INDIANA DEPARTMENT OF REVENUE
100 N. SENATE AVE.
INDIANAPOLIS, IN 46204-2253
www.in.gov/dor/

SP 155
(R9 / 10-11)

# STATE OF INDIANA

# Nonprofit Organization Unrelated Business Income Tax Booklet

# 2011 Form IT-20NP

This booklet contains forms and instructions for preparing the Indiana adjusted gross income tax return on unrelated income of nonprofit organizations.

Indiana Department of Revenue

# 2011 Nonprofit Organization Unrelated Business Income Tax Return

## Administrative and Legislative Tax Highlights

For a complete summary of new legislation regarding taxation, please see 2011 **Summary of State Legislation Affecting the Department of Revenue** at www.in.gov/dor/3656.htm

### References to the Internal Revenue Code

Public Law (PL) 229-2011, SEC. 83 updates references to the Internal Revenue Code in certain Indiana tax statutes. For tax year 2011, any reference to the Internal Revenue Code and subsequent regulations means the Internal Revenue (IRC) Code of 1986, as amended and in effect on Jan. 1, 2011.

### New Addbacks

The 2011 Indiana General Assembly did not conform to several provisions in the IRC. Therefore, per House Enrolled Act 1001-2011, five deductions allowed at the federal level must be added back to taxpayers' Indiana AGI. These include

- The deduction for qualified environmental remediation costs;
- The deduction for qualified advanced mine safety equipment;
- The deduction for qualified leasehold improvement property;
- The deduction for a motorsports entertainment complex;
- The deduction for start-up expenditure; and
- The deduction based on employment of an unauthorized alien.

**NOTE: The Act is effective retroactively to taxable years beginning after Dec. 31, 2009.** So, if one of the modifications applies to a taxpayer's Indiana AGI for both 2011 and 2010, the taxpayer can report both on his 2011 income tax return. He does not need to file an amended return for 2010 to report the required modification, although filing an amended return is allowed.

Please note that, because these modifications/addbacks apply to both 2010 and 2011, each addback has two 3-digit codes listed for it. Codes that begin with a 1 should be used for addbacks to your AGI in 2011; codes that begin with a 3 should be used for addbacks to your AGI in 2010.

### Payments to Controlling Exempt Organizations

IC 6-3-1-11 treats some provisions on the IRC that were amended by the Tax Relief Act, Unemployment Reauthorization, and Job Creation Act of 2010 as though they were not amended. One such provision pertains to certain payments to controlling exempt organizations. The federal amendment extends the provision that provides that payments of rent, royalty, annuity, or interest income by a controlled organization to a controlling organization may be included in unrelated business income to the extent that the payment exceeds the amount of the payment under the principles of an arm's length transaction. IC 6-3-1-11 does not extend this.

### Single-factor Sales Formula for Apportionment of Income

PL 162-2006 SECTIONS 25 and 56 amended IC 6-3-2-2(b), effective Jan. 1, 2007, has transitioned to a single-factor formula based on sales to apportion business income.

For 2011, Schedule E, Apportionment of Income for Indiana, has been revised to reflect the single-factor formula.

### View Estimated Tax Payments Online and Make Payments by ePay

Corporate taxpayers can now verify their state estimated tax payments and balances online. This feature saves time, helps to avoid delayed refunds, and identifies estimated discrepancies prior to filing. Visit www.in.gov/dor/epay/index.html to access your estimated tax information.

Please have the following information available:

- Name;
- Taxpayer's federal tax ID or employer identification number (EIN);
- Current street address; and
- Last payment amount;

View it by clicking Begin using IN e-pay at www.in.gov/dor/epay/index.html If you have any questions, please call the Department at (317) 232-0129.

### Voluntary Compliance Program

If you discover you have an unmet filing requirement with Indiana and want to know more about the Department's Voluntary Disclosure Program, contact us at:

Voluntary Compliance Program-MS#104
Indiana Department of Revenue
100 N. Senate Ave., IGCN#241
Indianapolis, IN 46204

### Annual Public Hearing

Department of Revenue will conduct an annual public hearing on Tuesday, June 5, 2012. Please come and share your ideas on how the Department can better administer Indiana tax laws. The hearing will be held from 9 a.m. to 11 a.m., in the Indiana Government Center South, Conference Center - Room 1, 402 W. Washington St., Indianapolis, Indiana. If you are unable to attend, please submit your concerns in writing to Indiana Department of Revenue, Commissioner's Office, 100 N. Senate Ave., Indianapolis, IN 46204.

# General Instructions for 2011 Form IT-20NP

If you are filing federal Form 990 or 990T, enclose a copy of the federal return(s) with Form IT-20NP.

## Who Must File Form IT-20NP

All nonprofit organizations must file Form IT-20NP to report any unrelated business income over $1,000 during the tax year. For further information concerning filing requirements and how to obtain status as a nonprofit organization, request Income Tax Information Bulletin #17 from Tax Administration by calling (317) 232-0129 or going to www.in.gov/dor/3650.htm

## Nonprofit Corporations (Domestic and Foreign)

A corporation can be formed for profit or nonprofit purposes. A nonprofit organization is an association whose purpose is to engage in activities that do not provide financial profit to the benefit of its members. Such corporations must obtain nonprofit or tax exempt status from the IRS and Indiana Department of Revenue to be free from certain tax burdens.

## Formation of Nonprofit Corporation

Nonprofit entities can be organized formally or informally. Forming a corporation creates a specific legal entity. A nonprofit organization incorporated in this state (a domestic corporation) must have on file Articles of Incorporation 4162 with the Corporations Division of the Indiana Secretary of State. An organization incorporated in another state or foreign government must have on file an Application for Certificate of Authority 37035 with the Secretary of State. This allows a foreign (outside Indiana) corporation to do business in Indiana.

## Application for Nonprofit Status and Registration

Contact the Internal Revenue Service for federal requirements to obtain nonprofit (commonly known as 501(c)(3)) status. The IRS publishes an information booklet titled "Tax Exempt Status for Your Organization," Publication 557. Contact:

Internal Revenue Service: (800) 829-1040
Publications: (800) 829-3676
www.irs.ustreas.gov/

To register your nonprofit status with the state, you must submit a Nonprofit Organization Application for Sales Tax Exemption (NP-20A). Contact:

Indiana Department of Revenue
Tax Administration
P.O. Box 6197
Indianapolis, IN 46206-6197
(317) 232-0129

After nonprofit status is granted, file the **Indiana Nonprofit Organization's Annual Report** NP-20 to maintain state recognition of your sales tax exemption. If the organization has unrelated business income over $1,000 during the tax year, it must also file Form IT-20NP with the Department. For more about nonprofit filing requirements, go to www.in.gov/dor/3650.htm and obtain income tax Information Bulletin #17.

*The Annual Report and income tax return are due on the fifteenth day of the **fifth month** following the close of the organization's tax year.*

## Forms for Specific Nonprofit Organizations

| Nonprofit Organization | State Return(s) to File |
|---|---|
| Filing federal Form 990 or 990T, file | Form IT-20NP and Form NP-20 |
| If a utility service provider, also file | Form URT-1 |

A nonprofit organization or corporation must file Form IT-20NP and/or Form NP-20, Nonprofit Organization's Annual Report. The Department recognizes the exempt status determined by the IRS. A nonprofit organization registered as a nonprofit is subject to the adjusted gross income tax, unless the income is specifically exempt from taxation under the provisions of the Adjusted Gross Income Tax Act (IC 6-3-2-2.8 and 6-3-2-3.1). The nonprofit organization is subject to both federal and state tax on income derived from an unrelated trade or business as defined in IRC section 513.

**Utility Service Provider:** Are you in the business as a utility service? If so, you may also be subject to the utility receipts tax (URT) on those gross receipts. Gross receipts are defined as the value received for the retail sale of utility services.

You owe this tax if you furnish any electrical energy, natural gas, water, steam, sewage, or telecommunications services. The URT is due on the retail sale of these services in Indiana. The URT rate of tax is 1.4 percent. Refer to Commissioner's Directive #18 at www.in.gov/dor/3617.htm for more information. Entities subject to this tax must also file Form URT-1.

*The tax return on unrelated business income (Form IT-20NP) and annual report (Form NP-20) are due on the fifteenth day of the **fifth month** following the close of the organization's tax year. The URT-1 tax return is due on the fifteenth day of the **fourth month** following the close of the organization's tax year.*

| Homeowner's Association (IRC section 831) | State Return(s) to File |
|---|---|
| Filing Form 1120-H, file | Form IT-20 |

A condominium management, residential real estate management, or timeshare association is subject to tax as a corporation if it elects to be treated as a homeowner's association. These are not considered nonprofit organizations for Indiana tax purposes. Therefore, they must file as for-profit corporations using Form IT-20.

*The state tax return is due on the fifteenth day of the **fourth month** following the close of the entity's tax year.*

| Political Organization (IRC section 527) | State Return(s) to File |
|---|---|
| Filing federal Form 1120-POL, file | Form IT-20 |

Political organizations filing federal Form 1120POL or 1120H are not considered nonprofit organizations. They must file as regular corporations on Form IT-20.

*The state tax return is due on the fifteenth day of the **fourth month** following the close of the organization's tax year.*

| Religious or Apostolic Organization (exempt under section 501(d)) | State Return(s) to File |
|---|---|
| Filing federal Form 1065, file | Form IT-65 |

Religious or apostolic organizations filing federal Form 1065 must also file state Form IT-65.

*The state partnership return is due on the fifteenth day of the **fourth month** following the close of the organization's tax year.*

## Other Related Income Tax Filing Requirements of a Nonprofit Organization

### Utility Receipts Tax Form URT-1

IC 6-2.3-2-1 imposes a utility receipts tax of 1.4 percent on the gross receipts from the retail sale of utility services. The utility services subject to tax include electrical energy, natural gas, water, steam, sewage, and telecommunications.

Gross receipts are defined as the value received for the retail sale of utility services. If you have more than $1,000 in gross receipts from the sale of utility services, you might be required to file Form URT-1 (Utility Receipts Tax Return) in addition to the annual Form IT-20 and 20NP. Refer to Commissioner's Directive #18 at www.in.gov/dor/3617.htm for further information.

*The URT-1 return is due on the fifteenth day of the **fourth month** following the close of the taxpayer's tax year.*

### Utility Services Use Tax Form USU-103

Your organization might be subject to an excise tax of 1.4 percent on the consumption of utility services if you purchase utility services from outside Indiana and become the end user in Indiana. Utility services use tax (USUT) is due if the utility receipts tax is not payable by the seller. The person who consumes the utility service in Indiana is liable for the USUT tax based on the price of the purchase. Unless the seller of the utility service is registered with the Department to collect the USUT on your behalf, you must pay the tax on Form USU-103. For more information refer to Commissioner's Directive #32, available at www.in.gov/dor/3617.htm

*The USU-103 return is due monthly by the **thirtieth day** following the end of each month.*

### Accounting Methods and Taxable Year

The Department requires the use of the method of accounting that is used for federal income tax purposes. The taxable year for the unrelated business income tax must be the same as the accounting period adopted for federal adjusted gross income tax purposes. If the apportionment provisions do not fairly reflect the organization's Indiana income, the taxpayer must petition the Department for permission to use an alternative method.

### Due Date for Filing Form IT-20NP

The Form IT-20NP return is due on or before the **fifteenth** day of the **fifth month** following the close of the tax year.

When an organization does not file a federal return pursuant to the Internal Revenue Code, its tax year shall be the calendar year unless permission is otherwise granted.

### Exempt Organization

The unrelated business income of an exempt organization is subject to the AGI tax and must be reported on Form IT-20NP. If any part of the gross income received by such an organization is used for the private benefit or gain of any member, trustee, shareholder, employee, or associate, the organization will not be granted an exemption. The term "private benefit or gain" does not include reasonable compensation paid to employees for work or services actually performed.

To preserve the exemption, a specific group or organization cannot be organized or maintained for private gain or profit.

### Charity Gaming Activities

If your organization conducts bingo games, raffles, charity game nights, or other games of chance, you need to know the licensing, reporting, and withholding rules. Legal charity gaming is limited to bingo; raffles; door prizes; charity gaming nights; a festival event; and the sale of pull tabs, punchboards, and tip boards. Each of these activities requires notification and/or licensing.

All nonprofit organizations planning to conduct charity gaming activities must register with the Indiana Gaming Commission by filing Form CG-QA, Charity Gaming Qualification Application. Activities such as auctions, midway-style games, and games of skill are not regulated by the charity gaming law. Contact:

Indiana Gaming Commission
101 W. Washington Street
East Tower, Suite 1600
Indianapolis, IN 46204
317-23-BINGO (317-232-4646)
Web address: www.in.gov/igc/

## Extensions for Filing Return

The Department accepts the federal extension of time application (Form 7004) or the federal electronic extension. If you have an extension, you do not need to contact the Department prior to filing the annual return. Returns postmarked within 30 days after the last date indicated on the federal extension are considered timely filed. When an organization does not need a federal extension of time but needs one for filing the state return, a letter requesting such an extension should be submitted to the Department prior to the due date of the annual return.

To request an Indiana extension of time to file, contact the **Indiana Department of Revenue, Data Control Business Tax, Returns Processing Center, 100 N. Senate Ave., Indianapolis, IN 46204-2253.**

An extension of time granted under IC 6-8.1-6-1 waives the late payment penalty for the extension period on the balance of tax due provided 90 percent of the current year's total tax liability is paid on or prior to the original due date. Form IT-6 should be used to make an extension payment for your taxable year. This payment will be processed as a "fifth" estimated payment. (See Income Tax Bulletin #15 at www.in.gov/dor/3650.htm for more details.) Any tax paid after the original due date must include interest.

Interest on the balance of tax due must be included with the return when it is filed. Interest is computed from the original due date until the date of payment. In November of each year, the Department establishes the interest rate for the next calendar year. See Departmental Notice #3 at www.in.gov/dor/3618.htm for interest rates.

If you have a valid extension of time or a federal electronic extension to file, you must **check box L1** on the front of the return. If applicable, enclose a copy of the federal extension of time with the return when filing your state return.

## Amended Returns

To amend a previously filed Form IT-20NP, a corrected copy of the original form must be filed. Check box A1 at the top of the form if you are filing an amended return. To claim a refund of an overpayment, the return must be filed within three years from the latter of the date of overpayment or the due date of the return.

IC 6-8.1-9-1 entitles a taxpayer to claim a refund because of a reduction in tax liability resulting from a federal modification. The claim for refund should be filed within six months from the date of modification by the Internal Revenue Service. If an agreement to extend the statute of limitations for an assessment is entered into between the taxpayer and the Department, the period for filing a claim for refund is likewise extended.

## Estimated Quarterly Tax Payments

A nonprofit organization whose adjusted gross income tax liability on unrelated business income exceeds $2,500 for a taxable year must file quarterly estimated tax payments.

If the organization's estimated payments exceed the tax liability, credit should be claimed on the annual return, Form IT20-NP, to request a refund or carry over the excess amount to the next year's estimated tax account. If an estimated account needs to be established, obtain Form E-6 to remit the initial payment and to request preprinted quarterly estimated IT-6 returns.

The quarterly estimated tax payments are submitted with an appropriate Indiana voucher, Form IT-6, or by electronic funds transfer (EFT), depending on the amount of the payment due. The quarterly due dates for estimated income tax payments for calendar year organizations are April 20, June 20, Sept. 20, and Dec. 20, 2012. Fiscal year and short tax year filers must remit by the twentieth day of the fourth, sixth, ninth, and twelfth months of their tax period.

Claim credit for your estimated and extension payments on lines 18 and 19 of Form IT-20NP. Taxpayers should note that refunds reflected on the annual corporate income tax return may be applied to the next taxable year's estimated liability by entering the amount to be credited on line 30 of the IT-20NP return. An overpayment of estimated payments must be claimed on the annual return to obtain a refund. After a check is remitted for the remainder of a year's estimated income tax liability, no further estimated returns should be filed with the Department after the date of payment. All checks remitted to the Department should be accompanied by a return or a complete explanation for the payment. A zero liability for a quarter does not require Form IT-6 to be filed.

The quarterly estimated payment must be equal to the lesser of 25 percent of the adjusted gross income tax liability for the taxable year or the annualized income installment calculated in the manner provided by IRC Section 6655(e) as applied to the corporation's liability for adjusted gross income tax.

Also if a taxpayer's estimated liability exceeds $5,000 per quarter, the taxpayer is required to remit the tax by electronic funds transfer (EFT). If the estimated payment is made by EFT, the taxpayer is not required to file Form IT-6. Questions relating to EFT payments should be directed to (317) 232-5500.

If you need to establish an estimated account, contact the Department to remit the initial payment and to request preprinted quarterly estimated IT-6 returns. For further instructions, refer to Information Bulletin #11 at www.in.gov/dor/3650.htm

## Penalty for Underpayment of Estimated Taxes

Organizations estimating their income taxes are subject to a 10 percent underpayment penalty if they fail to timely file estimated tax payments or fail to remit a sufficient amount. To avoid the penalty, the required quarterly estimated payments must be at least 20 percent of the total income tax liability for the current taxable year or 25 percent of the organization's final income tax liability for the previous tax year. The penalty for the underpayment of estimated tax is assessed on the difference between the actual amount paid by the organization for each quarter and 25 percent of its final income tax liability for the current tax year. Refer to the instructions for Schedule IT-2220, Penalty for the Underpayment of Corporate Income Taxes, which is available on the Department's website at www.in.gov/dor/4441.htm

Use Schedule IT-2220 to show an exception to the penalty if the nonprofit organization underpaid its income tax for any quarter. If an exception to the penalty is not met, payment of the computed penalty must be included with the return. The required estimate should exceed the annualized income installment calculated in the manner provided by IRC Section 6655(e) as applied to the corporation's liability or 25 percent of the final tax liability for the prior taxable year. If either one of these conditions is met, no penalty will be assessed for the estimated period.

### Electronic Funds Transfer Requirements

A nonprofit organization's quarterly estimated tax must be remitted by EFT if the amount of tax on unrelated business income of the organization exceeds an average liability of $5,000 per quarter (or $20,000 annually). Because there is no minimum amount of payment, the Department encourages all taxpayers not required to remit by EFT to participate voluntarily in our EFT program.

**Note:** Taxpayers remitting by EFT should not file quarterly IT-6 coupons. The amounts are reconciled when filing the annual income tax return.

If the Indiana Department of Revenue notifies an organization of its requirement to remit by EFT, the organization must:

1. Complete and submit the EFT Authorization Agreement (Form EFT-1); and
2. Begin remitting tax payments via EFT by the date/tax period specified by the Department.

Failure to comply will result in a 10 percent penalty on each quarterly estimated income tax liability not sent by EFT. **Note:** The Indiana Code does not require the extension of time to file payment or final payment due with the annual return to be paid by EFT. You must be certain to claim any EFT payment as an extension or estimated payment credit. Do not file a return indicating an amount due if you have paid, or will pay, any remaining balance by EFT.

If you determine you meet the requirements to remit by EFT, contact the Department's EFT Section, by calling (317) 232-5500.

## Instructions for Completing Form IT-20NP

### Filing Period and Identification

File a 2011 Form IT-20NP return for a taxable year ending Dec. 31, 2011, a short tax year beginning in 2011 and ending in 2011, or a fiscal tax year beginning in 2011 and ending in 2012. For a short or fiscal tax year, at the top of the form fill in the beginning month and day and the ending date of the taxable year.

The identification section of the return must be completed regarding the tax year, name, address, county, date organized, federal identification number, business activity code number, and telephone number. Please use the full legal name of the organization and its current mailing address.

*For foreign addresses, please note the following:*

- Be sure to enter the name of the city, town, or village in the box labeled City;
- Be sure to enter the name of the state or province in the box labeled State; and
- Be sure to enter the postal code and the 2-digit country code in the box labeled ZIP Code.

For a name change, check the box at the top of the return and enclose copies of the amended Articles of Incorporation 4162 or Amended Certificate of Authority filed with the Indiana Secretary of State with the return. The federal identification number shown in the box in the upper-right corner of the return must be accurate and the same as used for federal purposes.

Enter the number of your business activity code in the designated box under the federal identification number. Use the six-digit principal business activity code derived from the North American Industry Classification System (NAICS), as reported on your federal (Form 990-T) income tax return. You can find a listing of these codes on the Department's website at www.in.gov/dor/3742.htm

Other **Unrelated Business Activity** numbers that might be applicable:

| | |
|---|---|
| 900000 | Unrelated debt-financed activities (other than rental or real estate) |
| 900001 | Investment Activities by Section 501(c) (7), (9), or (17) organizations |
| 900002 | Rental of tangible personal property |
| 900003 | Passive income activities with controlled organizations |
| 900004 | Exploited exempt activities |
| 999999 | Unclassified establishments (unable to classify) |

A condensed list is published as part of the Indiana Business Tax Application, Form BT-1. This form is available through our Tax Forms Order Line by calling (317) 615-2581 or online at www.in.gov/dor/3731.htm

### Questions K and L

Check or complete all boxes that apply for your return.

**K-1** Is this filing your initial return for the State of Indiana?

**K-2** Is this filing your final return for the state of Indiana? Check this box only if the organization is dissolved, is liquidated, or withdrew from the state. **Also, you must timely file Form BC-100 to close out any sales and withholding accounts. Go to www.in.gov/dor/3508.htm to complete this form online.**

**K-3** Check this box if the organization is in bankruptcy.

**K-4** Check this box if filing Indiana Schedule M, Alternate Adjusted Gross Income Tax Calculation.

**L** Check the Yes box if an extension of time to file your return is in effect. **If applicable, enclose a copy of federal Form 7004 when filing your state return.**

## How to Report Charity Gaming Receipts

Exempt nonprofit organizations do not pay income taxes on the proceeds from licensed charity gaming events. For further information, contact the Indiana Gaming Commission, 101 W. Washington Street, East Tower, Suite 1600, Indianapolis, IN 46204, or visit their website at www.in.gov/igc/ All nonprofit organizations must report unrelated business income. The corporate adjusted gross income tax is computed on the nonprofit organization unrelated business income return.

## Report of Unrelated Business Income

All organizations exempt under IC 6-2.5-5-21 described in Internal Revenue Code (IRC) 501(c) and IRC 401(a), including churches, religious organizations, hospitals, social organizations, business leagues, pension trusts, and all other institutions, that are subject to the tax imposed by IRC 511 are also subject to Indiana adjusted gross income tax on their unrelated business income.

IC 6-3-2-3.1 provides that only the unrelated business income (as defined in IRC 513) of an organization otherwise exempt from adjusted gross income tax under IC 6-3-2-2.8(1) is subject to adjusted gross income tax. (This section does not apply to the United States, its agencies or instrumentalities or to the State of Indiana, its agencies or political subdivisions.)

Pension trusts that would be taxed as a trust were it not for the exemption under IRC Section 501(a) will be taxed as a trust on any unrelated business income (as defined in IRC Section 513) and should file a Form IT-41 for Indiana tax purposes. Income from bingo events; raffles; door prizes; charity game nights; festival events; and the sale of pull tabs, punchboards, and tip boards are considered unrelated business income unless the organization uses completely volunteer labor and is properly registered with the Indiana Gaming Commission to conduct such activities.

The organization may have income from the sources enumerated on IT-20NP schedules that is not subject to tax as unrelated business income. To be subject to tax, the income must be from a trade or business activity regularly carried on by the nonprofit organization that is not substantially related to its exempt purpose. Indiana follows the Internal Revenue Service's rulings regarding types of income substantially related to or not related to an organization's exempt purpose. Refer to Internal Revenue Service Publication 598.

## Exclusions from Unrelated Business Income

Exceptions that do not constitute income from an "unrelated trade or business" include

(1) Any trade or business in which substantially all the work is performed for the organization without compensation;
(2) Any trade or business carried on by a charitable organization or by a state college or university primarily for the convenience of its members, students, patients, officers, or employees;
(3) Any trade or business consisting of selling merchandise, substantially all of which has been received by the organization as gifts or contributions;
(4) The furnishing by a qualified hospital at or near cost of certain common services, including purchasing, billing and collection, and record keeping, to small hospitals, i.e. serving fewer than 100 in-patients;
(5) Qualified public entertainment activities of certain types of exempt organizations when a qualifying organization regularly conducts as one of its substantial exempt purposes an agriculture and educational fair or exposition;
(6) Qualified convention and trade show activities of a qualifying organization that regularly conducts, as one of its substantial exempt purposes, a show that stimulates interest in, and demand for, the products of a particular industry or segment of an industry;
(7) Certain charity gaming events as long as the organization is properly licensed;
(8) Certain pole rentals, by a mutual or cooperative telephone or electric company;
(9) Certain distributions of low-cost articles, incidental to the solicitation of charitable contributions, and the exchange or rental of mailing lists by charitable organizations; and
(10) Sponsorship payments for which the payer receives no substantial return benefit other than the use or acknowledgement of the name, logo, or product lines of the payer's trade or business in connection with the organization's activities.

## Adjusted Gross Income Tax Computation for Unrelated Business Income

Under the Adjusted Gross Income Tax Act, the Department recognizes the method of accounting used for federal income tax purposes. If income is received from activity outside Indiana that is subject to tax in another state, the three-factor apportionment formula must be used. Enclose the completed IT-20 Apportionment of Income Schedule E with the return.

**Note:** Please round all entries to the nearest whole dollar amount. Also, please do not use a comma in dollar amounts of four digits or more. For example, instead of entering "3,455" you should enter "3455."

**Line 1.** Enter unrelated business taxable income (before net operating loss deduction and specific deductions) from federal Form 990T, Exempt Organization Business Income Tax Return.

**Line 2.** In computing unrelated business taxable income, a specific deduction of $1,000 is allowed. However, the $1,000 specific deduction is not allowed in computing a net operating loss (NOL) deduction. Generally, the deduction is limited to $1,000 regardless of the number of unrelated businesses in which the organization is engaged. An exception is provided in the case of a diocese, a province of a religious order, or a convention or an association of churches that may claim a specific deduction for each parish, individual church, district, or other local unit, to the extent these unrelated businesses are not separate legal entities. In these cases, the specific deduction is limited to the lower of $1,000 or the gross income derived from an unrelated trade or business regularly carried on by the local unit.

**Line 3.** Enter interest, after deducting all related expenses, on United States government obligations included on the federal income tax return, Form 990T. Refer to Income Tax Information Bulletin #19 at www.in.gov/dor/3650.htm for a listing of eligible items.

**Line 4.** Enter the amount of income from qualified utility and plant patents. Enclose Schedule IN-PAT with your return.

**Line 7.** Enter all other adjustments and modifications to unrelated business income:

- **Charitable Contributions –** Enter an amount equal to any IRC 170 deduction deducted on the federal return.

- **State Income Taxes –** Enter all income taxes (based on or measured by income levied at the state level) deducted on the federal return.

- **Bonus Depreciation –** Add or subtract an amount to bonus depreciation in excess of any regular depreciation that would be allowed had not an election under IRC Section 168(k) been made as applied to property in the year that it was placed into service. Taxpayers that own property for which additional first year special depreciation for qualified property, including 50 percent bonus depreciation, was allowed in the current taxable year or in an earlier taxable year must add or subtract an amount necessary to make their adjusted gross income equal to the amount computed without applying any bonus depreciation. The subsequent depreciation allowance is to be calculated on the state's stepped-up basis until the property is disposed. Commissioner's Directive #19 (www.in.gov/dor/3617.htm) explains this initial required modification on the allowance of depreciation for state tax purposes.

  Add or subtract the amount necessary to make the adjusted gross income of the organization that placed any IRC Section 179 property in service in the current taxable year or in an earlier taxable year equal to the amount of adjusted gross income that would have been computed had an election not been made for the year in which the property was placed in service to take deductions (as defined in IRC Section 179) in a total amount exceeding $25,000.

  The depreciation allowances in the year of purchase and in later years must be adjusted to reflect the additional first-year depreciation deduction, including the special depreciation allowance for 50 percent bonus depreciation property, until the property is sold.

  Indiana adopted the former expensing limit provided by The Jobs Creation and Workers Assistance Act of 2002 and has since specified an expensing cap of $25,000. The additional depreciation may be excluded in subsequent years from the amounts to be added back on line 7 when excess IRC Section179 deduction or bonus depreciation was elected.

- **Domestic Product Deduction** – Enter an amount equal to the amount claimed as a deduction for qualified domestic production activities under IRC Section 199 for federal income tax purposes.

- **Deduction for Lottery Prize Money –** A portion of prize money received from the purchase of a winning Indiana lottery game or ticket included in federal taxable income should be excluded. Beginning after June 30, 2002, the proceeds of up to $1,200 are deductible from each winning lottery game or ticket paid through the Hoosier State Lottery Commission.

- **Deduction for Deferral of Business Indebtedness Discharge and Reacquisition –** Enter an amount equal to the amount claimed as a deduction for the discharge of debt on a qualified principal residence and for the deferral of income arising from business indebtedness discharged in connection with the reacquisition after Dec. 31, 2008, and before Jan. 1, 2011, of an applicable debt instrument (as provided in Section 108(i) of the IRC), for federal income tax purposes.

- **Deduction for Qualified Restaurant Property –** Enter an amount equal to the amount claimed as a deduction for federal income tax purposes for qualified restaurant property. The property must have been placed in service during the taxable year and have been classified as 15-year property under Section 168(e)(3)(E)(v) of the IRC.

- **Deduction for Qualified Retail Improvement Property–** Enter an amount equal to the amount claimed as a deduction for federal income tax purposes for qualified retail improvement property. The property must have been placed in service during the taxable year and have been classified as 15-year property under Section 168(e)(3)(E)(ix) of the IRC.

- **Deduction for Qualified Disaster Assistance Property –** Add or subtract an amount equal to the amount claimed as a deduction for the special allowance for qualified disaster assistance property under Section 168(n) of the IRC for federal income tax purposes.

- **Deduction for Qualified Refinery Property –** Enter an amount equal to the amount claimed as a deduction for expense costs for qualified refinery property under Section 179C of the IRC for federal income tax purposes.

- **Deduction for Qualified Film or Television Production –** Enter an amount equal to the amount claimed as a deduction for expense costs for qualified film or television production under Section 181 of the IRC for federal income tax purposes.

- **Deduction for Qualified Preferred Stock –** Enter an amount equal to the amount claimed as a deduction for a loss from the sale or exchange of preferred stock that was treated as an ordinary loss under Section 301 of the Emergency Economic Stabilization Act of 2008 in the current taxable year or in an earlier taxable year. The stock must be preferred stock in one of the following:
    - The Federal National Mortgage Association, established under the Federal National Mortgage Association Charter Act (12 U.S.C. 1716 et seq.); or
    - The Federal Home Loan Mortgage Corporation, established under the Federal Home Loan Mortgage Corporation Act (12 U.S.C. 1451 et seq.).
- **Addback for Qualified Environmental Remediation Costs –** Add back the deduction for qualified environmental remediation costs. If you claimed a deduction for qualified environmental remediation costs under Section 198 of the IRC, enter an amount equal to the amount claimed as a deduction. **(3-digit code: 121 for current tax year; use 321 for prior tax year)**

- **Addback for Qualified Advanced Mine Safety Equipment –** Add back the deduction for qualified advanced mine safety equipment. If you claimed a deduction for the expense of qualified advanced mine safety equipment under Section 179 of the IRC, enter an amount equal to the amount claimed as a deduction. **(3-digit code: 126 for current tax year; use 326 for prior tax year)**

- **Addback for Qualified Leasehold Improvement Property –** Add back the deduction for qualified leasehold improvement property. If you excluded income because of qualified leasehold improvement property (as provided in Section 168(e)(3)(E)(iv) of the IRC) placed into service in the taxable year, add the amount claimed as a deduction. **(3-digit code: 129 for current tax year; use 329 for prior tax year)**

- **Addback for Motorsports Entertainment Complex –** Add back the deduction for a motorsports entertainment complex. If you excluded income because of any motorsports entertainment complex (as provided in Section 168(e)(3)(C)(ii) of the IRC) placed into service in the taxable year, add the amount claimed as a deduction. **(3-digit code: 130 for current tax year; use 330 for prior tax year)**

- **Addback for Start-up Expenditure –** Add back the deduction for start-up expenditure. If you claimed a deduction for interest start-up expenditures under Section 195 of the IRC, add the amount, if any, by which the deduction you claimed exceeds the amount you would have been entitled to deduct prior to the enactment of the Small Business Jobs Act of 2010 (P.L. 111-240). **(3-digit code: 131 for current tax year; use 331 for prior tax year)**

- **Addback for Trade or Business Deductions Based on Employment of an Unauthorized Alien –** For taxable years beginning after June 30, 2011, add back the amount allowed under the IRC for wages, reimbursements, or other payments made for services provided in Indiana by a financial institution if the person was prohibited from being hired as an employee because the person was an unauthorized alien. **(3-digit code: 132)**

**Note:** If the net amount determined for line 7 is a negative figure, because of a higher depreciation basis in subsequent years, use a minus sign to denote the negative amount. If the unrelated business income is a loss, this adjustment, when added back, increases a loss.

Enclose a statement with the return to explain any adjustment claimed on line 7.

**Line 9.** If apportioning income, enter the Indiana percentage (rounded to two decimal places) from line 8 of IT-20 Schedule E, Apportionment of Adjusted Gross Income.

Do not enter 100 percent. Enclose completed return page 3, and see instructions on page 16 for this schedule.

**Line 10.** Multiply line 8 by the Indiana apportionment percentage modification on the allowance of depreciation for state tax on line 9. If line 9 is not applicable, enter the amount from line 8.

**Line 11.** Enter as a positive figure the full amount of your available Indiana NOL carryover deduction as calculated on revised Schedule IT-20NOL. If you are carrying an NOL deduction, you must enclose Schedule IT20-NOL, as effective on or after Jan. 1, 2004. This corporate form is available from the Department at www.in.gov/dor/4179.htm

Please review the revised Schedule IT-20NOL and its instructions before entering an amount on line 11.

**Line 12.** Taxable Indiana unrelated business income – Subtract line 11 from line 10.

**Line 13.** Total taxable income from other forms – Enter any income from Form 1120-POL.

**Line 14.** Subtotal – Add line 12 and line 13.

Indiana adjusted gross income tax for taxable year – Multiply the amount on line 14 by 8.5 percent if not otherwise qualified for a reduced rate of tax. (**Note:** Beginning on July 1, 2012, the corporate tax rate will decrease by 0.5% each year, until July 1, 2015, when it will be 6.5%.)

Effective Jan. 1, 2005, qualified taxable income derived from a designated Indiana Military Base Enhancement Area (MBEA) is subject to tax at the rate of 5 percent. If line 14 is a loss figure, enter zero.

If you qualify as an MBEA taxpayer under IC 6-3-2-1.5, complete and enclose a copy of **Schedule M, Alternate Adjusted Gross Income Tax Calculation** and check question **box K** (Schedule M) on the front of Form IT-20NP. This form is available in the current-year Indiana Corporate Income Tax Booklet, which can be found online at www.in.gov/dor/4441.htm

Enter the total computed adjusted gross income tax based on your Indiana taxable unrelated business income reported on line 14.

## Summary of Calculations

**Line 16.** IC 6-2.5-3-2 imposes a use tax at the rate of 7 percent on the use, storage, and consumption of tangible personal property in Indiana when sales tax was not paid at the point of purchase and no exemption from tax exists. Nonprofit organizations qualify for exemption from use tax under the following conditions: (1) The nonprofit organization is exempt from the gross retail sales tax under IC 6-2.5-5-22 through 26; (2) The property or service is used to further its nonprofit purpose; or (3) The organization is not operated predominantly for social purposes.

Purchases of tangible personal property to be used by organizations operated predominately for social purposes are subject to use tax. If more than 50 percent of the expenditures are for or related to social activities such as food and beverage services, golf courses, swimming pools, dances, parties, and other similar social activities, the organization is considered to be predominately operated for social purposes. In no instance will purchases for the private benefit of any member of the organization or any other individual, such as meals or lodging, be eligible for exemption.

If you are a registered merchant for Indiana, you must report nonexempt purchases on Form ST-103, Indiana Sales/Use Tax Return. If you are not required to file Form ST-103, or have failed to properly include all taxable purchases on the ST-103 return, complete the Sales/Use Tax Worksheet on page 2 of the return and report the tax due on this line. **Caution:** Do not report the totals from the ST-103 on this worksheet or on Form IT-20NP. You can get additional information regarding sales/use tax for nonprofit organizations by requesting Sales Tax Information Bulletin #10 at www.in.gov/dor/3650.htm or by calling (317) 232-0129.

**Line 17.** Enter the total use tax and unrelated business income tax from lines 15 and 16.

## Credits and Payment Computation

**Line 18.** Enter the total amount of estimated quarterly income tax payments made for the calendar year 2011 or for a fiscal tax year beginning in 2011 and ending in 2011. Itemize each payment in the spaces provided.

**Line 19.** Enter the total amount paid with valid extension.

**Line 20.** Enter the amount of prior-year overpayment credit.

**Line 21.** Claim any other allowable tax liability credit by entering the name, credit ID code number, and amount. The total of nonrefundable tax liability credit is limited to the amount of income tax on line 15, unless otherwise noted. If your claim exceeds the amount of your tax liability, you must adjust by recalculating the credit to the amount you may apply. See the listing of Other Tax Liability Credits beginning on page 17. Refer to Income Tax Information Bulletin #59 at www.in.gov/dor/3650.htm for more information about Indiana tax credits available to taxpayers.

Also, this line may include a refundable Economic Development for a Growing Economy (EDGE) job retention credit. EDGE credit information is listed on page 19. **Note:** Effective Jan. 1, 2010 (retroactive), a business is no longer required to have at least 35 employees to qualify for an EDGE credit for job retention.

A detailed explanation or supporting schedule must be enclosed with the return for any credits claimed on line 21. If you have state credit for withholding on Form WH-18, claim Indiana credit by enclosing copy C with the return and using credit ID code 841 on this line.

**Line 22.** Add the total credits (lines 18-21). Note that certain credits may not exceed the amount of tax liability on lines 15 and 16.

**Line 23.** Balance of net tax due. If line 17 is greater than line 22, enter the difference.

**Line 24.** Enter the amount of calculated penalty for the underpayment of income taxes from Schedule IT-2220. Enclose a completed Schedule IT-2220, which is available from the Department upon request. Corporations required to make quarterly estimated payments are permitted to use the annualized income installment method calculated in the manner provided by IRC Section 6655(e) as applied to the corporation's adjusted gross income tax liability. If using this method, please check the box on this line and enclose a copy of your calculations when filing your tax return. The Department will review each request on a case-by-case basis.

**Note:** If a taxpayer's annual liability exceeds $2,500, filing quarterly estimated payments to remit 25 percent of the estimated annual tax liability is required.

**Line 23.** Enter any interest due. Contact the Department for the current rate of interest charged by calling (317) 232-0129, or visit our website at www.in.gov/dor/3618.htm and get Departmental Notice #3.

**Line 24.** Enter the penalty amount that applies:

A. If the return with payment is made after the original due date, a penalty that is the greater of $5 or 10 percent of the balance of tax due on line 21 must be entered. The penalty for paying late is not imposed if all three of the following conditions are met:
   (1) A valid extension of time to file exists;
   (2) At least 90 percent of the tax liability was paid by the original due date; and
   (3) The remaining tax is paid by the extended due date.

B. If the return showing no tax liability on line 17 is filed late, a penalty for failure to file by the due date will be $10 per day that the return is past due, up to a maximum of $250.

**Line 27.** Total payment due. Add lines 23 through 26. Make a separate payment for each return filed. Payments to the Department must be made with U.S. funds.

**Line 28.** Overpayment - Enter the result of line 22 minus lines 17, 24, 25, and 26.

**Line 29.** Enter the portion of the overpayment to be refunded.

**Line 30.** If electing to credit all or a portion of the overpayment to the following year's estimated adjusted gross income tax account, enter the amount of the overpayment to be applied.

The sum of lines 29 and 30 must equal the amount of the total overpayment on line 28. If the overpayment is reduced due to an error on the return or an adjustment by the Department, the amount to be refunded, line 29, will be corrected before any changes are made to the amount on line 30. Any refund due may be applied to other liabilities under IC 6-8.1-9-2(a) and IC 6-8.1-9-5.

## Certification of Signatures and Authorization Section

Be sure to sign, date, and print your name on the return. If a paid preparer completes your return, you can authorize the Department to discuss your tax return with the preparer by checking the authorization box above the signature line.

An officer of the organization must show his/her title and sign and date the tax return. Please enter your daytime telephone number so we can call you if we have any questions about your tax return. Also, enter your e-mail address if you would like us to contact you via e-mail.

## Personal Representative Information

Typically, the Department contacts you if there are any questions or concerns about your tax return. If you want the Department to be able to discuss your tax return with someone else (such as the person who prepared it or a designated person), you must complete this area.

First, you must check the "Yes" box that follows the sentence "I authorize the Department to discuss my tax return with my personal representative."

Next, enter:

- The name of the individual you are designating as your personal representative;
- The individual's telephone number; and
- The individual's complete address.

If you complete this area, you are authorizing the Department to be in contact with your personal representative, other than you, concerning information about this tax return. After your return is filed, the Department will communicate primarily with your designated personal representative.

**Note:** You can decide at any time to **revoke** the authorization for the Department to be in contact with your personal representative. If you do, you must tell us that in a signed statement. Include your name, your Social Security number, and the year of your tax return. Mail your statement to Indiana Department of Revenue, P.O. Box 40, Indianapolis, IN 46206-0040.

## Paid Preparer Information

Fill out this area if a paid preparer completed this tax return.

**Note:** This area needs to be completed even if the paid preparer is the same individual designated as your personal representative.

The paid preparer must provide:

- The name and address of the firm that he/she represents;
- His/her identification number (check one box for federal ID number, PTIN, or Social Security number);
- His/her telephone number;
- His/her complete address; and
- His/her signature with date.

**Make sure you keep a copy of your completed return.**

**Mailing Options**

If you owe taxes, please mail your completed return to:

**Indiana Department of Revenue**
**P.O. Box 7205**
**Indianapolis, IN 46207-7205**

If you do not owe taxes, please mail your completed return to:

**Indiana Department of Revenue**
**P.O. Box 7231**
**Indianapolis, IN 46207-7231**

**Form IT-20NP**

State Form 148

(R10 / 8-11)

Indiana Department of Revenue

# Indiana Nonprofit Organization Unrelated Business Income Tax Return

**Calendar Year Ending December 31, 2011 or**

**2011**

Fiscal Year Beginning ______ ______ **2011** and Ending ______ ______ ______

**Check box if amended.** ☐

**Check box if name changed.** ☐

| Name of Organization | | Federal Identification Number (FID) |
|---|---|---|
| Number and Street | Indiana County or O.O.S. | Principal Business Activity Code |
| City / State | ZIP Code | Telephone Number ( ) |

**K** Check all boxes that apply: ☐ Initial Return ☐ Final Return ☐ In Bankruptcy ☐ Schedule M

**L** Do you have on file a valid extension of time to file your return (federal Form 7004 or an electronic extension of time)? ☐ Yes ☐ No
Due Date: 15th day of the fifth month following close of the tax year.

**Adjusted Gross Income Tax Calculation on Unrelated Business Income**

**Round all entries**

| | | |
|---|---|---|
| 1. Unrelated business taxable income (before NOL) deduction and specific deduction from federal return Form 990T (attach Form 990T); use minus sign for negative amounts | 1 | 00 |
| 2. Specific deduction (generally $1,000; see instructions) | 2 | 00 |
| 3. Interest on U.S. government obligations on the federal return less related expenses | 3 | 00 |
| 4. Deduction for qualified patents income | 4 | 00 |
| 5. Enter total from lines 2 through 4 | 5 | 00 |
| 6. Subtotal for unrelated business income (subtract line 5 from line 1) | 6 | 00 |
| 7. Indiana modifications. See instructions. (Use a minus sign to denote negative amounts.) | 7 | 00 |
| 8. Unrelated business income, as adjusted (add lines 6 and 7). (If not apportioning, enter same amount on line 10.) | 8 | 00 |
| 9. Enter Indiana apportionment percentage, if applicable, from line 8 of IT-20 Schedule E apportionment (attach schedule) | 9 | __ __ . __ __ % 00 |
| 10. Unrelated business apportioned to Indiana (multiply line 8 by line 9; otherwise, enter line 8 amount) | 10 | 00 |
| 11. Enter Indiana NOL deduction without specific deduction (attach Schedule IT-20NOL; see instructions) | 11 | 00 |
| 12. Taxable Indiana unrelated business income (subtract line 11 from line 10) | 12 | 00 |
| 13. Taxable income from other forms (Form 1120-POL) | 13 | 00 |
| 14. Subtotal (add lines 12 and 13) | 14 | 00 |
| 15. Indiana tax on unrelated business income (multiply line 14 by tax rate). **See instructions for line 15** ▶ | 15 | 00 |
| 16. Sales/use tax on purchases subject to use tax from Sales/Use Tax Worksheet | 16 | 00 |
| 17. Total tax due (add lines 15 and 16) Total Tax | 17 | 00 |

**Credit for Estimated Tax and Other Payments**

| | | |
|---|---|---|
| 18. Quarterly estimated tax paid: Qrt. 1______ Qrt. 2______ Qrt. 3______ Qrt. 4______ Enter total | 18 | 00 |
| 19. Amount paid with extension | 19 | 00 |
| 20. Amount of overpayment credit (from tax year ending __________) | 20 | 00 |
| 21. Enter name of other credit ____________ Code No. 21a __ __ __ | 21b | 00 |
| 22. Total credits (add lines 18, 19, 20, and 21) Total Credits ▶ | 22 | 00 |
| 23. Balance of tax due (line 17 minus 22; if line 22 is greater than line 17, proceed to lines 24, 25, and 28) | 23 | 00 |
| 24. Penalty for the underpayment of income tax. Attach Schedule IT-2220 ☐ Check box if using annualization method | 24 | 00 |
| 25. Interest: If payment is made after the original due date, compute interest | 25 | 00 |
| 26. Penalty: If paid late, enter 10% of line 23; see instructions. If line 17 is zero, enter $10 per day filed past due date. | 26 | 00 |
| 27. Total payment due (add lines 23 through 26). (Payment must be made in U.S. funds) PAY THIS AMOUNT ▶ | 27 | 00 |
| 28. Total overpayment (line 22 minus lines 17, 24-26) | 28 | 00 |
| 29. Amount of line 28 to be refunded | 29 | 00 |
| 30. Amount of line 28 to be applied to the following year's estimated tax account | 30 | 00 |

**You must go to the certification and authorization section on page 2 to complete this return.**

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Indiana Department of Revenue

# Indiana Nonprofit Organization Unrelated Business Income

**Additional Explanation or Adjustment**
State Form 49189
(R10 / 8-11)

| Line (a) | Explanation (b) | Amount (c) | |
|---|---|---|---|
| | | | |
| | | | |
| | | | |

**Certification of Signatures and Authorization Section**
Under penalties of perjury, I declare I have examined this return, including all accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete.
**I authorize the Department to discuss my return with my personal representative (see page 11)** ☐ **Yes** ☐ **No**

**Organization's E-mail address** EE

▶
Signature of Officer Date

Print or Type Name of Officer Title

**Personal Representative's Name (Print or Type)**
Telephone Number
Address
City
State ZIP Code + 4

**Paid Preparer: Firm's Name** (or yours if self-employed)

Check One: [ ]Federal ID Number [ ]PTIN **OR** [ ]Social Security Number

Telephone Number
Address
City
State ZIP Code + 4
▶
Paid Preparer's Signature Date

## Sales/Use Tax Worksheet

List all purchases made during 2011 from out-of-state companies.

| **Column A**<br>Description of personal property purchased from out-of-state retailer | **Column B**<br>Date of Purchase(s) | **Column C**<br>Purchase Price | |
|---|---|---|---|
| Magazine subscriptions: | | | |
| Mail order purchases: | | | |
| Internet purchases: | | | |
| Other purchases: | | | |
| 1. Total purchase price of property subject to the sales/use tax ......... | | 1C | |
| 2. Sales/use tax: Multiply line 1 by .07 (7%) ......... | | 2C | |
| 3. Sales tax previously paid on the above items (up to 7% per item) ......... | | 3C | |
| 4. Total amount due: Subtract line 3 from line 2. Carry to Form IT-20NP, line 16. If the amount is negative, enter zero and put no entry on line 16 of the IT-20NP......... | | 4C | |

**Please mail your forms to:**
**Indiana Department of Revenue**
**PO Box 7228**
**Indianapolis, IN 46207-7228**

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**Schedule E**
Form IT-20/20S/20NP/IT-65
State Form 49105
(R10 / 8-11)

Indiana Department of Revenue

# Apportionment of Income for Indiana

**For Tax Year Beginning** ______ ______ **2011 and Ending** ______ ______ ______

Name as shown on return ______________________ Federal Identification Number ______________________

Each filing entity having income from sources both within and outside Indiana must complete an apportionment schedule except financial institutions and certain insurance companies that use a single receipts factor. Interstate transportation entities must use Schedule E-7. Combined unitary filers must use the apportioning method (relative formula percentage) as outlined in Information Bulletin #12 and Tax Policy Directive #6. Omit cents; percents should be rounded two decimal places; read apportionment instructions.

## Part I - Indiana Apportionment of Adjusted Gross Income

**Sales/Receipts (less returns and allowances)**

*Include all non-exempt apportioned gross business income. Do not use non-unitary partnership income of previously apportioned income that must be separately reported as allocated income.*

| | Column A<br>Total Within Indiana | Column B<br>Total Within and Outside Indiana | Column C<br>Indiana Percentage |
|---|---|---|---|
| Sales delivered or shipped to Indiana: | | | |
| 1. Shipped from within Indiana | 00 | | |
| 2. Shipped from outside Indiana | 00 | | |
| **Sales shipped from Indiana to:** | | | |
| 3. The United States government | 00 | | |
| 4. Purchasers in a state where the taxpayer is not subject to income tax (under P.L. 86-272) | 00 | | |
| 5. Interest & other receipts from extending credit attributed to Indiana | 00 | | |
| 6. Other gross business receipts not previously apportioned | 00 | | |
| 7. **Total Receipts:** Add column A receipts lines 1A through 6A and enter in line 7A. Enter all receipts on line 7B | 7A 00 | 7B 00 | |

**Apportionment of income for Indiana:**

8. **Apportionment Percentage:** Divide line 7A by line 7B (insert as percent, not decimal) 8 . %

## Part II - Business/Other Income Questionnaire

1. List all business locations where the taxpayer has operations or partnership interests and indicate type of activities. This section must be completed - attach additional sheets if necessary.

| (a) Location City and State | (b) Nature of Business Activity at Location | (c) Accepts Orders? Yes | (c) No | (d) Registered to Do Business? Yes | (d) No | (e) Files Returns in State? Yes | (e) No | Property in State (f) Leased? Yes | (f) No | (g) Owned? Yes | (g) No |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | |
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| | | | | | | | | | | | |

2. Briefly describe the nature of Indiana business activities, including the exact title and principal business activity of any partnership in which the taxpayer has an interest:

3. Indicate any partnership in which you have a unitary or general partnership relationship:

4. Briefly describe the nature of activities of sales personnel operating and soliciting business in Indiana:

5. Do Indiana receipts for line 3A include all sales shipped from Indiana to (1) the U.S. government; or (2) locations where this taxpayer's only activity in the state of the purchaser consists of the mere solicitation of orders? ☐ Y ☐ N If no, please explain:

6. List the source of any directly allocated income from partnerships, estates, and trusts not in the taxpayer's apportioned tax base:

10411111594

## Instructions for Indiana Apportionment of Adjusted Gross Income

**Use of Apportionment Schedule E:** If an organization has unrelated business (adjusted gross) income from both within and outside Indiana, the organization must apportion its income by means of the formula under IC 6-3-2-2.

The apportionment factor to be applied to a corporation's business income to determine the amount taxable by Indiana was previously based on a three-factor formula of property, payroll, and sales. **Note: For all taxable years beginning after Dec. 31, 2010, Indiana's apportioned income is determined by using only the sales factor.**

The Department will not accept returns filed for adjusted gross income tax purposes using the separate accounting method. IT-20 Schedule E (or Schedule E-7 for interstate transportation companies) must be used unless written permission is granted from the Department. The term "everywhere" does not include sales of a foreign corporation in a place outside the United States.

**Note:** Domestic insurance companies must use a single factor for adjusted gross income and should consult the IT-20 instruction booklet for details concerning apportionment of income.

### Part I - Indiana Apportionment of Adjusted Gross Income

**Sales/Receipts:** The sales factor is a fraction. The numerator is the total receipts of the taxpayer in Indiana during the tax year. The denominator is the total receipts of the taxpayer everywhere during the tax year.

The numerator of the receipts factor must include the following:

- All sales made in Indiana;
- All sales made from Indiana to the U.S. government; and
- All sales made from Indiana to a state not having jurisdiction to tax the activities of the seller.

Destination sales to locations outside Indiana by an Indiana seller that has activities in the state of destination, other than mere solicitation, are not included in the numerator of the sales factor regardless of whether the destination state levies a tax. The numerator contains intangible income attributed to Indiana, including interest from consumer and commercial loans, installment sales contracts, and credit and debit cards as prescribed under IC 6-3-2-2.2.

Total receipts include gross sales of real and tangible personal property less returns and allowances. Sales of tangible personal property are in Indiana if the property is delivered or shipped to a purchaser within Indiana regardless of the f.o.b. point or other conditions of sale or if the property is shipped from an office, a store, a warehouse, a factory, or another place of storage in Indiana, and the taxpayer is not subject to tax in the state of the purchaser.

Sales or receipts not specifically assigned above shall be assigned as follows:

(1) Gross receipts from the sale, rental, or lease of real property are in Indiana if the real property is located in Indiana;

(2) Gross receipts from the rental, lease, or licensing of the use of tangible personal property are in Indiana if the property is in Indiana. If property was both within and outside Indiana during the tax year, the gross receipts are considered in Indiana to the extent the property was used in Indiana;

(3) Gross receipts from intangible personal property are in Indiana if the taxpayer has economic presence in Indiana and such property has not acquired business sites elsewhere.

Interest income and other receipts from loans or installment sales contracts that are primarily secured by or deal with real or tangible personal property are attributed to Indiana if the security or sale property is located in Indiana; consumer loans not secured by real or tangible personal property are attributed to Indiana if the loan is made to an Indiana resident; and commercial loans and installment obligations not secured by real or tangible personal property are attributed to Indiana if the proceeds of the loan are applied in Indiana.

Interest income, merchant discounts, travel and entertainment credit card receivables, and credit card holder's fees are attributed to the state where the card charges and fees are regularly billed.

Receipts from the performance of fiduciary and other services are attributed to the state where the benefits of the services are consumed. Receipts from the issuance of traveler's checks, money orders, or United States savings bonds are attributed to the state where those items are purchased.

Receipts in the form of dividends from investments are at attributed to Indiana if the taxpayer's commercial domicile is in Indiana; and

(4) Gross receipts from the performance of services are in Indiana if the services are performed in Indiana. If such services are performed partly within and partly outside Indiana, a portion of the gross receipts from performance of the services shall be attributed to Indiana based on the ratio the direct costs incurred in Indiana bear to the total direct costs of the services, unless the services are otherwise directly attributed to Indiana according to IC 6-3-2-2.2.

**Sales to the United States Government:** The United States government is the purchaser when it makes direct payment to the seller. A sale to the United States government of tangible personal property is in Indiana if it is shipped from an office, a store, a warehouse, or another place of storage in Indiana. See the previous rules for sales other than tangible personal property if such sales are made to the United States government.

**Other Gross Receipts:** On line 6, report other gross business receipts not included elsewhere and pro rata gross receipts from all unitary partnerships, excluding from the factors the portion of distributive share income derived from a previously apportioned partnership [45 IAC 3.1-1-153(b)].

**Total Receipts for 2011:** Complete all lines as indicated. Add all the receipts in Column A (lines 1A through 6A), and enter the total on line 7A. Also enter the total receipts everywhere on line 7B.

**Apportionment of Income for Indiana**

Divide line 7A by line 7B. (Multiply by 100 to arrive at a percentage rounded to the nearest second decimal place.) This is your average Indiana apportionment percentage; carry it to the apportionment entry line on the return (line 16d on IT-20, line 4 on IT-20S, line 9 on IT-20NP, and line 4 on IT-65).

## Part II - Business/Other Income Questionnaire

Complete all applicable questions in this section. If income is apportioned, list

(a) All business locations where the corporation has operations;
(b) The nature of the business activity at each location, including,
(c) Whether a location accepts orders in that state;
(d) Whether a location is registered to do business in that state;
(e) Whether a location files income tax returns in other states;
(f) Whether property in the other states is leased; or
(g) Whether property in the other states is owned.

## Other Tax Liability Credits Available to Nonprofit Organizations

Each of the following credits is assigned a three-digit code number for identification. When claiming the credit on line 21, enter the name of the credit, the three-digit code, and the amount claimed.

If you have more credits to claim, enter the information on the other credit space on line 21. Increase line 21b by the amount of your additional credit(s). Also show detailed information about the other credits you are claiming on the Additional Explanation or Adjustment lines on page 2 of the your return.

**Note:** House Enrolled Act 1001-2011 amended IC 6-3-1-3.5 by providing modifications to federal AGI and amending IC 6-3-1-11 in regards to the definition of the IRC. **The Act is effective retroactively to taxable years beginning after Dec. 31, 2009.**

The modifications that were adopted retroactively for 2010 and 2011 may both be reported on your 2011 income tax return. You do not need to file an amended return for 2010 to report the required modifications; however, filing an amended return is allowed.

**Because these addbacks apply to both 2010 and 2011, each addback has two 3-digit codes listed for it. Codes that begin with a 1 should be used for addbacks to your AGI in 2011; codes that begin with a 3 should be used for addbacks to your AGI in 2010.**

## Restriction for Certain Tax Credits – Limited to One per Project

Within a certain group of credits, a taxpayer may not be granted more than one credit for the same project. The taxpayer can choose the credit to be applied but is not permitted to change the credit selected or redirect the investment for a different credit in subsequent years. Refer to Commissioner's Directive #29 at www.in.gov/dor/3617.htm for more information. Nine credits are included in this group:

- Alternative fuel vehicle manufacturer credit;
- Capital investment credit;
- Community revitalization enhancement district credit;
- Enterprise zone investment cost credit;
- Hoosier business investment credit;
- Industrial recovery credit;
- Military base investment cost credit;
- Military base recovery credit; and
- Venture capital investment credit.

Apply this restriction first when figuring your credits.

**Order of Application**

If you are claiming more than one credit, first use the credits that cannot be carried over and applied against your state AGI in another year. These credits include

- College Credit;
- Indiana College Choice 529 Savings Plan Credit;
- Prison Investment Credit;
- School Scholarship Credit;
- Teacher Summer Employment Credit; and
- Twenty-First Century Scholars Credit.

Next, use the credits that can be carried over for a limited number of years and applied against your state AGI. These credits include

- Alternative Fuel Vehicle Manufacturer Credit;
- Airport Development Zone Employment Expense Credit;
- Airport Development Zone Loan Interest Credit;
- Blended Biodiesel Credit;
- Capital Investment Credit;
- Enterprise Zone Employment Expense Credit;
- Enterprise Zone Loan Interest Credit;
- Headquarters Relocation Credit;
- Historic Building Rehabilitation Credit;
- Hoosier Business Investment Credit;
- Indiana's Research Expense Credit;