payment if there is a guaranteed payment for capital or other services.

The distributions that the partnership makes that represent repayments of the partner's own capital are not income for Pennsylvania personal income tax purpose.

Guaranteed Payments Example

Andy, Betty, and Carl are equal partners in Partnership ABC. Andy manages the rental activities of the partnership and receives an annual guaranteed payment of \$5,000 for such services. Betty contributed the rental property to the partnership. She receives an annual guaranteed payment of \$15,000 for its use. Partnership ABC received net rents of \$80,000 for the taxable year. The \$5,000 guaranteed payment to Andy is an allowable deduction from the net rents of the partnership and is

taxable to Andy as gross rents. The partnership calculates Andy's total rental income as follows:

- Guaranteed payment is \$5,000 \$ 5,000
- Share of partnership net rents $[(\$80,000 - \$ 5,000) \div 3] =$ \$ 25,000
- Total \$ 30,000

Betty and Carl each have total rental income of \$25,000 $[(\$80,000 - \$5,000) \div 3]$.

The guaranteed payment to Betty is a gain on the disposition of her partnership interest, to the extent it is from Andy and Carl's capital. To the extent that the guaranteed payment is a return of Betty's own investment, it is a return of capital distribution. The partnership reflects this amount as guaranteed payments for capital on the PA-20S/PA-65 Schedule RK-1 or NRK-1. The return of capital distribution is not taxable if it does not exceed Betty's basis in the partnership.

Reconciliation of Federal-Taxable Income to Pennsylvania-Taxable Income

The partnership should use the PA-20S/PA-65 Schedule M, Reconciliation of Federal Taxable Income to PA-Taxable Income, to reconcile from federal ordinary income (loss) to Pennsylvania-taxable income (loss) from business, profession, or farm operations, and from rental or royalty income (loss).

In many instances, Pennsylvania personal income tax law and regulations do not provide specific treatment similar to federal tax laws. This is especially true with regard to federal elections concerning the timing of income and expense items. Taxpayers should not use federal elections to determine Pennsylvania personal income tax income (loss).

Schedule of Differences Between Federal Tax Law and Pennsylvania Personal Income Tax Law for Partnerships

Table 2

IRC Code Section	Description of Federal Tax Treatment	Pennsylvania Tax Treatment
§ 108	Exclusion of cancellation of indebtedness (COD) income	Pennsylvania does not follow federal treatment. Refer to the Pennsylvania Income Tax Guide, Chapter 24: Cancellation of Debt for PA PIT Purposes
§ 179	Federal law extends and expands the IRC § 179 enhanced expensing provisions beginning in 2002 through year 2010. It provides an increase in the expensing limit from \$125,000 to \$250,000 with phase-out beginning at \$800,000 for 2008.	Pennsylvania follows federal treatment as of Jan. 1, 1997. Any changes made to IRC § 179 after Jan. 1, 1997 are not applicable to Pennsylvania. The Pennsylvania § 179 expense is \$25,000 and will be phased out for purchases in excess of \$200,000.
§ 469	Passive or portfolio income	Pennsylvania does not follow federal treatment.
§ 704(b)	Special allocations with substantial economic effect	Pennsylvania follows federal treatment.
§ 704(c)	Allocations with respect to pre-contribution gain inherent in contributed assets	Pennsylvania follows federal treatment.
§ 705(a)	Determination of basis of partner's interest (general rule)	Pennsylvania follows federal treatment.
§ 706(c)	Federal closing of the books	Pennsylvania follows federal treatment.

Schedule of Differences Between Federal Tax Law and Pennsylvania Personal Income Tax Law for Partnerships

Table 2

IRC Code Section	Description of Federal Tax Treatment	Pennsylvania Tax Treatment
§ 707(a)	Federal disguised sale rules	Pennsylvania follows federal treatment.
§ 707(c)	Guaranteed payments for the use of capital – unreasonable guaranteed payments	Pennsylvania follows federal treatment.
§ 707(c)	Guaranteed payments for the use of capital or other services	<p>Pennsylvania does not follow federal treatment for guaranteed payments for services. Under Pennsylvania tax law, to the extent paid for other services or for the use of capital, a guaranteed payment is:</p> <ul style="list-style-type: none"> a. A withdrawal proportionately from the capital of all partners; b. A gain from the disposition of the recipient's partnership interest and a loss from the disposition of the other partners' partnership interests, to the extent derived from the capital of the other partners; and c. A return of capital by the recipient to the extent derived from his/her own capital.
§ 708	Technical termination of a partnership (involves greater than 50% change in ownership)	Pennsylvania follows federal treatment.
§ 709(a)	Treatment of organization and syndication fees (general rule)	Pennsylvania follows federal treatment.
§ 722	Basis of Contributing Partner's Interest	Pennsylvania follows federal treatment.

Principles Applicable to PA S Corporations and Partnerships

Defining Net Income (Loss) from Business, Profession or Farm Activities

The partnership or S corporation calculates its net business income (loss) solely by reference to those items of revenue, cost, expense, or liability that it derives or incurs:

- In the ordinary course of operating its business;
- From securities employed as working capital (generally current assets) in the ordinary course of its business;
- From accounts and notes receivable that are generally part of current assets;
- From sales of products or services in the ordinary course of its business; or
- From assets that serve an operational function in the ordinary course of business.

For additional information, refer to the Pennsylvania Personal Income Tax Guide, Chapter 16.

In order to constitute the operation of a business, the PA S corporation or partnership must meet each of the following requirements:

1. The entity must market a product or service to customers on a commercial basis, without limitation or exclusivity; and
2. The entity must conduct, or ordinarily conduct, its marketing activity with the manifest objective of achieving profitable operations; and
3. The entity must conduct its marketing activity with regularity and continuity.

If the operation of the business is wholly within Pennsylvania, the PA S corporation or partnership allocates its net profit (loss) exclusively to Pennsylvania. If the operation of the business is wholly outside Pennsylvania, the PA S corporation or partnership cannot allocate to Pennsylvania any item of income (loss), cost, or expense that it derives or incurs. When a PA S corporation or partnership operates a business that is neither wholly within nor wholly outside Pennsylvania under the above definitions, it allocates by separate accounting or apports its income.

A PA S corporation or partnership calculates net business income (loss) without reference to any item of revenue, cost, expense, or liability the entity derives or incurs in connection with, or attributable to:

- A sale, discontinuation, or abandonment of a business or segment thereof;
- The ownership or disposition of assets that are held for long-term investment purposes or otherwise serve an investment function (non-current assets);
- Trading in securities on an established securities market for personal purposes and not for the accounts of customers;

- A non-operating interest in coal, oil, gas, or minerals in place, unless it serves an operational function in the operation of the entity's business; or
- Any tax imposed on, or measured by, gross or net earned or unearned income.

The PA S corporation or partnership includes interest and dividends derived from assets employed as working capital in a business, and from accounts and notes receivable from sales of products or services sold in the ordinary course of business when determining its net income (loss) from business, profession, or farm activities.

Pennsylvania personal income tax law does not allow deductions for a partner's own labor, capital investment, or capital improvements, except in the case of certain guaranteed payments.


The PA S corporation or partnership must classify income according to the income class before calculating each owner's share. Allowable cost and expenses are deducted when calculating net income from a business, profession, or farm. Refer to [PART VI, Classes of Income](#).

Allowable Deductions

The PA S corporation or partnership may only deduct ordinary, necessary, reasonable, and current expenses that it actually pays or incurs during the taxable year. The entity may only deduct expenses directly related to the production and marketing of products or services. If an expense is not 100 percent for business purposes, the PA S corporation or partnership may only deduct the business portion of the expense.

Allowable Expenses

Allowable expenses incurred in the operation of a business are those ordinary, necessary, and reasonable expenses required for its operation. These include office supplies, employees' salaries and benefits, rental expenses, depreciation, and interest on loans for business purposes.

 **IMPORTANT:** Pennsylvania personal income tax law does not permit a deduction for the 30 percent and 50 percent bonus depreciation that federal law allows. Pennsylvania personal income tax law does not follow the federal increase to IRC § 179 deductions enacted after Jan. 1, 1997. The limit for Pennsylvania personal income tax purposes is \$25,000 with the phase out beginning at \$200,000.

Other Pennsylvania Personal Income Tax Income

Other Pennsylvania personal income tax income is all income other than income from business, profession or farm activities. The federal definitions of portfolio and passive income do not apply for Pennsylvania purposes. The federal material participation rules do not apply. For Pennsylvania purposes, a PA S corporation or partnership must include interest and dividend income and income from the disposition of intangible property when determining net business income (loss) if such income was generated by working capital.

If the entity is also a shareholder or partner in another pass through entity, it must report to its own members its share of the income from the other pass through entity, whether distributed or not.

Report the share of other Pennsylvania personal income tax income in the same class in which the PA S corporation or partnership received the income.

Health Insurance

Health insurance for a shareholder of a PA S corporation is deductible at the entity level, for shareholder/employee relationship, as long as it is a non-discriminatory plan. A partnership may not deduct health insurance at either an entity or individual level.

Working Capital

A PA S corporation or partnership must report interest income, dividend income, and gains (losses) as net income (loss) from the operation of a business, profession or farm, when the purposes of the assets and transactions were to provide working capital for the enterprise. Otherwise, the entity reports such income in the appropriate class on the PA-20S/PA-65 Information Return. For a detailed description of working capital, refer to the Pennsylvania Personal Income Tax Guide.

Defining Net Gains

Pennsylvania law Title 72 P.S. 7303 (a)(3) defines net gains or income from disposition of property as follows:

The PA S corporation or partnership must report all sales, exchanges, or dispositions of capital assets and gains on the distribution of appreciated assets to its 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 gains or net income, less net losses, derived from the sale, exchange or other 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.

Classified Gains (Losses) for PA-20S/PA-65 and Reporting Gains (Losses) for Pennsylvania Personal Income Tax

Table 3

Classified Gains (Losses) for PA-20S/PA-65 and Reporting Gains (Losses) for Pennsylvania Personal Income Tax			
Type of Gain	Classification	Gain Treatment	
		Pennsylvania Resident	Nonresident
Sale of intangible personal property used in a business, profession or farm, including goodwill contractually sold with the business and allocated by the parties as to value in the sales agreement	Used in determining the net income (loss) of the business, profession or farm PA-20S/PA-65, Part I or Part II	Taxable	Taxable
Sale of intangible personal property not used in a business, profession or farm, including goodwill contractually sold with the business and allocated by the parties as to value in the sales agreement	PA-20/PA-65 Schedule D	Taxable	Not Taxable
Sale of tangible personal property used in a business, profession or farm - proceeds reinvested and used to acquire similar property used in the same kind of business, profession or farm	Used in determining the net income (loss) of the business, profession or farm PA-20S/PA-65, Part I or Part II	Taxable	Taxable
Sale of tangible personal property used in a business, profession or farm - proceeds not reinvested and used to acquire similar property used in the same kind of business, profession or farm	PA-20S/PA-65 Schedule D	Taxable	Taxable (If property is located in Pennsylvania)
Sale of inventory	Used in determining the net income (loss) of the business, profession or farm PA-20S/PA-65, Part I or Part II	Taxable	Taxable
Sale of stock in trade	Used in determining the net income (loss) of the business, profession or farm PA-20S/PA-65, Part I or Part II	Taxable	Taxable
Sale of other current assets	Used in determining the net income (loss) of the business, profession or farm PA-20S/PA-65, Part I or Part II	Taxable	Taxable

Classified Gains (Losses) for PA-20S/PA-65 and Reporting Gains (Losses) for Pennsylvania Personal Income Tax

Table 3

Classified Gains (Losses) for PA-20S/PA-65 and Reporting Gains (Losses) for Pennsylvania Personal Income Tax			
Type of Gain	Classification	Gain Treatment	
		Pennsylvania Resident	Nonresident
Sale of tangible non-current assets and intangible non-current assets used in operating a business, profession or farm	PA-20S/PA-65 Schedule D	Taxable	Taxable
Sale of tangible non-current assets and intangible non-current assets held for investment not used in operating a business, profession or farm	PA-20S/PA-65, Schedule D	Taxable	Taxable (If property is located in Pennsylvania)
Sale of land and/or buildings constituting the abandonment of a business or business segment i.e. sale of a division or line of business where the seller does not continue the division or business activity	PA-20S/PA-65 Schedule D	Taxable	Taxable (If property is located in Pennsylvania)
Sale of land and/or buildings used as a facility in the operation of a business, profession or farm - proceeds reinvested in a similar facility and used in the same kind of business, profession or farm	Used in determining the net income (loss) of the business, profession or farm PA-20S/PA-65, Part I or Part II	Taxable	Taxable
Sale of land and/or buildings held for investment regardless of reinvestment of proceeds	PA-20S/PA-65 Schedule D	Taxable	Taxable (If property is located in Pennsylvania)
Sale of stocks and bonds, other than federal or Pennsylvania obligations, and used in the operating cycle of the business, profession or farm	Used in determining the net income (loss) of the business, profession or farm PA-20S/PA-65, Part I or Part II	Taxable	Taxable
Sale of stocks and bonds, other than federal or Pennsylvania obligations, and not used in the operating cycle of the business, profession or farm	PA-20S/PA-65 Schedule D	Taxable	Not taxable
IRC § 1035 - exchange of insurance policy	PA-20S/PA-65 Schedule D	Taxable	Not Taxable
With boot		Not Taxable	Not Taxable
Without boot			
Sale of ownership interests in partnerships and business enterprises	PA-20S/PA-65 Schedule D	Taxable	Not taxable

Defining Net Income from Estates or Trusts

Income from an estate or trust is taken from the PA-41 Schedules RK-1 and NRK-1, which are provided by the estate or trust.

Defining Gambling and Lottery Winnings (Losses)

The PA S corporation or partnership must enter any winnings (losses) realized from gambling or lotteries, other than the Pennsylvania Lottery. The entity may not deduct any expenses related to realizing such income. However, the PA S corporation or partnership may offset winnings (losses) within this income class. The entity must submit a schedule or explanation of any amount reported. Use the PA-20S/PA-65 Schedule T.

Classified Federal Schedule K Lines for Pennsylvania Personal Income Tax Purposes

Table 4

Classified Federal Schedule K Lines for Pennsylvania Personal Income Tax Purposes	
Net income (loss) from rental real estate activities	<ul style="list-style-type: none"> • If the rental activity includes providing significant services (e.g. hotel) - Part I, Line 1a and/or Part II, Line 2a and/or Line 2e. • If the rental activity does not include providing significant services - Part III, Line 6. • If the rental activity includes providing significant services (e.g. rental of tangible personal property) - Part I, Line 1a and/or Part II, Line 2a and/or Line 2e. • If the rental activity is an investment property and does not include providing significant services - Part III, Line 6.
Interest income	<ul style="list-style-type: none"> • If derived from assets employed as working capital in a business, profession, or farm or from accounts and notes receivable from sales of products or services sold in the ordinary course of business, generally current assets - Part I, Line 1a and/or Part II, Line 2a and/or Line 2e. • If derived from assets that are held for long-term investment purposes or otherwise serve an investment function, generally long-term assets - Part III, Line 3.
Dividend income	<ul style="list-style-type: none"> • If derived from assets employed as working capital in a business, profession or farm, or from accounts and notes receivable from sales of products or services sold in the ordinary course of business, generally current assets - Part I, Line 1a and/or Part II, Line 2a and/or Line 2e. • If derived from assets that are held for long-term investment purposes or otherwise serve an investment function, generally long-term assets - Part III, Line 4.
Sale of property federal Form 4797 Net IRC § 1231 gain (loss) other than due to casualty or theft	<ul style="list-style-type: none"> • If from a sale, exchange, or disposition of property used in the business, profession, or farm, and the proceeds reinvested and used to acquire similar property used in the same kind of business - Part I, Line 1a and/or Part II, Line 2a and/or Line 2e. • If from a sale, exchange, or disposition of property NOT USED in the ordinary course of operating the business, profession, or farm as described above - Part III, Line 5.
Guaranteed payments to partners	<ul style="list-style-type: none"> • Guaranteed payment treatment for partners (partnerships only)
Other income (loss)	<ul style="list-style-type: none"> • Determine the appropriate Pennsylvania income class from the activity, operation, and transactions (and purpose) that generated the income (loss). Include the amount on the applicable line of the PA-20S/PA-65 Information Return.

PART IX: Taxpayer Services and Assistance

ONLINE SERVICES

Revenue e-Services Center at www.revenue.state.pa.us

This is the location for all the department's electronic filing services. Through this Web site, you can file a business tax return using e-TIDES; request an extension of time; make payments by credit card or Electronic Funds Withdrawal; calculate penalty and interest; open a business account; access the IRS online application for an employer identification number; and file an appeal with the department.

Online Customer Service Center at www.revenue.state.pa.us

If you have Internet access, you may be able to find the answer to your question by using the department's Online Customer Service Center. You can use the *Find Answers* feature, which lets you search for the answers to commonly asked questions, or if you cannot find your answer, you can use the *Submit Question* feature and a customer service representative will answer your question.

Pennsylvania Personal Income Tax Guide (PA PIT Guide)

The department's Pennsylvania Personal Income Tax Guide has information that explains Pennsylvania's income tax, and its differences from federal tax laws. You can only access the Pennsylvania Personal Income Tax Guide at the department's Web site at www.revenue.state.pa.us. You can open the entire Pennsylvania Personal Income Tax Guide, or a specific chapter, and use the search features of Adobe Acrobat Reader™. The department offers a link for a free download of the latest version of [Adobe Acrobat Reader™](#).

TELEPHONE SERVICES

Taxpayer Service and Information Center

Call (717) 787-8201 with questions concerning the PA-20S/PA-65, and Pennsylvania personal income tax during normal business hours, 7:30 a.m. to 5:00 p.m. Eastern Time.

Automated 24-hour FACT & Information Line:

1-888-PATAXES (728-2937) or (717) 772-9739 in the Harrisburg area; you must have touch-tone service. This service provides:

- answers to some of the most commonly asked tax questions,
- the balance of Pennsylvania estimated tax accounts,
- the status of a filed personal income tax return or property tax/rent rebate claim.

FORMS ORDERING SERVICES

To obtain forms visit a Revenue district office or use one of the following services:

Internet: www.revenue.state.pa.us

Pennsylvania income tax forms, schedules, brochures, electronic filing options, and other information are available on the department's Web site. If you do not have Internet access, visit your local public library.

E-mail Requests for Forms: ra-forms@state.pa.us

Automated 24-hour Forms Ordering Message Service: 1-800-362-2050.

This line serves taxpayers without touch-tone service.

Written Requests: **PA DEPARTMENT OF REVENUE**
 TAX FORMS SERVICE UNIT
 711 GIBSON BLVD
 HARRISBURG PA 17104-3200

IMPORTANT: Beginning 2009 tax year (Jan. 1, 2010) the 2009 PA-20S/PA-65 PA S Corporation/Partnership Information Return Tax Booklet, forms and schedules will not be printed or mailed, and will no longer be available through the department's forms ordering service. The PA-20S/PA-65 forms and schedules will continue to be available on the department's Web site.

OTHER SERVICES

Services for Taxpayers with Special Hearing and/or Speaking Needs: 1-800-447-3020 (TTY)

Language Services

Non-English-speaking taxpayers can receive assistance from the department through an interpretation service.

Español

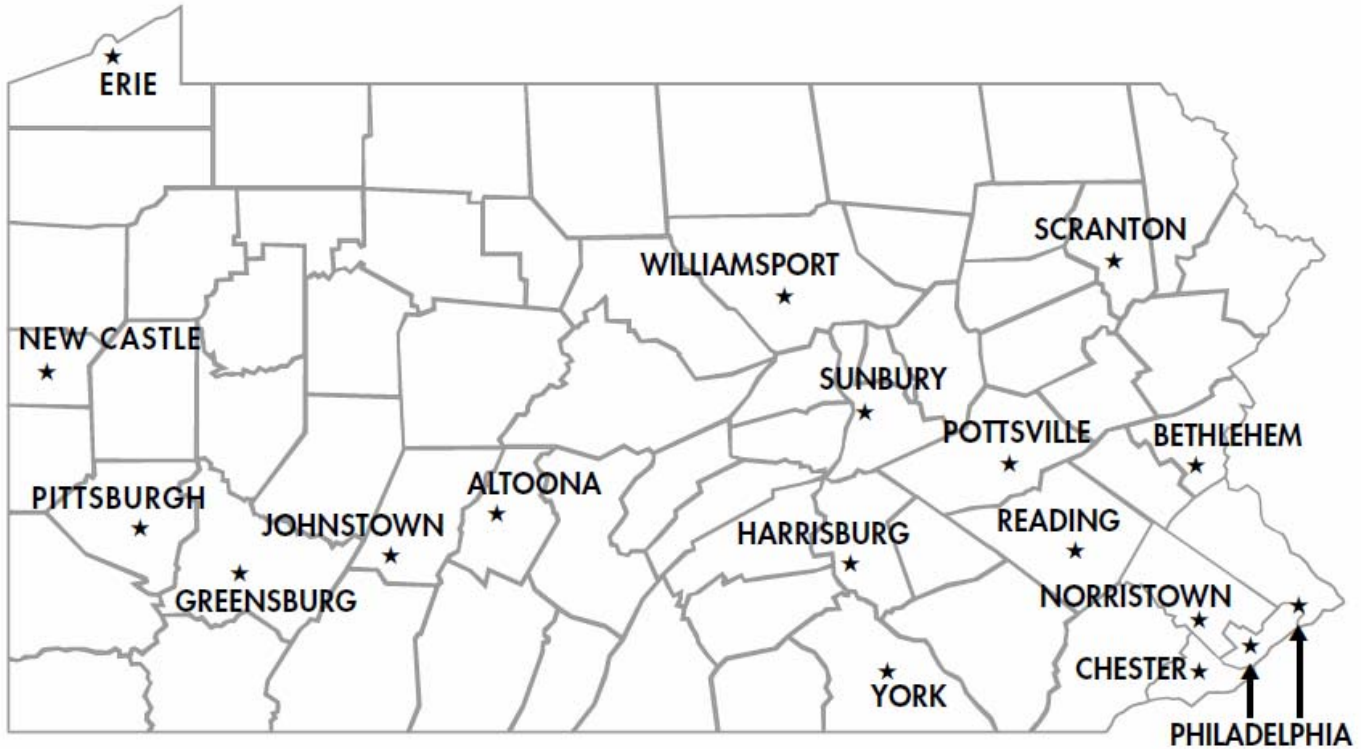
El Departamento de Impuestos puede ayudar los contribuyentes que no hablan inglés por medio de un servicio de traducción durante el periodo de pago de impuestos.

Federal Tax Assistance

- Federal tax account or technical information and problem solving are available by calling: 1-800-829-1040.
- Recorded Tele-Tax Service on federal tax topics or tax refund information is available by calling: 1-800-829-4477.
- Federal tax forms and publications are available by calling: 1-800-829-FORM (3676).

PART X: Pennsylvania Department of Revenue District Offices

NOTE: Please call to verify a district office's address and its services or visit the department's Web site at www.revenue.state.pa.us for information. Taxpayer assistance hours are 9 a.m. to 12 p.m. and from 1 to 4 p.m.



ALTOONA
STE 204
CRICKET FIELD PLZ
615 HOWARD AVE
ALTOONA PA 16601-4867
(814) 946-7310

BETHLEHEM
44 E. BROAD ST
BETHLEHEM PA 18018-5998
(610) 861-2000

CHESTER
6th FL STE 602
419 AVENUE OF THE STATES
CHESTER PA 19013-4451
(610) 619-8018

ERIE
448 W 11th ST
ERIE PA 16501-1501
(814) 871-4491

GREENSBURG
SECOND FL
15 W Third St
GREENSBURG PA 15601-3003
(724) 832-5283

HARRISBURG
LOBBY
STRAWBERRY SQ
HARRISBURG PA 17128-0101
(717) 783-1405

JOHNSTOWN
425 MAIN ST
JOHNSTOWN PA 15901-1808
(814) 533-2495

NEW CASTLE
103 S MERCER ST
NEW CASTLE PA 16101-3849
(724) 656-3203

NORRISTOWN
SECOND FL
STONY CREEK OFFICE
CENTER
151 W MARSHALL ST
NORRISTOWN PA 19401-4739
(610) 270-1780

PHILADELPHIA
STE 204A
110 N 8TH ST
PHILADELPHIA PA 19107-2412
(215) 560-2056

PHILADELPHIA
ACDMY PLZ SHPG CTR
3240 RED LION RD
PHILADELPHIA PA 19114-1109
(215) 821-1860

PITTSBURGH
CHMBR COMMERCE BLDG
411 7TH AVE
PITTSBURGH PA 15219-1919
(412) 565-7540

POTTSVILLE
115 S CENTRE ST
POTTSVILLE PA 17901-3047
(570) 621-3175

READING
STE 239
625 CHERRY ST
READING PA 19602-1186
(610) 378-4401

SCRANTON
RM 200
SAMTERS BLDG
101 PENN AVE
SCRANTON PA 18503-1970
(570) 963-4585

SUNBURY
535 CHESTNUT ST
SUNBURY PA 17801-2834
(570) 988-5520

WILLIAMSPORT
440 LITTLE LEAGUE BLVD
WILLIAMSPORT PA 17701-5055
(570) 327-3475

YORK
140 N DUKE ST
YORK PA 17401-1110
(717) 845-6661