



IT-20S

S Corporation Income Tax Booklet

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INDIANA

Effective Jan. 1, 2013

Indiana businesses must report and pay sales and withholding taxes electronically

ALL businesses in Indiana must file and pay their sales and withholding taxes electronically. Businesses currently filing paper coupons will need to transition to filing via the state's INtax program or use a third-party vendor to electronically transmit forms ST-103 and WH-1. This is required by Indiana law.

Did you know?

- Service providers can also use INtax.
- We offer a range of sophisticated tutorials to help you learn how to use INtax.
- We have a special hotline for questions specifically related to INtax. Call (317) 232-2337.

To learn more and get started, visit www.intax.in.gov.

Revised December 31, 2015.

- Page 3 – New instructions added for new composite and withholding rules.
- Page 4 – General filing instructions corrected to remove incorrect language regarding composite filing opt out for nonresident shareholders.
- Page 5 – Partners corrected to read shareholders.
- Page 6 – Language modified regarding composite withholding payments.
- Page 7 – Language modified regarding nonresidents.
- Page 16 – Clarified the overall loss income on the Schedule Composite.



About the cover:

This year, Indiana's tax booklets showcase some of Indiana's 92 county courthouses. This cover features the Putnam County courthouse located in Greencastle, Ind. and built in 1905 by architect John Gaddis. The courthouse lawn includes the WWII memorial known as the "The Buzz Bomb." Photo courtesy of Chris Flook and Ball State University.

Indiana Department of Revenue
2015 IT-20S - Indiana S Corporation Income Tax Booklet

What's New for 2015 Several Credits Repealed

The following credits have been repealed.*

- Blended Biodiesel Credit
- Ethanol Production Credit
- New Employer Credit
- Riverboat Building Credit

***Note:** A credit may still be available to be carried forward provided there was an unused amount available prior to it being replaced.

The Prison Investment Credit; The Voluntary Remediation Credit

These credits are no longer available.

New Composite and Withholding Rules

Effective January 1, 2015, IC 6-3-4-12 now provides that all nonresident shareholders must be included in a composite return schedule, and the S corporation must continue to withhold Indiana adjusted gross income tax for all nonresident shareholders. There is no provision for a shareholder to "opt out" of composite filing. Each nonresident shareholder's composite tax is calculated at the relevant tax rate. The Department has streamlined the procedure for making withholding payments for nonresidents, eliminating the withholding account and the need to file WH1, WH3, and WH18 forms for nonresidents. Instead, all withholding monies will be remitted with form IT6-WTH, and credit for the withholding/composite tax will be reflected on the IN K-1 for each shareholder. Form IT6WTH is available by calling the Corporate Tax section at (317) 232-0129. For further information, consult Income Tax Information Bulletin #72.

Who Must File and When

Any S corporation doing business in Indiana and deriving gross income from sources within Indiana must file an annual return, Form IT-20S, with the department. It also must file information returns (Schedule IN K-1s) disclosing each shareholder's share of distributed and undistributed income. These forms are due on or before the 15th day of the 4th month following the close of the S corporation's tax year. Enclose the first four pages of the U.S. Income Tax Return for an S corporation (Form 1120S) and Schedule M-3. Federal Schedules K-1 should not be enclosed but must be made available for inspection upon request by the department.

For Indiana AGI tax purposes, the term *doing business* generally means the operation of any business enterprise or activity in Indiana, including but not limited to the following:

1. Maintenance of an office, a warehouse, a construction site, or another place of business in Indiana;
2. Maintenance of an inventory of merchandise or material for sale, distribution, or manufacture, or consigned goods;
3. The sale or distribution of merchandise to customers directly from company-owned or -operated vehicles when the title of merchandise is transferred from the seller or distributor to the customer at the time of sale or distribution;
4. The rendering of a service to customers in Indiana;

5. The ownership, rental, or operation of a business or property (real or personal) in Indiana;
6. Acceptance of orders in Indiana with no right of approval or rejection in another state;
7. Interstate transportation; and
8. Maintenance of a public utility.

S Corporation Filing Requirements

Corporations that are permitted to and do file in accordance with Section 1361(a)(1) of the Internal Revenue Code (IRC) are exempt from the Indiana adjusted gross income tax for any tax period for which the election is in effect, except on passive income and built-in gains. **Note:** S elections cannot be made retroactively. Qualifications under Indiana law for filing S corporation returns are essentially the same as in the IRC. However, the corporation must file an IT-20S and meet the withholding requirements for nonresident shareholders under Indiana Code 6-3-4-13.

To the extent a qualified S corporation is exempt for federal purposes, the adjusted gross income (AGI) tax will not be assessed. An S corporation failing to withhold will be subject to the penalty provided by IC 6-8.1-10-2.1(h), instead of losing its tax exemption. This penalty is 20% of the amount of tax required to be withheld and paid under IC 6-3-4-13. In addition, there is a penalty of \$10 for each failure to timely file an information return, Schedule IN K-1. Corporations filing for the first time must enclose a copy of the approval letter from the Internal Revenue Service granting the S election.

Calculating Corporate Income Tax Rate

The corporate AGIT tax rate is as follows:

After June 30, 2013, and before July 1, 2014	7.5%
After June 30, 2014, and before July 1, 2015	7.0%
After June 30, 2015, and before July 1, 2016	6.5%
After June 30, 2016, and before July 1, 2017	6.25%
After June 30, 2017, and before July 1, 2018	6.0%
After June 30, 2018, and before July 1, 2019	5.75%
After June 30, 2019, and before July 1, 2020	5.5%
After June 30, 2020, and before July 1, 2021	5.25%
After June 30, 2021	4.9%

How to Determine the Tax Rate for Calendar-Year Filers and Fiscal-Year Filers Whose Tax Year Endings Are Not June 30

Pursuant to IC 6-3-2-1(c), the following steps must be used to determine the tax rate if a taxpayer is subject to different tax rates for a taxable period:

1. Multiply the rate in effect before the rate change by the number of months in the taxpayer's taxable year that precede the month the rate changed.
2. Multiply the rate in effect after the rate change by the number of months in the taxpayer's taxable year that follow the month before the rate changed.
3. Add the amounts in Step 1 and Step 2, and then divide the sum by 12.
4. Round the rate determined in Step 3 to the nearest 0.01%.

How to Determine the Tax Rate for Short Periods and 52/53-Week Filers

For taxpayers who file on a short period or 52/53-week period basis, for whom the steps outlined previously are not appropriate, the following steps should be used to determine the tax rate if a taxpayer is subject to different tax rates for a taxable period:

1. Multiply the tax rate in effect on June 30 of the taxable period by the number of days in the taxpayer's taxable period that occurred before July 1 of the taxable year.
2. Multiply the tax rate in effect on July 1 of the taxable period by the number of days in the taxpayer's taxable period that occurred after June 30 of the taxable year.
3. Add the amounts in Step 1 and Step 2, and then divide the sum by the total number of days in the taxpayer's taxable year.
4. Round the rate determined in Step 3 to the nearest 0.01%.

Utility Receipts Tax

A Utility Receipts Tax (Form URT-1) is imposed at the rate of 1.4% of the taxable receipts from the retail sale of utility services. Gross receipts are defined as the value received for the retail sale of utility services. Utility services subject to tax include

- Electric energy;
- Natural gas;
- Water;
- Steam;
- Sewage; and
- Telecommunications.

If an S corporation has more than \$1,000 in gross receipts from the sale of utility services, it might be required to file Form URT-1 in addition to Form IT-20S. For more information, get Commissioner's Directive #18 at www.in.gov/dor/3617.htm.

Utility Services Use Tax

Effective July 1, 2006, an excise tax known as the utility services use tax is imposed on the retail consumption of utility services in Indiana at the rate of 1.4% if the utility receipts tax is not paid by the utility providing the service.

You may be liable for this tax if

- You purchase utility services from outside Indiana (or anywhere, if for resale); and
- You become the end user in Indiana of any part of the purchase.

The person who consumes the utility service is liable for the utility services use tax based on the price of the purchase. Unless the seller of the utility service is registered with the department to collect the utility services use tax on your behalf, you must remit this tax on Form USU-103. For more information, see Commissioner's Directive #32 at www.in.gov/dor/3617.htm.

General Filing Instructions

Liability of the S Corporation

S corporations as entities generally are not subject to an income or financial institution tax.

S corporations are considered to be the taxpayer with respect to the payment of amounts withheld at source. See "Withholding Tax Liabilities of S Corporations" for more information.

S corporations are subject to the use tax. Use tax is due on the storage, use, or consumption of tangible personal property purchased in a transaction in Indiana or elsewhere. The only exceptions are if

- The transaction is exempted from the sales and use tax by law; or
- The sales tax due and paid on the transaction equals the use tax due.

See the instructions for the Sales/Use Tax Worksheet on page 11.

The apportionment Schedule E must be included with the return if the S corporation is doing business both within and outside Indiana and has any shareholders not domiciled in Indiana. See the instructions for Schedule E on page 15.

An S corporation that has nonresident shareholders must file a composite return for all its nonresident shareholders—A \$500 penalty will be assessed to any S corporation that fails to file a composite return that includes all qualifying nonresident shareholders (PL 211-2007 SEC. 27, 44, 58).

Any passive income and built-in gains of an S corporation that is subject to tax under provisions of the IRC will be subject to Indiana adjusted gross income tax. See the instructions for IT-20S Schedule B on page 11.

A corporation is not required to file quarterly estimated payments if its annual unpaid liability is less than \$2,500. Estimated tax payments must be submitted with the Indiana corporation's quarterly income tax return or by electronic funds transfer (EFT). Corporations required to make quarterly estimated payments can use the annualized income installment method calculated in the manner provided by IRC Section 6655(e) as applied to the corporation's AGI tax liability.

The threshold for making EFT payments for corporate estimated taxes is \$5,000.

Corporate filers (whether filing on a calendar-year, fiscal-year, or short-tax-year basis) must remit by the 20th day of the 4th, 6th, 9th, and 12th months of their tax periods. For more details, get Information Bulletin #11 at www.in.gov/dor/3650.htm.

To avoid costly penalty and interest charges for delinquent filing of returns, an S corporation should verify its tax status and withholding responsibilities before doing business in Indiana.

Withholding Tax Liabilities of S Corporations

The following instances obligate the S corporation to register with the department and become an Indiana withholding agent on behalf of each of the following.

Withholding on Residents

S corporations making payments of salaries, wages, tips, fees, bonuses, and commissions subject to Indiana state and/or county income taxes and required by the IRC to withhold federal taxes on those types of payments are also required to withhold for Indiana tax purposes.

Payments of amounts withheld must be remitted to the department via electronic method by the due date. If a filing and/or payment of the proper amount of tax withheld is not made by the due date, penalty and interest will be added. A person responsible for remitting payments may be personally subject to criminal prosecution if the failure to pay and/or file a withholding return is due to fraud or tax evasion.

Withholding on Nonresidents

Employees – An S corporation must withhold Indiana state and/or county income taxes from employees who work in Indiana but are not residents of Indiana. However, withholding on the compensation of nonresident team members of certain professional sports organizations is based on duty days performed in Indiana. Refer to Income Tax Information Bulletin #88 (www.in.gov/dor/3650.htm). If an employee resides in a state that has a reciprocal agreement with Indiana, he is exempt from withholding. However, this does not affect county taxation. For purposes of withholding county income taxes, the term “nonresident” refers to a nonresident of the county where the S corporation is located.

Individual Shareholders – An S corporation must withhold state income tax at a rate of 3.3% on the amount it pays or credits any of its nonresident and part-year nonresident individual shareholders as either

- Dividends; or
- Their share of the corporation’s undistributed taxable income (on current-year earnings) derived from Indiana sources.

An S corporation is required to withhold state income tax on a nonresident individual shareholder and nonresident shareholders that are entities, trusts and estates.

This does not apply to residents of reverse credit states who are subject to and pay income taxes at rates of 3.3% or higher to their resident states. The reverse credit states are

- Arizona;
- California [see note];
- Oregon; and
- Washington, D.C.

Note: While this withholding requirement does not apply to shareholders who are residents of the reverse credit agreement states of Arizona, Oregon and Washington, D.C., it does apply to shareholders who are residents of California.

You must withhold at the appropriate adopting county’s nonresident tax rate on each Indiana nonresident shareholder whose principal place of business or employment on January 1 is located in an Indiana county that has adopted a county income tax. Use Departmental Notice #1 to determine county tax withholding rates. This notice is available at www.in.gov/dor/3618.htm.

To verify a county’s rate, visit the department’s website or call our main tax line at (317) 232-0129 for assistance.

Trusts and Estates – An S corporation must withhold on income distributions to all trusts, estates, and nonprofit organizations not domiciled in Indiana. This amount must reflect the ultimate tax liability due Indiana by the respective member or beneficiary because of the S corporation’s activities.

Note: The withholding provisions do not apply to nonresident shareholders who are nontaxable trust or estate entities.

An S corporation must withhold tax from income distributions to a fiduciary. A trust and estate must withhold state income taxes for all its nonresident individual beneficiaries if they have opted out of the composite filing. A trust and estate is also required to withhold state income tax if the nonresident beneficiary is not an individual.

Withholding Amounts on Nonresident Shareholders – All withholding will be remitted into the Corporate account by using the IT-6WTH. The BT-1 is no longer required to register for a nonresident shareholder withholding account.

If an S corporation fails to withhold, it will be assessed a delinquent penalty. This penalty is 20% plus interest, in addition to the amount withheld or required to be withheld and paid to the department. If a distribution to nonresident shareholders is made with property other than money, or a gain is realized without the payment of money, the corporation may not release the property or credit the gain until it has funds sufficient to pay the withholding tax due. If necessary, the corporation must get such funds from its shareholders.

Note: Shareholders not domiciled in Indiana must meet annual filing requirements (except individuals included in a composite return) and remit all unpaid tax, penalties, and interest, even if they have complied with the withholding regulations.

How to Register as a Withholding Agent

An S corporation with an employee withholding liability as previously described must register as an Indiana withholding agent. The department assigns an Indiana TID consisting of:

- A 10-digit number exclusive to the taxpayer; and
- A 3-digit number for the location being registered.

The S corporation has two options in registering as a withholding agent:

- The first option is to complete the BT-1 online at <https://secure.in.gov/apps/dor/bt1>.

- The second option is to visit either the department's downtown Indianapolis office or one of the district offices located throughout the state to use the department's kiosks to register online.

Note: All businesses must electronically file and remit sales and/or withholding taxes. Businesses can file and remit their withholding taxes through INtax (www.intax.in.gov) or a third-party vendor; they can also use INtax to file and remit their sales tax.

Noncomposite Withholding Payment

Form WH-1 – Amounts withheld from employees should be included in the remittance with Form WH-1.

Businesses currently filing paper coupons will need to transition to filing via the state's INtax program or use a third-party vendor to electronically transmit Form WH-1.

Form WH-3 – The withholding agent must complete an annual Withholding Tax Reconciliation Return, Form WH-3. This must be filed by the end of the second month following the close of the tax period for employee withholding accounts. The following must be included:

- The Indiana taxpayer identification number (TID);
- The S corporation's name; and
- The calendar year.

Form WH-3 is used to reconcile the monthly or annual WH-1 returns. When remitting this form, the business must also remit the supporting W-2 reports. The way in which you must submit the WH-3 depends on the number of wage statements you file in a year. Follow these guidelines:

- If you are filing **fewer than 25** wage statements for your entire tax year, you can still file paper copies of the withholding forms (WH-1, WH-3, W-2s, W-2Gs, and 1099s). You can also submit them via the state's online INtax application (www.intax.in.gov) or use a third-party vendor to electronically submit them.
- If you are filing **more than 25 but fewer than 3,500** wage statements, you must file all of your withholding forms electronically. You can either use the state's online INtax application (www.intax.in.gov) or use a third-party vendor to electronically submit them.
- If you are filing **more than 3,500** wage statements, you must either have a third-party vendor submit them for you or file using bulk upload. For more information, see the department's *Bulk Upload Guide* at www.in.gov/dor/files/bulk-upload-guide.pdf.

How to Fill Out Form WH-3

On Form WH-3, the withholding agent enters the total annual amount of state and county income taxes or other taxes withheld from employees receiving income subject to Indiana withholding, as listed on federal Form W-2. The amount of county tax withheld during the year is separated according to the amounts withheld for each county.

If the withholding agent has overpaid the withholding liability for the year, he is entitled to a refund. Enter the amount to be refunded on Form WH-3, and provide an explanation. Nonresident withholding accounts should not use the WH-3 for claiming a refund. The entity claiming the credit may be entitled to a refund on the appropriate form filed with the department.

If the withholding agent has overpaid the withholding liability for the year, he is entitled to a refund. Enter the amount to be refunded on Form WH-3, and provide an explanation.

If the withholding agent has underpaid the payroll withholding liability for the year, he does not submit the payment with Form WH-3. Instead, he completes Form WH-1U. **This is included with the WH-3 packet if you file fewer than 25 wage statements per year and still receive paper coupons.** The withholding agent submits the payment under separate cover.

He also must indicate the Indiana TID and the period to which the payment should be applied. **If you file more than 25 wage statements per year or file fewer than 25 but filed electronically last year, you must make your payment for underpaid liabilities via INtax.**

Composite Withholding Payments (Form IT-6WTH)

An S corporation that files a composite return must withhold Indiana state and/or county income taxes from all nonresident individual shareholders. Amounts withheld must be remitted into the corporate account using Form IT-6WTH. Payment is due the 15th day of the 4th month following the close of the S corporation's tax period. To make additional payments, please contact the department at (317) 232-0129 for an additional Form IT-6WTH. The total payments are claimed as a credit on line 17 of Form IT-20S.

Shareholders' Liability and Filing Requirements

A shareholder's share of profit or loss from an S corporation is included in the shareholder's calculation of federal AGI. It is generally subject to the same rules for arriving at Indiana AGI. Therefore, a shareholder's distributive share, before any modifications required by Indiana statutes, is the same ratio and amount as determined under IRC Section 1361 and its prescribed regulations. The shareholders include their share of all S corporation income, whether distributed or undistributed, on their separate or individual Indiana income tax returns. Each shareholder's distributive share of income is adjusted by modifications provided for in IC 6-3-1-3.5(a) or (b).

Individual Shareholders

Residents – A resident shareholder reports the entire distributive share of S corporation income (loss) as adjusted, no matter where the S corporation's business is located or in which state(s) it does business. Form IT-40 (Indiana Individual Income Tax Return) should be completed by each individual shareholder.

Nonresidents – The nonresident individual shareholder will be included on Schedule Composite and have amounts withheld on the distributive share of income. The IN K-1 will be used to replace a WH-18 since the withholding is paid into the corporate account by using an IT-6WTH. The shareholder must claim credit on an IT-40PNR return by enclosing state Form IN K-1 for amounts withheld by the S corporation from the shareholder's distributive share of income. Nonresident shareholders are exempt from filing individual income tax returns if all Indiana income is reported on the composite return schedule. Nonresident shareholders with other Indiana-source income or who wish to benefit from other deductions or credits not available on a composite return should file Form IT40PNR.

A part-year nonresident shareholder must file Form IT-40PNR to report:

- The total amount of income (loss) received while residing in Indiana;
- That part of Indiana source income received while a nonresident; and
- Apportioned Indiana income (loss), as modified, received by a nonresident of Indiana.

Note: Passive losses may not exceed the limits imposed by IRC Section 469. Also, losses may not exceed the shareholder's investment. See IRC Section 1367.

Other Shareholders

Other shareholders that are trusts or estates will be included on the Schedule Composite and have amounts withheld on the distributive share of income. The IN K-1 will be used to replace a WH-18 since the withholding is paid into the corporate account by using an IT-6WTH. The shareholder must claim credit for withholding by enclosing state Form IN K-1 to report their distributive shares of the S corporation income (loss) on Form IT-41. All distributions are fully taxable for income tax purposes. For adjusted gross income, taxable S corporation income includes pro rata Indiana modifications. However, losses may not exceed the limits imposed by IRC Sections 469 and 1367.

Shareholders doing business both within and outside Indiana must also determine their taxable income from Indiana sources by using the allocation and apportionment provisions contained in IC 6-3-2-2(b)-(h). See Schedule E (apportionment) for more information. Business income, including all S corporation income, apportioned to Indiana plus nonbusiness income allocated to Indiana (plus modifications required by IC 6-3-1-3.5(a) for adjusted gross income tax) equals the taxpayer's net taxable income for Indiana tax purposes.

Basis of Stock in an S Corporation

For Indiana income tax purposes, the basis of the shareholder's stock in an S corporation is generally the same as its basis for federal income tax purposes. Shareholders of S corporations must maintain basis schedules and make them available to the department upon request.

Indiana S Corporation Income for Individual Shareholders

Example:

Taxpayer A is a resident of Indiana and has a 50% stock interest in XYZ, Inc. XYZ is an Indiana S corporation doing business both within and outside Indiana. Taxpayer B is a nonresident of Indiana but also has a 50% stock interest in XYZ, Inc.

XYZ's income from operations is \$530,000, and its expenses are \$500,000. Of these expenses, \$35,000 is an expense for state income tax.

Computations for XYZ, Inc.:

XYZ computes its adjusted S corporation income as follows:

Income from operations	\$530,000
Expenses	-500,000
Addback modifications	<u>+ 35,000</u>
S corporation income	\$65,000

Using the single-factor apportionment formula for periods beginning after Dec. 31, 2010, XYZ, Inc., determines its apportionment percentage as follows:

Indiana sales/receipts	\$5000.00
Divide by everywhere sales/receipts	<u>/41667.00</u>
Equals	.1200
Multiply by 100	<u>x 100</u>
Equals Indiana apportionment percentage	12.00%

Computations for Taxpayers A and B:

Taxpayer A, as a resident of Indiana, must report his own entire share of S corporation income to Indiana regardless of whether the S corporation apportions its income. As a general rule, if Taxpayer A pays tax to another state (on a portion of S corporation income), Taxpayer A can take a credit on his individual return.

Indiana adjusted S corporation income for Taxpayer A is computed as follows:

S corporation income	\$65,000
Distributive share	<u>(50% x \$65,000)</u>
Indiana adjusted distributive share of income	\$32,500

Taxpayer B, as a nonresident of Indiana, reports only her own share of S corporation income apportioned to Indiana. As a general rule, if Taxpayer B is required to pay tax to another state on a portion of her income from XYZ, Inc., Taxpayer B cannot take a credit on her Indiana return. She must claim it from her state of residence.

Indiana adjusted S corporation income for Taxpayer B is computed as follows:

S corporation income	\$65,000
Distributive share (50% x 65,000)	\$32,500
Multiply by apportionment percentage	<u>x 12%</u>
Apportioned Indiana distributive share of income	\$3,900

Accounting Periods and Methods

The accounting period for Form IT-20S and the method of accounting adopted must be the same as used for federal income tax purposes.

Extended Filing Due Date

The initial due date for filing is the 15th day of the 4th month following the close of the S corporation's tax year. The department accepts the federal extension of time application (Form 7004) and the federal electronic extension. If you have an extension, you don't need to contact the department before filing your annual return. Returns postmarked within 30 days after the last date indicated on the federal extension will be considered timely filed.

Do not file a separate copy of this form with the department to request an Indiana extension. If applicable, enclose a copy of the federal extension of time when filing your state return. Check box R on the front of the IT-20S return.

If you don't need a federal extension, you can request a separate Indiana extension of time to file. Do this by writing to:

Indiana Department of Revenue
Corporate Income Tax
Tax Administration
P.O. Box 7206
Indianapolis, IN 46207-7206

Any payments made after the original due date must include penalty and interest. **Caution:** The filing due date for the S corporation return is different from the payment due date of income tax withholding and composite AGI tax on nonresident shareholders.

Amended Returns

Both the S corporation and the shareholders must file amended Indiana returns within 180 days after the filing of the amended federal return if:

- The S corporation files an amended federal return; and
- The change(s) affects the Indiana income or the taxable income reportable by the shareholders.

An adjustment made by the Internal Revenue Service affecting the reportable Indiana income must be followed with an amended S corporation return. This must be done within 180 days after the adjustment becomes final. **Check the box at the top of Form IT-20S if you are filing an amended return.**

Instructions for Completing Form IT-20S

Filing Period and Identification

Use Form IT-20S to file:

- A 2015 corporation return for a tax year ending Dec. 31, 2015;
- A short tax year beginning and ending in 2015; or
- A fiscal year beginning in 2015 and ending in 2016.

For a fiscal or short tax year, fill in both the beginning month, day, and year and the ending month, day, and year at the top of the form.

Please use the corporation's full legal name of and present 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.

Check the box at the top of the form if you are filing an amended return. For a name change, check the box at the top of the return. **You must enclose with the return copies of amended Articles of Incorporation or an Amended Certificate of Authority filed with the Indiana Secretary of State.**

The federal identification number shown in the box in the upper-right corner of the return must be accurate and the same as used on the U.S. Income Tax Return for an S Corporation. If you are the reporting corporation with a qualified Subchapter S subsidiary (QSSS), enclose a statement (or federal Form 8869) showing the name, address, and federal ID number of your owned S corporation included in this return. If a QSSS is included in this return, please enclose a completed Schedule 8-D.

List the name of the county in Indiana where you have a primary business location. Enter "00" (two zeroes) in the county box D for an address outside Indiana.

Enter your principal business activity code, derived from the North American Industry Classification System (NAICS), in the designated block of the return. Use the six-digit activity code as reported on the federal corporation income tax return. A link to a list of these codes is available at www.in.gov/dor/3742.htm.

Questions K Through T and Other Fill-in Lines

All corporations filing an Indiana corporation income tax return must complete the top portion of the form, including questions K through T. Check or complete all boxes that apply for your return:

- K. Indicate the date and state of incorporation.
- L. Indicate the state of the corporation's commercial domicile.
- M. Indicate the year the initial Indiana return was filed.
- N. Indicate the accounting method used.
- O. Indicate the date of election as an S corporation.
- P. Check box P-1 if you are filing an initial return. Check box P-2 only if the corporation 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. Check box P-3 if the corporation is in bankruptcy. Check box P-4 if you are filing as a composite return for nonresident shareholders. Check box P-5 if you are completing Schedule M, Alternate Adjusted Gross Income Tax Calculation.
- Q. Enter the number of shareholders of the corporation in entry box Q-1. Enter the number of all shareholders who are nonresidents of Indiana in entry box Q-2.
- R. Check this box if you have a valid extension of time or an electronic federal extension of time to file your return. **If applicable, enclose a copy of federal Form 7004 when filing your state return.**

- S. Check this box if this corporation filed as a C corporation for the prior tax year.
- T. Check this box if this corporation is a member of any partnership.
- U. Check this box if you report income from disregarded entities. If you check this box, please enclose a list of the disregarded entities with your return. If you are filing electronically, please be sure to complete the disregarded entity portion of the federal recap schedule(s).

Schedule A — S Corporation Adjusted Gross Income

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 the amount from the federal S Corporation Return Schedule K:

- Net ordinary business income;
- Net income from real estate activities from Form 882;
- Other rental income activities;
- Portfolio income and deductions;
- Royalties;
- Capital gains and losses; and
- Other income.

The Section 179 deduction and that portion of investment expenses included in federal Schedule K, part of line 12, and line 17 relating to investment portfolio (royalty) income, flowing through to federal Schedule E, may be tentatively deducted. Do not deduct other expenses treated as federal itemized deductions.

Use the Worksheet for S Corporation Distributive Share of Income, Deductions, and Credits to assist in this calculation. You must use the income worksheet if the corporation received any distributive income from an owned partnership interest, estate, or trust. See the instructions on page 17 and the worksheet on page 14.

Indiana State Modifications, Lines 2a Through 2f

Enter any addbacks and deductions on lines 2a through 2e. Enter the name of the addback/deduction, its 3-digit code, and its amount. Use a minus sign to denote negative amounts. Attach additional sheets if necessary.

Adding Back Depreciation Expenses

Several of the discontinued add-backs were created by timing differences between federal and Indiana allowable expenses. Following is an example of how to report a difference.

Example. ABC Company has qualified restaurant equipment. For federal tax purposes, they use the accelerated 15-year recovery period for an asset placed in service in 2009. Since 2009, ABC Company has been adding back the depreciation expense taken for federal purposes that exceeded the amount allowable for Indiana purposes. The accumulated depreciation on such an asset through 2012 is, therefore, different for federal and state purposes. This difference will remain until the asset is fully depreciated or until the time of its disposition.

So, in this example, the asset was acquired in January 2009 at a purchase price of \$120,000. This normally would have a 25-year recovery period, but IRC Sec. 168 allows for a 15-year recovery period. Tax year 2012 is the last year ABC Company will have reported a qualified restaurant equipment addback until the end of the 15-year recovery period.

If this asset was sold before being fully depreciated, the catch-up modification would be reflected in the year of the sale. However, if this property is held through 2023 (the 15th year of depreciation), ABC Company will report a negative \$9,600 catch-up addback on their 2023 state tax return.

The following addbacks and deductions should be entered on lines 2a through 2e:

Addback for certain taxes deducted from federal AGI (3-digit code: 100) – All state taxes based on or measured by income levied by any state that were deducted on the federal return must be added back.

Addback for bonus depreciation (3-digit code: 104) – An amount attributable to bonus depreciation in excess of any regular depreciation that would be allowed if an election under IRC Section 168(k) had not been made as applied to property in the year that it was placed into service should be added or subtracted. Taxpayers who own property for which additional first-year special depreciation for qualified property 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. This includes 50% bonus depreciation. The subsequent depreciation allowance is calculated on the state’s stepped-up basis until the property is disposed. Enclose a statement explaining any adjustment.

Example: If the IRC Section 179 deduction was elected on business equipment acquired during 2015 and costing \$200,000, the capital expensing deduction was \$100,000 with a remaining basis of \$100,000. An additional 50% bonus depreciation of \$50,000 was elected, leaving a basis of \$50,000 for a five-year Modified Accelerated Cost Recovery System (MACRS) property (half-year convention) depreciation deduction of 20% (\$10,000). The total amount of the federal deduction was \$160,000.

For state purposes, the bonus depreciation of \$50,000 was not allowed and must be added back. The IRC Section 179 deduction was capped at \$25,000. Therefore, the \$75,000 excess amount must be added back. These adjustments result in a stepped-up basis of \$175,000 for the state return on which to figure the allowable first-year MACRS property depreciation deduction of 20% (\$35,000) for 2015. This was a total state deduction of \$25,000 more than already deducted under the General Depreciation System (GDS). The additional depreciation can be excluded in subsequent years from the amounts to be added back when excess IRC Section 179 deduction or bonus depreciation was elected.

Commissioner’s Directive #19 (www.in.gov/dor/3617.htm) explains this initial required modification on the allowance of depreciation for state tax purposes.

Addback for Section 179 expense excess (3-digit code: 105) – Enter any IRC Section 179 adjustment claimed for federal tax purposes that exceeds the amount recognized for state tax purposes.

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. This modification affects the basis of the property if a higher Section 179 limit was applied. The increase to a \$100,000 deduction was not allowed for purposes of calculating Indiana adjusted gross income. However, the beginning \$400,000 was allowed for purposes of calculating Indiana AGI. 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% bonus depreciation property, until the property is sold.

Add or subtract the amount necessary to make the adjusted gross income of the taxpayer 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.

Note: The net amount determined for the net bonus depreciation or the IRC Section 179 addback might be a negative figure (because of a higher depreciation basis in subsequent years). If it is, use a minus sign to denote that. (If the taxable income is a loss, this adjustment increases a loss when added back.) Enclose a statement to explain your adjustment.

Deduction for interest on U.S. government obligations (3-digit code: 610) – Deduct interest income, less related expenses, from certain obligations of the U.S. government included as income on the federal return. For a listing of eligible items, get Information Bulletin #19 at www.in.gov/dor/3650.htm.

Deduction for Indiana lottery winnings (3-digit code: 606) – Deduct Indiana 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. The proceeds of up to \$1,200 are deductible from each winning lottery game or ticket paid through the Hoosier State Lottery Commission. Explain the deduction on an enclosed statement.

Note: Entries made on federal Form 8825 should also be considered when completing entries on line 2.

Addback for deferral of business indebtedness discharge and reacquisition (3-digit code: 107) – Add back the deduction for deferral of business indebtedness discharge and reacquisition. Enter an amount equal to the amount claimed as a 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.

Addback for qualified disaster assistance property (3-digit code: 110) – Add back the 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.

Addback for qualified refinery property (3-digit code: 111) – Add back the 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.

Addback for qualified film or television production (3-digit code: 112) – Add back the 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.

Addback for qualified preferred stock (3-digit code: 113) – Add back the 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 trade or business deductions based on employment of an unauthorized alien (3-digit code: 132) – 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.

Addback of OOS municipal obligation interest (3-digit code: 137) – Interest earned from a direct obligation of a state or political subdivision other than Indiana (out of state, or OOS) is taxable by Indiana if the obligation is acquired after Dec. 31, 2011. Interest earned from obligations held or acquired before Jan. 1, 2012, is not subject to Indiana income tax and should not be reported as an addback. **Note:** Interest earned from obligations of Puerto Rico, Guam, Virgin Islands, American Samoa, or Northern Mariana is not included in federal gross income and is exempt under federal law. There is no addback for interest earned on these obligations. For more information, see Information Bulletin #19 at www.in.gov/dor/3650.htm.

Line 2f. Enter the total amount of addbacks and deductions from any additional sheets. If you need to claim more than five addbacks and/or deductions, attach more sheets detailing them. Total the amounts from the additional sheets and enter it here (use a minus sign to denote a negative amount).

Line 4. Enter the Indiana apportionment percentage if the corporation has any multistate business activities. If apportioning income, enter the Indiana percentage (rounded to two decimal places) from line 9 of Schedule E, Apportionment of Income for Indiana. Do not enter 100%. See Schedule E instructions beginning on page 15.

For more information, get Information Bulletin #12 at www.in.gov/dor/3650.htm.

Before continuing to lines 5 through 25, complete Schedule IN K-1 for each shareholder.

Form IT-20S Schedule B — Tax on Excess Net Passive Income and Built-in Gains

To the extent that the S corporation's excess net passive income and built-in capital gains are subject to income tax under the Internal Revenue Code, the Indiana AGI tax is imposed on such income of the corporation derived from Indiana sources. Use the following guidelines to calculate the corporation's tax liability. The corporation must make quarterly estimated tax payments if its Indiana tax liability exceeds \$2,500.

All references are from the federal forms. Use updated versions where applicable.

Line 5. Enter the excess net passive income or LIFO recapture tax reported on federal Form 1120S, line 22a.

Line 6. Enter the tax from federal Schedule D reported on Form 1120S, line 22b.

Line 7. Enter the lesser amount of the excess net passive income from line 7 or the taxable income from line 8, as calculated on the federal excess net passive income tax worksheet. Use the appropriate line from the latest federal update. Enclose the worksheet with the return.

Line 8. Enter the net amount: Line 16 from federal Schedule D, Part III, reduced by the portion of Section 1374 (b)(2) deduction, if any, from line 17 that is attributable to Indiana. If it is zero or less, enter 0 on line 8. Use the appropriate lines from the latest federal update. Enclose Schedule D (1120S) with the return.

Line 10. If the taxable amount on line 9 is not or cannot be wholly allocated to Indiana, use the apportionment percentage from line 4 to attribute the business income to Indiana. Enclose Schedule E with your return. Multiply the amount on line 9 by the Indiana apportionment percentage on line 4. If apportionment of income is not applicable, enter the total amount from line 9.

Line 12. Multiply the amount on line 10 by the corporate AGI tax rate, if not otherwise qualified for a reduced rate of tax. (**Note:** Refer to page 3 for information on how to calculate the tax rate for an entity whose tax year does not end on June 30.)

Qualified taxable income derived from a designated Indiana Military Base Enhancement Area (MBEA) is subject to tax at the rate of 5%. This tax rate is applicable to businesses that locate new operations in

a completely or partially inactive or closed military base during the taxable year and the next succeeding four taxable years.

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. Also, check question box P5, Schedule M, on the front of the IT-20S. This form is available in the IT-20 Indiana Corporate Income Tax Booklet (www.in.gov/dor/5175.htm).

On line 12, enter your total computed AGI tax based on the taxable income reported on line 10 of Schedule B.

If the tax exceeds \$2,500 for 2015, enclose the completed Indiana Schedule IT-2220 to compute any underpayment of estimated tax penalty or to show an exception to the penalty.

Summary of Calculations

Sales/Use Tax Worksheet

IC 6-2.5-3-2 imposes a use tax at the rate of 7% on purchases made after April 1, 2008. This tax applies to the use, storage, or consumption of tangible personal property in Indiana that was purchased or rented in a retail transaction, wherever located, and sales tax was not paid.

Examples of taxable items include:

- Magazine subscriptions;
- Office supplies;
- Electronic components; and
- Rental equipment.

Also, any property purchased free of tax using an exemption certificate or from out-of-state that is converted to a nonexempt use by the business is subject to the use tax. Complete the Sales/Use Tax Worksheet on page 12 to compute any sales/use tax liability. For further information about use tax, call (317) 232-0129.

Note: If you are a registered retail sales or out-of-state use tax agent for Indiana, you must report the nonexempt purchases used in your Indiana business electronically. These taxes can be paid online through INtax.

Interest is added if the use tax was not timely paid by the original due date of the return. A 10% penalty or \$5, whichever is greater, is charged on each unpaid use tax liability. **Caution:** Do not report your totals from Form ST-103 on this worksheet or on Form IT-20S.

Line 13. Enter the use tax due from the Sales/Use Tax worksheet.

Line 14. Enter the total tax liability of the nonresident members included in the Composite Adjusted Gross Income Tax Return, column F. Enclose Schedule Composite.

Line 15. Total tax. Add the tax shown on lines 12, 13, and 14.

Sales/Use Tax Worksheet

List all purchases made during 2015 from out-of-state companies.

Column A Description of personal property purchased from out-of-state retailer	Column B Date of purchase(s)	Column C Purchase Price
Magazine subscriptions:		
Mail order purchases:		
Internet purchases:		
Other purchases:		
1. Total purchase price of property subject to the sales/use tax	1	
2. Sales/use tax: Multiply line 1 by .07 (7%)	2	
3. Sales tax previously paid on the above items (up to 7% per item)	3	
4. Total amount due: Subtract line 3 from line 2. Carry to Form IT-20S, line 13. If the amount is negative, enter zero and put no entry on line 13 of the IT-20S	4	

Line 16. Enter the total amount of pass-through withholding. (Enclose a copy of the IN K-1 from the paying entity.) Do not take any credit for individual or separate estimated tax payments made by the shareholders.

Line 17. Enter the total composite withholding payments from Form IT-6WTH. Amounts withheld from nonresident individual shareholders included in the composite return may be remitted using Form IT-6WTH.

Line 18. Enter any other payments/credits belonging to the corporation. This may be estimated payments for passive income and built-in gains tax that was not otherwise passed through to the shareholders. A detailed explanation must be enclosed for any credits claimed on this line.

Line 19. Economic Development for a Growing Economy credit: Enter the amount of Economic Development for a Growing Economy (EDGE) credit you are claiming from line 19 of Schedule IN-EDGE. You must complete Schedule IN-EDGE and enclose it with your return. Otherwise, this credit will not be allowed.

Line 20. EDGE-R credit: Enter the amount of EDGE-R credit you are claiming from line 19 of Schedule IN-EDGE-R. You must complete Schedule IN-EDGE-R and enclose it with your return. Otherwise, this credit will not be allowed.

Line 21. Other certified credits: Enter the total amount of credits claimed from Schedule IN-OCC, and be sure to enclose Schedule IN-OCC with your return. If filing this schedule with the IT-20S, only reflect the credit amounts from the IN K-1s on behalf of the entity's shareholders who are included on the composite return. Do not include credits from the IN K-1s that belong to shareholders who are not included on the composite return. Enter the combined pro rata credits on one line of the IN-OCC; do not enter a line for each composite member. The total amount of credit for the members on the composite return cannot exceed the entity's total tax due. In addition, sales and use tax cannot be offset by these nonrefundable

credits if included in the total tax due. If an income tax return is being filed by a shareholder included on the Schedule Composite the member should use the 4-digit code provided on the IN K-1 not the 3-digit code utilized on the the S Corporation income tax return.

Line 22. Subtotal: Subtract lines 16 – 21 from line 15. If a balance due remains, proceed to lines 23 – 25.

Line 23. Interest: Enter the total interest due. **Caution:** Two separate calculations of interest and penalty may be required:

1. Interest is computed on the net amount of composite tax, on line 22, paid after the 15th day of the 4th month following the end of the corporation's taxable year. Interest is calculated from the day following the due date for payment of the composite tax to the actual date the balance is paid with the IT-20S return.
2. Interest on the use tax and Schedule B tax is calculated on the remaining amount of tax on line 22 that is paid after the original due date of the IT-20S return.

For the current rate, call the department at (317) 232-0129 or get Departmental Notice #3 (www.in.gov/dor/3618.htm).

Line 24. Penalty: Enter the total penalty due. The penalty for late payment is 10% of the amount (but not less than \$5) of any composite tax due on line 22 paid after the 15th day of the 4th month following the end of the corporation's taxable year. If a composite tax is due because of a failure to withhold on income distributions to nonresident shareholders, a penalty of 20% is added. (See the previous caution for line 23.) The penalty is still due on those taxes paid after the original due date of the return. This penalty equals the greater of \$5 or 10% of the amount of the use tax and the Schedule B tax on line 22.

If a return showing no liability on line 15 is filed late, the penalty for failure to file by the due date is \$10 per day the return is past due, up to a maximum of \$250. If the tax on line 22 exceeds \$2,500, add

any underpayment of estimated tax penalty computed on Schedule IT-2220 or enclose a completed schedule to show your exception to this penalty. In addition, a separate \$10 penalty is assessed on each Schedule IN K-1 information return that is late.

Line 25. Penalty: A penalty of \$500 is assessed to any S corporation that fails to file a composite return for all of its qualifying nonresident shareholders (PL 211-2007 SEC. 27, 44, 58). If you fail to include all nonresident shareholders on your composite return, remit that penalty here.

Line 26. Total Amount Due: If line 22 is greater than zero, add lines 22 – 25 and enclose a separate remittance for the total amount owed for each Form IT-20S filed. Payment to the Department of Revenue must be made in U.S. funds.

Line 27. Overpayment and Refund: If the total of lines 16 – 21 exceeds line 15, subtract lines 23 – 25 from line 22. If the result is less than zero, this is your net overpayment. **Note:** If penalties and interest are due because of delinquent filing or payment, the overpayment must be reduced by these charges. If the result is a balance due, enter the difference on line 26. An overpayment credit may not be carried over to the following year, so any overpayment amount will be refunded to you.

Certification of Signatures and Authorization Section

Be sure to sign and date your return and print your name on it. If a paid preparer completes your return, you can designate him as your personal representative and authorize the department to discuss your tax return with the preparer by checking the authorization box. Next, enter:

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

If you complete this area, you are authorizing the department to contact your personal representative, instead of you, 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. To do so, you must tell us 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 7206, Indianapolis, IN 46207-7206.

Corporate Officer Information

An officer of the organization must sign and date the tax return and enter his or her name and title.

Paid Preparer Information

Fill out this area if a paid preparer completed this tax return. The paid preparer must sign and date the return. In addition, please enter the following:

- The paid preparer's email address;
- The name of the firm the paid preparer is employed by;

- The paid preparer's PTIN (personal tax identification number). This must be his or her PTIN; do not enter an FID or Social Security number;
- The paid preparer's complete address.

Note: You need to complete this area even if the paid preparer is the same individual designated as your personal representative.

Be 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 7147
Indianapolis, IN 46207-7147**

Worksheet for S Corporation Distributive Share Income, Deductions, and Credits

Use this worksheet to compute the entry for line 1 of Form IT-20S and to assist in computing amounts reportable on or for Schedule IN K-1. Enter the total distributive share of income from each item reportable on Form 1120S, Schedule K. Do not complete column B and C entry lines unless the corporation received distributive share or tiered income from other entities.

	A. S Corporation Income All Sources	B. Distributions from Partnerships/ Estates/Trusts	C. Distributions Attributed to Indiana
Distributive Share Amounts:			
S Corporation's Distributive Share of Items			
1. Ordinary business income (loss)		Enter below for line 13B total distributive share income received by the corporation from all non-unitary partnerships, estates, and trusts. Enter for line 14B an amount equal to required state modifications for Indiana Adjusted Gross Income. (See page 7 for instructions.)	Enter below for line 13C total distributive share income received by the corporation from partnerships, estates and trusts that were derived from or allocated to Indiana. Enter on line 14C an amount equal to the Indiana modifications for Adjusted Gross Income attributed to Indiana.
2. Net rental real estate income (loss)			
3. Other net rental income (loss)			
4. Interest income			
5a. Ordinary dividends			
6. Royalties			
7. Net short-term capital gain (loss)			
8. Net long-term capital gain (loss)			
9. Net IRC Section 1231 gain (loss)			
10. Other income (loss)			
Less allowable deductions for state tax purposes:			
11. IRC Section 179 expense deduction			
12A. Portion of expenses related to investment portfolio income, including investment interest expense and other (federal non-itemized) deductions			
12B. Other information from line 17 of federal K-1 related to investment interest and expenses not listed elsewhere		↓	↓
13. Carry total on line 13A to Form IT-20S line 1 on front page of return	13A	13B	13 C
14. Total of Indiana state modifications to distributive share income (see line 2, Form IT-20S)		14B	14 C
15. Net Indiana adjusted gross income distributions from partnerships, estates, and trusts (add lines 13C and 14C)			15 C
16. Enter amount of Indiana pass-through credits attributed from partnerships, estates, and trusts, if any			16 C

Indiana Department of Revenue
Indiana S Corporation Income Tax Return
for Calendar Year Ending December 31, 2015

2015

or Other Tax Year Beginning 2015 and Ending

Check box if amended.

Check box if name changed.

Name of Corporation Federal Identification Number

Number and Street IN County or 00 for O.O.S. Principal Business Activity Code

City State ZIP Code

Telephone Number K. Date of incorporation In the State of L. State of commercial domicile M. Year of initial Indiana return

N. Accounting method: Cash Accrual Other O. Date of election as S corporation

P. Check all boxes that apply to entity:

Initial Return Final Return In Bankruptcy Composite Return Schedule M

Q. Enter total number of shareholders: Enter number of nonresident shareholders:

R. I have on file a valid extension of time to file my return (federal Form 7004 or an electronic extension of time). Y

S. The corporation filed as a C corporation for the prior tax period. Y

T. This corporation is a member of a partnership. Y

U. This entity reports income from disregarded entities. Y

Schedule A - S Corporation Adjusted Gross Income

Round all entries

- | | | | | |
|---|----------------------|-----------|-------------------------|-----------------------------|
| 1. Total net income (loss) from U.S. S corporation return, Form 1120S Schedule K, lines 1 through line 10, less line 11 and a portion of line 12 related to investment income (see instructions); use minus sign for negative amounts | <input type="text"/> | 1 | <input type="text"/> | .00 |
| 2. a. Enter name of addback or deduction (see instructions) | <input type="text"/> | Code. No. | <input type="text"/> | 2a <input type="text"/> .00 |
| b. Enter name of addback or deduction | <input type="text"/> | Code. No. | <input type="text"/> | 2b <input type="text"/> .00 |
| c. Enter name of addback or deduction | <input type="text"/> | Code. No. | <input type="text"/> | 2c <input type="text"/> .00 |
| d. Enter name of addback or deduction | <input type="text"/> | Code. No. | <input type="text"/> | 2d <input type="text"/> .00 |
| e. Enter name of addback or deduction | <input type="text"/> | Code. No. | <input type="text"/> | 2e <input type="text"/> .00 |
| f. Enter the total amount of addbacks and deductions from any additional sheets (use a minus sign for negative amount) | <input type="text"/> | | 2f <input type="text"/> | .00 |
| 3. Total S corporation income, as adjusted (add lines 1 through 2f) | | 3 | <input type="text"/> | .00 |
| 4. Enter percentage for Indiana apportioned adjusted gross income from IT-20S Schedule E line 9 | | 4 | <input type="text"/> | % |



Schedule B - Excess Net Passive Income & Built-In Gains

5. Excessive net passive income or LIFO recapture tax as reported on federal Form 1120S, line 22a	5		.00
6. Tax from federal Schedule D as reported on federal Form 1120S, line 22b	6		.00
7. Excess net passive income from federal worksheet	7		.00
8. Built-in gains from federal Schedule D (1120S)	8		.00
9. Add the amounts on lines 7 and 8	9		.00
10. Taxable income apportioned to Indiana (multiply line 9 by line 4) (if applicable)	10		.00
11. Corporate adjusted gross income tax rate (*see instructions for line 12)			<i>X tax rate</i>
12. Total income tax from Schedule B (multiply line 10 by percent on line 11 or enter amount from Schedule M)	12		.00

Summary of Calculations

13. Sales/use tax on purchases subject to use tax from Sales/Use Tax Worksheet	13		.00
14. Total composite tax from completed Schedule Composite (15F). Enclose schedule	14		.00
15. Total tax (add lines 12 - 14). If line 15 is zero, see line 24	15		.00
16. Total amount of pass-through withholding (enclose IN K-1 from the paying entity)	16		.00
17. Total composite withholding IT-6WTH payments (see instructions)	17		.00
18. Other payments/credits (enclose supporting documentation)	18		.00
19. EDGE credit. Enter the total EDGE credit amount claimed (line 19 on Schedule IN-EDGE)	19		.00
20. EDGE-R credit. Enter the total EDGE-R credit amount claimed (line 19 on Schedule IN-EDGE-R)	20		.00
21. Other certified credits. Enter the total credit amount claimed ("Total" line from Schedule IN-OCC)	21		.00
22. Subtotal (line 15 minus lines 16-21). If total is greater than zero, proceed to lines 23-25	22		.00
23. Interest: Enter total interest due; see instructions (contact the department for current interest rate)	23		.00
24. Penalty: If paying late, enter 10% of line 22; see instructions. If line 15 is zero, enter \$10 per day filed past due date	24		.00
25. Penalty: If failing to include all nonresident shareholders on composite return, enter \$500; see instructions	25		.00
26. Total Amount Due: Add lines 22-25. If less than zero, enter on line 27. Make check payable to: Indiana Department of Revenue. Make payment in U.S. funds	26		.00
27. Overpayment and Refund Amount: Line 16 plus lines 17-21, minus lines 15 and 23-25. No carryforward allowed.	27		.00



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.

Paid Preparer's Email Address

I authorize the Department to discuss my return with my personal representative (see instructions).

Y N

Personal Representative's Name (please print)

Email Address

Signature of Corporate Officer _____

Date

Print or Type Name of Corporate Officer

Title

If you owe tax, please mail your return to IN Department of Revenue, PO Box 7205, Indianapolis, IN 46207-7205.

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

Paid Preparer's Name

PTIN

Telephone Number

Address

City

State Zip Code+4

Paid Preparer's Signature _____

Date

If you do **not** owe any tax, mail it to IN Department of Revenue, PO Box 7147, Indianapolis, IN 46207-7147.



Schedule Composite

State Form 49188
(R14 / 8-15)

Indiana Department of Revenue

Name of Entity	Federal Identification Number
----------------	-------------------------------

Entity's Composite Indiana Adjusted Gross Income Tax Return

Entity's Tax Year **2015** or Other Year Beginning 2015 and Ending

See instructions. Enclose with Form IT-20S, IT-65, or IT-41. Use additional sheets if necessary.

	Enter Pro Rata Share		Composite Adjusted Gross Income Tax			Total Tax
	A	B	C	D	E	F
	Apportioned distributive income attributed to Indiana from IN K-1, line 14, or IT-41 IN-K1, line 18	Indiana modifications from IN K-1, line 24, or IT-41 IN-K1, line 26	Adjusted gross income (Add A + B)	State tax multiply C x current tax rate (cannot be less than zero)	County tax multiply C by nonresident county tax rate (if applicable)	Enter entity's tax liability (D + E)
Name						
1.						
2.						
3.						
4.						
5.						
6.						
7.						
8.						
9.						
10.						
11.						
12.						
13. Subtotals for columns D, E, and F						
14. Carryover totals from additional sheets						
15. Total tax (13F + 14F).....						
Carry total tax and credits from line 15F to Summary of Calculations.				Enter total tax on line 14 of Form IT-20S, line 6 of Form IT-65, or line 11 of Form IT-41.		



**Shareholder's/Partner's Share of Indiana Adjusted Gross
 Income, Deductions, Modifications, and Credits**

Tax Year Beginning 2015 and Ending

Name of S Corporation/Partnership Federal Identification Number

Distributions - Provide IN K-1 to each shareholder/partner. Enclose IN K-1 with IT-20S/IT-65 return. For information on the acceptable electronic data file format, visit the department's website at www.in.gov/dor/3772.htm. Pro rata amounts for lines 1 through 23 of any nonresident shareholder/partner must be multiplied by the Indiana apportionment percent, if applicable, from IT-20S/IT-65, line 4.

Part 1 – Shareholder/Partner's Identification Section

1. Shareholder/Partner Name

Check if amended

2. Shareholder/Partner Federal ID or Social Security Number

3. Shareholder/Partner Federal Pro Rata Percentage

. %

4. Shareholder/Partner State of Residence or Commercial Domicile

5. Payer's Name

6. Payer's Federal ID

7. Amount of Distribution 7 .00

8. IN State Tax Withheld 8 .00

9. IN County Tax Withheld 9 .00

Part 2 - Pro Rata Share of Indiana Pass-through Tax Credits from S Corporation/Partnership

	Column A IT-20S/IT65 Federal ID# if Credit Is from IN K-1	Column B Certification Year	Column C Certification/Project Number	Column D Tax Credit Code	Column E Amount Claimed
1.	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/> .00
2.	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/> .00
3.	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/> .00
4.	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/> .00
5.	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/> .00

Continued on next page



Part 3 - Distributive Share Amount (use apportioned figures for nonresident shareholders/partners)

1. Ordinary business income (loss) _____	1		.00
2. Net rental real estate income (loss) _____	2		.00
3. Other net rental income (loss) _____	3		.00
4. Guaranteed payments (for IT-65 filers only; if filing IT-20S, skip to line 5) _____	4		.00
5. Interest income _____	5		.00
6. Ordinary dividends _____	6		.00
7. Royalties _____	7		.00
8. Net short-term capital gain (loss) _____	8		.00
9. Net long-term capital gain (loss) _____	9		.00
10. Net IRC Section 1231 gain (loss) _____	10		.00
11. Other income (loss) _____	11		.00
12. IRC Section 179 expense deduction _____	12		.00
13. a. Portion of expenses related to investment portfolio income, including investment interest expense and other (federal nonitemized) deductions _____	13a		.00
b. Other information from line 20 of federal K-1 related to investment interest and expenses not listed elsewhere _____	13b		.00
14. Total pro rata distributions (add lines 1 through 11; subtract lines 12, 13a, and 13b when applicable) _____	14		.00

Part 4 - State Modifications Add or subtract the following. Designate the distributive share amount of each modification for Indiana adjusted gross income from line 2 on the front of Form IT-20S/IT-65. For nonresidents, apply apportioned figures. (Use a minus sign to denote negative amounts.)

15. State income taxes deducted _____	15		.00
16. Net bonus depreciation allowance _____	16		.00
17. Excess IRC Section 179 deduction _____	17		.00
18. Interest on U.S. obligations _____	18		.00
19. Addback/Deduction _____ Code No. <input type="text"/>	19		.00
20. Addback/Deduction _____ Code. No. <input type="text"/>	20		.00
21. Addback/Deduction _____ Code. No. <input type="text"/>	21		.00
22. Addback/Deduction _____ Code No. <input type="text"/>	22		.00
23. Addback/Deduction _____ Code No. <input type="text"/>	23		.00
24. Total distributive share of modifications (add lines 15 through 23 and carry total to Column B on Schedule Composite) _____	24		.00



Indiana Department of Revenue
Apportionment of Income for Indiana

for Tax Year Beginning 2015 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 Total Within Indiana	Column B Total Within and Outside Indiana	Column C Indiana Percentage
Sales delivered or shipped to Indiana:			
1. Shipped from within Indiana	<input type="text"/> .00		
2. Shipped from outside Indiana	<input type="text"/> .00		
Sales shipped from Indiana to:			
3. The United States government	<input type="text"/> .00		
4. Purchasers in a state where the taxpayer is not subject to income tax (under P.L. 86-272)	<input type="text"/> .00		
Other			
5. Interest & other receipts from extending credit attributed to Indiana	<input type="text"/> .00		
6. Other gross business receipts not previously apportioned	<input type="text"/> .00		
7. Direct premiums and annuities received for insurance upon property or risks in Indiana	<input type="text"/> .00		
8. Total Receipts: Add column A receipts lines on 1A through 7A and enter in line 8A. Enter all receipts on line 8B	8A <input type="text"/> .00	8B <input type="text"/> .00	
Apportionment of income for Indiana:			
9. Apportionment Percentage: Divide line 8A by line 8B (insert as percent, not decimal)			<input type="text"/> %



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.

City	State	Nature of Business Activity
<input type="text"/>	<input type="text"/>	<input type="text"/>
Accepts Orders? <input type="checkbox"/> Yes <input type="checkbox"/> No	Registered to Do Business? <input type="checkbox"/> Yes <input type="checkbox"/> No	Files Returns in State? <input type="checkbox"/> Yes <input type="checkbox"/> No
Property in State Leased? <input type="checkbox"/> Yes <input type="checkbox"/> No	Property in State Owned? <input type="checkbox"/> Yes <input type="checkbox"/> No	

City	State	Nature of Business Activity
<input type="text"/>	<input type="text"/>	<input type="text"/>
Accepts Orders? <input type="checkbox"/> Yes <input type="checkbox"/> No	Registered to Do Business? <input type="checkbox"/> Yes <input type="checkbox"/> No	Files Returns in State? <input type="checkbox"/> Yes <input type="checkbox"/> No
Property in State Leased? <input type="checkbox"/> Yes <input type="checkbox"/> No	Property in State Owned? <input type="checkbox"/> Yes <input type="checkbox"/> No	

City	State	Nature of Business Activity
<input type="text"/>	<input type="text"/>	<input type="text"/>
Accepts Orders? <input type="checkbox"/> Yes <input type="checkbox"/> No	Registered to Do Business? <input type="checkbox"/> Yes <input type="checkbox"/> No	Files Returns in State? <input type="checkbox"/> Yes <input type="checkbox"/> No
Property in State Leased? <input type="checkbox"/> Yes <input type="checkbox"/> No	Property in State Owned? <input type="checkbox"/> Yes <input type="checkbox"/> No	

City	State	Nature of Business Activity
<input type="text"/>	<input type="text"/>	<input type="text"/>
Accepts Orders? <input type="checkbox"/> Yes <input type="checkbox"/> No	Registered to Do Business? <input type="checkbox"/> Yes <input type="checkbox"/> No	Files Returns in State? <input type="checkbox"/> Yes <input type="checkbox"/> No
Property in State Leased? <input type="checkbox"/> Yes <input type="checkbox"/> No	Property in State Owned? <input type="checkbox"/> Yes <input type="checkbox"/> No	

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? If no, please explain. Yes No

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



Instructions for Schedule E, Apportionment of Income for Indiana

Complete the apportionment of income schedule whenever the corporation:

- Has income derived from sources both within and outside Indiana; and
- Has any nonresident shareholders.

Note: Interstate transportation corporations should consult Schedule E-7 for details on apportionment of income. You can get this schedule at www.in.gov/dor/4879.htm.

Part I — 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 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 U.S. 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: Complete all lines as indicated. Add all the receipts in Column A (lines 1A through 7A), and enter the total on line 8A. Also enter the total receipts everywhere on line 8B.

Apportionment of Income for Indiana

Divide line 8A by line 8B. (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 whether a location:
 1. Accepts orders in that state;
 2. Is registered to do business in that state; or
 3. Files income tax returns in other states.
- (c) Whether property in the other states is owned or leased.

You must enclose the completed Schedule E, Apportionment of Income, with your return.

Instructions for Schedule Composite

An S corporation that has any shareholders who are nonresidents of Indiana must file a composite return and include all its nonresident individual shareholders. A penalty of \$500 will be assessed to any S corporation that fails to file a composite return that includes all nonresident shareholders.

The composite return must be filed with and have the same due date as the S corporation return. If the Internal Revenue Service allows the S corporation an extension to file its income tax return, the due date for its Indiana return is automatically extended for the same period, plus 30 days.

Composite income means each nonresident shareholder's distributive share of income derived from sources within Indiana as determined by the use of the apportionment formula described in IC 6-3-2-2(b) plus Indiana modifications.

If a nonresident shareholder's distributive share of income plus modifications is a negative amount, the shareholder should not be included on the Schedule Composite.

Filing Requirements for Schedule Composite

Any shareholder within the following categories must, in all cases, be excluded from the composite return:

- (a) Any shareholder who received a distribution(s) during the year in excess of his or her distributive share of net ordinary income from the S corporation; or
- (b) Any shareholder who sold any portion of his or her interest in the corporation during the year.

The following limitations and conditions apply to each shareholder included as a member in the composite return:

- (a) Any short-term capital gain (loss) plus any long-term capital gain (loss) specifically allocated for a shareholder is allowed. However, it is subject to any "passive activity" loss limitations pursuant to IRC Section 469 and capital loss limitations imposed on noncorporate taxpayers by IRC Section 1211;
- (b) No deduction is permitted for interest paid on investment indebtedness under IRC Section 163(d);
- (c) No deduction is permitted for carryover of net operating losses or capital losses;

- (d) No personal exemption is permitted;
- (e) No deduction is allowed for charitable contributions allowed or allowable pursuant to IRC Section 170;
- (f) No credit is permitted for taxes paid to other states;
- (g) No credit carryovers are permitted (except for those on Schedule IN-OCC); and
- (h) All other credits that flow through to shareholders on a pro rata basis are limited to the shareholder's state income tax liability. See the list of Pass-through Tax Credits.

An S corporation filing a composite return is liable not only for the tax shown on the return. It is also liable for any additional tax, interest, and penalty as a result of a subsequent audit or examination.

The S corporation should send a copy of the general Indiana filing requirements to each nonresident shareholder.

Instructions for Completing Schedule Composite

Indicate the name of each nonresident shareholder. Subject to the limitations and conditions specified in the filing requirements, separately compute the state tax liabilities and credits on the composite return attributable to each nonresident shareholder. To verify a county's tax rate, visit the department website at www.in.gov/dor or call (317) 232-0129 for assistance.

NOTE: The name of all nonresident individuals of reverse credit agreement states who are subject to and pay income taxes at rates of 3.3% or higher to their resident states must be listed on the Schedule Composite with no tax or credit listed. Indiana state withholding is required on California resident shareholders because they must be included in the Indiana composite return.

Column A. Enter the apportioned distributive income attributed to Indiana from the IN K-1.

Column B. Enter the Indiana modifications from the IN K-1.

Column C. The amount of adjusted gross income for each shareholder is the apportioned distributive income plus the Indiana modifications (column A + column B).

Column D. Multiply the adjusted gross income by the tax rate that corresponds to the appropriate entity type. If the tax is being assessed on a pass through entity included on the composite, the tax rate used will be the individual income tax rate.

Column E. If a nonresident individual is engaged in principal work activity in an adopting county on January 1, the county tax should be calculated. Multiply column C by the applicable nonresident county tax rate. Use the county income tax chart as directed on Form IT-40PNR to verify the county's tax rate. The Indiana individual forms are available on the department's website at www.in.gov/dor/5333.htm.

Column F. The amount of tax liability for each qualifying shareholder is the state tax plus county tax (column D + column E).

Note: A federal Schedule K-1 for each shareholder is not required to be enclosed but must be made available for inspection upon request by the department. **If you have any questions, contact the department at (317) 232-0129.**

Instructions for Schedule IN K-1

Enclose each shareholder's IN K-1 with Form IT-20S. Also, provide a completed copy of Schedule IN K-1 to each shareholder.

Note: Contact the department for alternative filing options for Schedule IN K-1 at (317) 232-0129. For information on the acceptable electronic data file format, visit the department's website at www.in.gov/dor/3772.htm.

Part 1 — Shareholder's Identification Section

Complete Schedule IN K-1 to identify each shareholder.

Line 1. Enter the name of the shareholder if an individual or another entity name if the shareholder is another entity.

Line 2. Enter the shareholder's Social Security number if an individual or the shareholder's federal identification number if the shareholder is another entity.

Line 3. Enter the applicable pro rata percentage of the shareholder's interest in the S corporation. The percentage should be adjusted to an annual rate if necessary.

Line 4. Enter the shareholder's state of residence or commercial domicile.

Line 5. Enter the name of the entity that remitted actual payment of the withholding.

Line 6. Enter the FID of the paying entity.

Line 7. Enter the amount of distribution. This amount should include all IN addbacks and deductions.

Line 8. Enter the amount of Indiana state tax withheld. This amount should only include payments made into the corporate account and withholding amounts passed through by another entity.

Line 9. Enter the amount of Indiana county tax withheld.

Part 2 — Pro Rata Share of Indiana Pass-through Tax Credits from S Corporation

If the S corporation has available any eligible Indiana credits flowing through to the shareholders, enter the following:

- Enter the federal ID number from the entity that the credit was awarded to. If the credit is passed through from another entity enter the FID from the IN K-1;
- The credit's certification year;
- For credit codes 820, 839, 849, 857, 858, 860, 1820, 1849, 1858, and 1860 enter the credit's certification or project number (including a PIN if provided by the granting organization);
- The credit's 3- or 4-digit credit code; and
- The pro rata amount of credits allotted to each shareholder.

You must also enclose a completed IN-OCC credit schedule with Form IT-20S to support the credit distribution for certified credits.

See the descriptive list of pass-through tax credits that may be available to a pass-through entity on page 18. Each credit is assigned a 3- or 4-digit code number. This should be used for identification purposes when reporting and claiming these credits. For more information, get Income Tax Information Bulletin #59 at www.in.gov/dor/3650.htm.

NOTE: The 3-digit codes utilized on behalf of each shareholder on the IN-OCC towards composite tax should be reflected as a 4-digit codes on Part 2 of the IN K-1. Any pro rata portion of the shareholder's credit above the 4-digit amount previously utilized towards composite tax should be reported on Part 2 of the IN K-1 as a 3-digit code and the remaining amount reflected in the amount claimed column.

Example: Company A used \$400 of the shareholder/partner's \$700 total Hoosier Business Investment Credit to offset his tax liability on the composite filing. The shareholder/partner has \$300 remaining credit. The IN K-1 will breakdown the credit as follows:

Credit Name	3- or 4-Digit Code	Amount
Hoosier Business Investment Credit – Composite	1820	\$400
Hoosier Business Investment Credit	820	\$300

If the shareholder/partner has other taxable Indiana-source income, he will file the IT-40PNR, reporting all Indiana-source income (including the income taxed on the composite return). When completing the IN-OCC, he will be able to use up to \$700 of his HBI credit, using the amount associated with the 4-digit number first. For example, if his total state tax liability is \$500, he will list the "HBI 1820 \$400" on Schedule IN-OCC, and then report the remaining amount needed as "HBI 820 \$100". He will have a 3-digit code 820 in the amount of \$200 remaining available to carryforward.

Credits reported on Part 2 of the IN K-1 that are used to offset tax liabilities will be reported on the following lines:

- Any credits not requiring an IN-EDGE, IN-EDGE-R, or IN-OCC schedule will be reported on line 18
- EDGE credit code 839 will be reported on line 19
- EDGE-R credit code 857 will be reported on line 20
- IN-OCC credit codes 820, 849, 858, 860, 1820, 1849, 1858, 1860 will be reported on line 21.

Part 3 — Distributive Share Amount

Complete lines 1 through 13 for the shareholder. Also provide the shareholder with a statement showing his distributive share of income, credits, and modifications.

Line 1 through Line 13b. For full-year Indiana resident shareholders, complete these lines as shown on the federal Schedule K-1, Form 1120S.

For most nonresident shareholders, the federal Schedule K-1 amounts should be multiplied by the Indiana apportionment percentage. This is calculated on the Schedule E (see the instructions beginning on page 15). The apportioned amounts should be entered on lines 1 through 13b. If any entries on lines 2 – 11 represent nonbusiness income to the S corporation, these amounts are allocated to the appropriate state.

Line 4, “Guaranteed payments” is for those filing an IT-65. Leave this line blank.

Line 6, “Ordinary dividends,” corresponds to line 5a on the federal K-1. Line 9, “Net long-term capital gain (loss),” corresponds to line 8a on the federal K-1.

On line 13a or 13b, include investment interest expenses attributed to royalty income and all other federal deductions. (This excludes those treated as itemized deductions.) Do not report any other type of investment interest expense, itemized deduction, or carryover loss on this line.

Note: If the corporation has received any distributions from other entities having income previously apportioned to Indiana, use the following method to report distributive share income for Schedule IN K-1.

Alternative Completion of Schedule IN K-1 Information for Part 3 – You must use an alternative application of Schedule IN K-1 if:

- A shareholder is a nonresident individual, fiduciary, or trust; and
- The corporation had income from outside Indiana.

Use the following method for completing Schedule IN K-1 when the corporation had any apportioned income from outside Indiana or is otherwise required to complete the Indiana apportionment schedule.

Modify each required Schedule IN K-1 line entry by recalculating the pro rata share of total S corporation income with required Indiana modifications to adjusted gross income reported on line 1 of Form IT-20S. Use the pro rata amount from line 13A, **Worksheet for S Corporation Distributive Share Income, Deductions, and Credits** (worksheet), by applying these steps:

Step 1. Deduct from the above pro rata share the respective pro rata amount of line 13B and line 14B of the worksheet.

Step 2. Multiply the result by the Indiana apportionment percent reported on line 4 of Form IT-20S, from Schedule E, line 8, if present. This amount should reflect the shareholder’s proportionate share of this S corporation’s activity in Indiana.

Step 3. Add to the previous amount the pro rata share of any other (entity) source income received by the corporation that was previously apportioned or allocated as distributive share income derived from Indiana (line 15C of the worksheet). The result is the modified Indiana S corporation income from Indiana sources to be reported on the appropriate lines of Schedule IN K-1 of nonresident individuals, trusts, and estates.

Part 4 — State Modifications

Lines 15 - 23. Enter the Indiana modifications from Form IT-20S, lines 2a - 2e (and any additional sheets), as percentage applied, or apportioned in the case of nonresident individuals. List the pro rata share amount of each modification on the appropriate line. (Use a minus sign to denote negative amounts.)

Line 24. Enter the total distributive share of modifications. Add lines 15 through 26. Use a minus sign to denote negative amounts. Carry this total to column B of Schedule Composite.

Pass-through Tax Credits

Each shareholder is allowed a pro rata share of the income tax credits available to the S corporation. If the pass-through entity does not have a state AGI tax liability (Schedule B tax computation) against which the tax credit must be applied, the shareholders of the pass-through entity are entitled to a pro rata share of the computed credit.

Note: Enterprise zone credits, along with most other tax liability credits, may not be applied against the S corporation’s withholding, composite, or use tax liabilities on Form IT-20S.

Each shareholder’s share of an available credit is reported on Schedule IN K-1, –Part 2. It also must be supported by enclosing the proper, completed tax credit form with the corporation’s return. The shareholders can claim their allowable portion of Indiana credits on their respective annual income tax returns: Form IT-40, IT-40PNR, or IT-41.

Caution: Within a certain group of credits, a taxpayer may not be granted more than one credit for the same project. The credits included for this group are as follows:

- Community revitalization enhancement district credit;
- Enterprise zone investment cost credit;
- Hoosier business investment credit;
- Industrial recovery credit; and
- Venture capital investment credit.

Apply this restriction first when figuring your allowable credits. See Commissioner’s Directive #29 at www.in.gov/dor/3617.htm for more information.

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;
- School Scholarship 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;
- Blended Biodiesel 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;
- Residential Historic Rehabilitation Credit; and
- Venture Capital Investment Credit

Finally, use the credits that can be carried over and applied against your state AGI in another year. These credits include

- Coal Gasification Technology Investment Credit;
- Community Revitalization Enhancement District Credit;
- Employer Health Benefit Plan Credit;
- Enterprise Zone Investment Cost Credit;
- Ethanol Production Credit;
- Individual Development Account Credit;
- Industrial Recovery Credit;
- Maternity Home Credit;
- Riverboat Building Credit; and
- Small Employer Qualified Wellness Program Credit.

For more information about Indiana tax credits, get Information Bulletin #59 at www.in.gov/dor/3650.htm.

The following credits have each been assigned a 3-digit code number for identification purposes. Use the code numbers when reporting and claiming any of these credits. See Information Bulletin #59 at www.in.gov/dor/3650.htm for more information about Indiana tax credits.

Airport Development Zone Employment Expense Credit 800

This credit has been repealed. However, any previously approved yet unused credit is available to be claimed.

Airport Development Zone Investment Cost Credit 801

This credit has been repealed. However, any previously approved yet unused credit is available to be claimed.

Airport Development Zone Loan Interest Credit 802

This credit has been repealed. However, any previously approved yet unused credit is available to be claimed.

Blended Biodiesel Tax Credits 803

This credit has been repealed. However, any previously approved yet unused credit is available to be claimed.

Coal Gasification Technology Investment Tax Credit 806

A credit is available for a qualified investment in an integrated coal gasification power plant or a fluidized bed combustion technology that serves Indiana gas utility and electric utility consumers. This can include an investment in a facility located in Indiana that converts coal into synthesis gas that can be used as a substitute for natural gas.

You must file an application for certification with the IEDC. If the credit is assigned, it must be approved by the utility regulatory commission and taken in 10 annual installments. The amount of credit for a coal gasification power plant is 10% of the first \$500 million invested and 5% for any amount over that. The amount of credit for a fluidized bed combustion technology is 7% of the first

\$500 million invested and 3% for any amount over that.

For more information, contact the Indiana Economic Development Corporation at One North Capitol, Suite 700, Indianapolis, IN 46204 or visit their website at iedc.in.gov. You can also get Information Bulletin #99 at www.in.gov/dor/3650.htm.

Community Revitalization Enhancement District Credit 808

A state and local income tax liability credit is available for a qualified investment for the redevelopment or rehabilitation of property within a community revitalization enhancement district. To be eligible for the credit, the intended expenditure plan must be approved by the IEDC before the expenditure is made. The credit is equal to 25 percent of the IEDC-approved qualified investment made by the taxpayer during the tax year. The department has the authority to disallow any credit if the taxpayer:

- Ceases existing operations within the district or elsewhere in Indiana;
- Substantially reduces its operations within the district or elsewhere in Indiana; or
- Reduces other Indiana operations to relocate them into the district.

The taxpayer can assign the credit to a lessee who remains subject to the same requirements. The assignment must be in writing. Any consideration may not exceed the value of the part of the credit assigned. Both parties must report the assignment on their state income tax returns for the year of assignment.

Contact the Indiana Economic Development Corporation at One North Capitol, Suite 700, Indianapolis, IN, 46204, or visit their website at iedc.in.gov for more information about this credit.

Economic Development for a Growing Economy (EDGE)

This credit is for businesses that conduct certain activities designed to foster job creation in Indiana. It is a refundable tax liability credit. **Note:** You must complete Schedule IN-EDGE and enclose it with your return. Otherwise, the credit will not be allowed. You also must obtain a PIN from the IEDC.

Claim this credit on line 19 of the return.

Contact the Indiana Economic Development Corporation at One North Capitol, Suite 700, Indianapolis, IN 46204, for eligibility requirements. You can also visit iedc.in.gov for additional information.

EDGE-R

This credit is for businesses that conduct certain activities designed to foster job retention in Indiana. It is a refundable tax liability credit. The aggregate amount of credits awarded for projects to retain existing jobs in Indiana is capped at \$10 million per year. **Note:** You must complete Schedule IN-EDGE-R and enclose it with your return. Otherwise, the credit will not be allowed. You also must obtain a PIN from the IEDC.

Claim this credit on line 20 of the return.

Contact the Indiana Economic Development Corporation at One North Capitol, Suite 700, Indianapolis, IN 46204, for eligibility requirements. You can also visit iedc.in.gov for additional information.

Employer Health Benefit Plan Tax Credit 842

A credit is available to taxpayers who begin offering health insurance to their employees. An employer who did not provide health insurance to employees prior to Jan. 1, 2007, and makes health insurance available to its employees may be eligible for a credit. The amount of the credit is the lesser of \$2,500 or \$50 multiplied by the number of employees enrolled in the health benefit plan.

Note: Per IC 6-3.1-14-9, this credit will **not** be awarded for tax years that begin after Dec. 31, 2011. However, it can be carried forward during 2014 and 2015.

The employer is required to make health insurance available to the taxpayer's employees for at least two years after the employer first offers the health benefit plan. Get Information Bulletin #101, available at www.in.gov/dor/3650.htm, for more information. Enclose with your return proof of your continued eligibility for the credit. Also enclose proof of expenditures necessary to calculate the credit.

Enterprise Zone Employment Expense Tax Credit 812

This credit is available for employers based on qualified investments made within Indiana. It is the lesser of 10% of qualifying wages or \$1,500 per qualified employee, up to the amount of tax liability on income derived from an active enterprise zone. Enclose the completed Schedule EZ 2 with the IT-20S return.

Get Indiana Schedule EZ Parts 1, 2, and 3 at www.in.gov/dor/3515.htm for more information about how to calculate this credit.

Enterprise Zone Loan Interest Tax Credit 814

This credit can be for up to 5% of the interest received from all qualified loans made during a tax year for use in an active Indiana enterprise zone.

Get Information Bulletin #66 at www.in.gov/dor/3650.htm and Indiana Schedule LIC at www.in.gov/dor/3515.htm for more information about how to calculate this credit. Enclose the completed enterprise zone Schedule LIC with the IT-20S return. For more information, contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN, 46204. You can also call them at (317) 232-8800 or visit their website at iedc.in.gov.

Ethanol Production Tax Credit 815

This credit has been repealed. However, any previously approved yet unused credit is available to be claimed.

Headquarters Relocation Tax Credit 818

A credit is available to certain businesses. A business is eligible if it:

- Has an annual worldwide revenue of \$50 million;
- Has at least 75 employees; and
- Relocates its corporate headquarters to Indiana.

Effective July 1, 2013, "corporate headquarters" includes:

- The principal offices of a division or similar subdivision of an eligible business; and
- A research and development center of an eligible business.

The credit can be as much as 50% of the cost incurred to relocate the headquarters.

For more information, including limitations and the application process, get Information Bulletin #97 at www.in.gov/dor/3650.htm.

Historic Building Rehabilitation Tax Credit 819

A credit is available for the rehabilitation or preservation of historic property. To qualify, the property must:

- Be listed on the Indiana Register of Historic Sites and Structures;
- Be at least 50 years old; and
- Produce income.

The cost of the certified rehabilitation or preservation expenses must exceed \$10,000. The credit is 20% of the qualified expenses. Any unused balance of the credit can be carried forward for up to 15 years. A certification from the Division of Historic Preservation and Archaeology must be enclosed with your return. For more information, call the Indiana Department of Natural Resources at (317) 232-1646 or visit www.in.gov/dnr/historic. You can also get Information Bulletin #87 at www.in.gov/dor/3650.htm.

Hoosier Business Investment Tax Credit 820

This credit is for qualified investments, including costs associated with the following:

- Constructing special-purpose buildings and foundations;
- Making onsite infrastructure improvements;
- Modernizing existing equipment;
- Purchasing equipment used to make motion pictures or audio production;
- Purchasing or constructing new equipment directly related to expanding the workforce in Indiana;
- Retooling existing machinery and equipment;
- Constructing or modernizing transportation or logistical distribution facilities;
- Improving the transportation of goods via highway, rail, air, or water; and
- Improving warehousing and logistical capabilities.

It does not include property that can be readily moved out of Indiana.

This credit is administered by the IEDC at One North Capitol, Suite 700, Indianapolis, IN, 46204. Visit their website at iedc.in.gov or call them at (317) 233-3638 for more information. Also, get Information Bulletin #95 at www.in.gov/dor/3650.htm.

You must submit a copy of the IEDC certificate verifying the amount of tax credit for the taxable year with your return. This credit must be claimed on Schedule IN-OCC.

Indiana Research Expense Tax Credit 822

Indiana has a research expense credit that is similar to the federal credit (Form 6765) for increasing research activities for qualifying expenses paid in carrying on a trade or business in Indiana. Compute the credit using Schedule IT-20REC. To claim a portion of a prior-year Indiana Research Expense Credit, please include the IT-20REC from the prior year being utilized along with a statement reflecting the utilization of the prior-year credit up to this point.

Schedule IT-20 REC, available at www.in.gov/dor/4879.htm, must be completed and enclosed with your return to claim this credit. For more information, go to department at www.in.gov/dor.

Individual Development Account Tax Credit 823

A credit is available for contributions made to a community development corporation participating in an Individual Development Account (IDA) program. The IDA program is designed to assist qualifying low-income residents in accumulating savings and building personal finance skills. The organization must have an approved program number from the Indiana Housing and Community Development Authority (IHCDA) for a contribution to qualify for preapproval. The credit is equal to 50% of the contribution, which must be between \$100 and \$50,000.

Applications for the credit are filed through the IHCDA by using Form IDA-10/20. An approved Form IDA-20 must be enclosed with your return if claiming this credit. To request more information about this credit, contact the Indiana Housing and Community Development Authority at 30 S. Meridian St., Suite 1000, Indianapolis, IN 46204 or (317) 232-7777.

Military Base Investment Cost Credit 826

This credit has been repealed. However, any previously approved yet unused credit is available to be claimed.

Military Base Recovery Credit 827

This credit has been repealed. However, any previously approved yet unused credit is available to be claimed.

Natural Gas Commercial Vehicle Credit 858

A credit is available for the purchase of vehicles powered with natural gas (CNG or LNG). It applies only to vehicles weighing more than 33,000 pounds and purchased from an Indiana dealer. It is effective Jan. 1, 2014, through Dec. 31, 2016. The amount of the credit is the amount of the difference between the price of the qualified vehicle and the price of a similarly equipped vehicle that is powered by a gasoline or diesel engine multiplied by 50%. The credit is the lesser of this result or \$15,000, whichever is smaller.

To be eligible for the credit, a dealer or purchaser must complete the Commercial Natural Gas Vehicle Credit form (Form NGV-C), found at www.in.gov/dor/5051.htm, and submit it to the department. The approved credit must be reported on Schedule IN-OCC, found at www.in.gov/dor/5174.htm. For more information about this credit, see Income Tax Information Bulletin #109.

Neighborhood Assistance Tax Credit 828

If you made a contribution to the Neighborhood Assistance Program (NAP) or engaged in activities to upgrade areas in Indiana, you might be able to claim a credit for this assistance. Effective July 1, 2014, contributions to organizations that provide services to individuals who are ex-offenders are also eligible for this credit. Contact the Indiana Housing and Community Development Authority, Neighborhood Assistance Program, 30 S. Meridian St., Suite 1000, Indianapolis, IN 46204, for more information. You can also call (317) 232-7777 within Indianapolis or (800) 872-0371 outside of Indianapolis.

You must enclose approval Form NC-20 with your return. For more information, get Form NC-10 at www.in.gov/dor/3508.htm and Information Bulletin #22 at www.in.gov/dor/3650.htm.

New Employer Credit 850

This credit has been repealed. However, any previously approved yet unused credit is available to be claimed.

School Scholarship Credit 849

A credit is available for contributions to school scholarship programs. A taxpayer that makes a qualifying contribution to a scholarship granting organization (SGO) is entitled to a credit against their state tax liability in the taxable year in which the contribution is made. The amount of a taxpayer's credit is equal to 50% of the amount of the contribution made to the SGO for a school scholarship program. Effective Jan. 1, 2013, this credit can now be carried forward for nine years after the unused credit year. **Note:** Credits that apply to taxable years beginning before Jan. 1, 2013, may not be carried forward.

To qualify for the credit, the taxpayer must:

- Make a contribution to a scholarship granting organization that is certified by the Department of Education under IC 20-51;
- Make the contribution directly to the SGO;
- Designate in writing to the SGO that the contribution is to be used solely for a school scholarship program or have written confirmation from the SGO that the contribution will be used solely for a school scholarship program.

Although there are no limits on the size of a qualifying contribution to an SGO, the entire tax credit program has a limit of \$8.5 million in credits per state fiscal year (July 1 – June 30) for the fiscal year ending June 30, 2016. The limit will be \$9.5 million for all fiscal years thereafter.

You must enclose Schedule IN-OCC to claim this credit.

Small Employer Qualified Wellness Program Credit 843

Small employers are entitled to a tax credit if they provide qualified wellness programs for their employees. The credit is equal to 50% of the costs the taxpayer incurred during the taxable year for providing the wellness program. To qualify, the small employer must:

- Be actively engaged in business;
- Have between 2 and 100 eligible employees; and
- Have a majority of its employees working in Indiana.

The wellness program must be certified by the State Department of Health (DOH). The certificate must be enclosed with the tax return before the credit can be approved. The credit can be carried forward but cannot be carried back or refunded. For more information, contact the DOH at www.IN.gov/isdh. Also get Information Bulletin #102 at www.in.gov/dor/3650.htm.

Note: Per IC 6-3.1-14-9, this credit will **not** be awarded for tax years that begin after Dec. 31, 2011. However, it can be carried forward during 2014 and 2015.

Venture Capital Investment Tax Credit **835**

A taxpayer who provides qualified investment capital to a Qualified Indiana Business may be eligible for this credit. Per IC 6-3.1-24-8, for calendar years beginning after Dec. 31, 2010, the maximum credit available to a qualified business is \$1 million. The carryforward provision is limited to five years.

Note: Certification for this credit must be obtained from the Indiana Economic Development Corporation, Development Finance Office, VCI Credit Program, One North Capitol, Suite 700, Indianapolis, IN 46204. You may apply online through the IEDC's website at iedc.in.gov or call them at (317) 232-8800.

A copy of the certificate and proof that the investment capital was provided to the qualified business within two years after the certification of the investment plan must be enclosed with your tax return.

Reminders

1. Complete the S corporation's identification section.
2. List the name of the Indiana county; enter "00" (two zeroes) in the county box to indicate an out-of-state business operation.
3. S corporations filing on a fiscal-year basis must enter their tax year's beginning and ending dates.
4. A composite return must be filed on Schedule Composite.
5. Enclose Schedule E- Apportionment of Income, if applicable.
6. Enclose copies of the first four pages of the U.S. Income Tax Return for an S Corporation, Form 1120S and Schedule M-3.
7. If the corporation's name has changed, check the appropriate box at the top of the return. Enclose with the return copies of the amended Articles of Incorporation filed with the Indiana Secretary of State.

Annual Public Hearing

In accordance with the Indiana Taxpayer Bill of Rights, the Indiana Department of Revenue will conduct an annual public hearing on Tuesday, June 14, 2016. Please come and share your ideas on how the department can better administer Indiana tax laws. The hearing will be held from 10 a.m. to 11 a.m. in the Indiana Government Center South, Conference Center, Room A, 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

Our homepage provides access to forms, information bulletins and directives, tax publications, email, and various filing options. Visit www.in.gov/dor/.

Notes



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