

# INDIANA

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## IT-20S

S Corporation Income Tax Booklet

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# 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](http://www.intax.in.gov).



Indiana Department of Revenue  
**2017 IT-20S Indiana S Corporation Income Tax Booklet**

## What's New for 2017

### Historic Building Rehabilitation Credit

This credit has been repealed.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

### Natural Gas Commercial Vehicle Credit Sunset

No new credit is available for vehicles placed in service after Dec. 31, 2016. However, any existing unused credit is eligible to be carried forward. See instructions on page 19 for more information.

### New Checkbox Added to Form IT-20

Question V has been added to report that a credit from Schedule IT-20REC is being claimed.

### County Code Instructions

Form IT-20S filers are now required to enter a two-digit county code number instead of the name of the county. See instructions on page 6 for more information.

### Schedule Composite Update

Schedule Composite has been modified, See instructions on page 14 for more information.

## Administrative Highlights

### Annual Public Hearing

In accordance with the Indiana Taxpayer Bill of Rights, the department will conduct an annual public hearing in Indianapolis in June of 2018. Event details will be listed at [www.in.gov/dor/4877.htm](http://www.in.gov/dor/4877.htm). Please come and share feedback or comments about how the department can better administer Indiana tax laws. If you cannot attend, please submit feedback or comments in writing to: Indiana Department of Revenue, Commissioner's Office, MS# 101, 100 N. Senate Avenue, Indianapolis, IN 46204.

### 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 distributive share of the S corporation's income whether distributed or undistributed. 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 five 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.

## Doing Business in Indiana

For Indiana adjusted gross income (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:

- Maintenance of an office, a warehouse, a construction site, or another place of business in Indiana;
- Maintenance of an inventory of merchandise or material for sale, distribution, or manufacture, or consigned goods;
- 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;
- The rendering of a service to customers in Indiana;
- The ownership, rental, or operation of a business or property (real or personal) in Indiana;
- Acceptance of orders in Indiana with no right of approval or rejection in another state;
- Interstate transportation; and
- 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 Form IT-20S and meet the withholding requirements for nonresident shareholders under Indiana Code (IC) 6-3-4-13.

To the extent a qualified S corporation's income is exempt for federal purposes, the AGI tax will not be assessed against the S corporation. An S corporation failing to withhold for nonresident shareholders 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 AGI tax rate is as follows:

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%.

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## 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 on shareholders' distributive shares. See the section titled "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 9.

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 13.

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 nonresident shareholders (PL 211-2007 SEC. 27, 44, 58).

Any passive income and built-in gains of an S corporation that are subject to tax under provisions of the IRC will be subject to Indiana adjusted gross income tax. See the instructions for Form IT-20S Schedule B on page 8.

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 required EFT payments for corporate estimated taxes is \$5,000. Estimated payments of less than \$5,000 can be made by EFT but are not required to be made by EFT. Estimated tax payments and withholding/composite tax payments may be paid online. Visit [www.in.gov/dor](http://www.in.gov/dor).

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 the corporation's tax periods. For more details, get Information Bulletin #11 at [www.in.gov/dor/3650.htm](http://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 conducting 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 Employees

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

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](http://www.in.gov/dor/3650.htm)). If an employee resides in a state that has a reciprocal agreement with Indiana, the employee is exempt from Indiana state income tax but is subject to the relevant county tax.

An S corporation with an employee withholding liability must register as an Indiana withholding agent. The department assigns an Indiana Taxpayer Identification Number (TID).

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

- Register with the department online using INBiz ([www.inbiz.in.gov](http://www.inbiz.in.gov));  
or
- 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.

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 is personally liable for the tax to be remitted, and may be subject to criminal prosecution if the failure to pay and/or file a withholding return is due to fraud or tax evasion. Businesses can file and remit withholding taxes through INtax ([www.intax.in.gov](http://www.intax.in.gov)) or a third-party vendor; they can also use INtax to file and remit sales tax.

### Withholding on Shareholders

An S corporation must withhold state income tax at the individual income tax rate on the amount it pays or credits to any of its nonresident shareholders on the shareholder's distributive share of the income derived from Indiana sources regardless of whether distributions were made.

IC 6-3-4-12 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 WH-1, WH-3, and WH-18 forms for nonresidents. Instead, all withholding monies will be remitted with Form IT-6WTH, and credit for the withholding/composite tax will be reflected on Schedule IN K-1 for each shareholder. Form IT-6WTH is available by calling the Corporate Tax section at (317) 232-0129. Payments for Form IT-6WTH also may be made electronically. For further information, consult Income Tax Information Bulletin #72 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm).

The withholding requirement does not apply to residents of reverse credit states **and** who are subject to and pay income taxes at rates equal to or greater than Indiana's individual income tax rate to the resident states. The relevant reverse credit states are Arizona, Oregon, and Washington, D.C.

**Note:** As of Jan. 1, 2017, California is no longer considered to be a reverse credit agreement state.

S corporations must withhold at the county's relevant tax rate on each Indiana nonresident shareholder whose principal place of business or employment on January 1 is located in an Indiana county. Use Departmental Notice #1 to determine county tax withholding rates. This notice is available at [www.in.gov/dor/3618.htm](http://www.in.gov/dor/3618.htm). Or, call our main tax line at (317) 232-0129 for assistance.

**Trusts and Estates** – S corporations must withhold on the amount it pays or credits as dividends or for the shareholder's distributive share derived from Indiana sources to any of its nonresident shareholders that are 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 on the amount it pays or credits as dividends or for the shareholder's distributive share derived from Indiana sources to any of its nonresidents that are fiduciaries. Then, a trust or estate must also withhold state income taxes for all its nonresident beneficiaries.

**Withholding Amounts on Nonresident Shareholders** – Withholding amounts should be remitted by using Form IT-6WTH.

A penalty will be assessed if an S corporation should have withheld but did not. The penalty is 20% of the amount required to be withheld. If the payment is late, it is also subject to 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.

**Note:** Shareholders not domiciled in Indiana must meet annual filing requirements and remit all unpaid tax, penalties, and interest.

### 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 a taxpayer has an extension, there is no need to contact the department before filing the 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 federal extension form with the department to request an Indiana extension at the time the extension is requested. Instead, enclose a copy of the federal extension of time when filing the state return and check box R on the front of Form IT-20S.



If a federal extension is not requested, 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.

Extensions of time to file are applicable to the filing of the return only and not to any tax liability due. Any payments made after the original due date must include penalty and interest.

### 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 reported to Indiana with an amended S corporation return. This must be done within 180 days after the IRS adjustment becomes final. **Check the box at the top of Form IT-20S if filing an amended return.**

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## Instructions for Completing Form IT-20S

### Filing Period and Identification

Use Form IT-20S to file:

- A 2017 corporation return for a tax year ending Dec. 31, 2017;
- A short tax year beginning and ending in 2017; or
- A fiscal year beginning in 2017 and ending in 2018.

For a fiscal or short tax year, provide 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:*

- Enter the name of the city, town, or village in the box labeled City;
- Enter the name of the state or province in the box labeled State; and
- Enter the postal code and the 2-digit county code in the box labeled Zip Code.

Check the box at the top of the form if filing an amended return. For a name change, check the box at the top of the return. **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. The reporting corporation with a Qualified Subchapter S Subsidiary (QSSS) must enclose a statement (or federal Form 8869) showing the name, address, and federal ID number of the owned S corporation(s) included in this return or enclose a completed Schedule 8-D.

**County Code Number.** List the two-digit county code if filing a return for a corporate address in Indiana. See Departmental Notice #1 located at [www.in.gov/dor/3618.htm](http://www.in.gov/dor/3618.htm) for a list of county codes. Enter "00" (two zeroes) in the county box D if corporate address lies outside of Indiana.

Enter the principal business activity code from the North American Industry Classification System (NAICS), in the designated block of the return. Use the six-digit activity code reported on the federal corporation income tax return. Find a listing of the NAICS codes at [www.in.gov/dor/3742.htm](http://www.in.gov/dor/3742.htm).

### Questions K through V 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 V. Check or complete all boxes that apply.

- 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 the "final return" box only if the corporation is dissolved, liquidated, or has withdrawn from the state. **File Form BC-100 to close out any sales and withholding accounts.** Go to [www.in.gov/dor/3731.htm](http://www.in.gov/dor/3731.htm) to complete this form online.  
-If the corporation is undergoing bankruptcy, check the 3<sup>rd</sup> box.  
-Check "Composite Return" if filing and attach a Schedule Composite for nonresident shareholders.  
-Check the appropriate box on question P if completing Schedule M, Alternate Adjusted Gross Income Tax Calculation.
- Q. Enter the total number of shareholders of the corporation in field one of question Q. Enter the number of all shareholders who are nonresidents of Indiana in field two of question Q.
- R. Check this box if the corporation has a valid extension of time or an electronic federal extension of time to file the return. **If applicable, enclose a copy of federal Form 7004 when filing the 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 income is reported from disregarded entities. If this box is checked, please enclose a list of the disregarded entities with the return. If filing electronically, please complete the disregarded entity portion of the federal recap schedule(s).

- V. Check "IT-20REC" if claiming a research expense, and enclose the supporting schedule.

## 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" 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. The income worksheet must be used if the corporation received any distributive income from an owned partnership interest, estate, or trust. See the instructions on page 14 and the worksheet on page 12.

### Indiana State Modifications, Lines 2a through 2f

Enter any add-backs and deductions on lines 2a through 2f. Enter the name of the add-back/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 add-back 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 add-back on the 2023 state tax return.

The following add-backs and deductions should be entered on lines 2a through 2e:

#### Add-back 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.

#### Add-back 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 the 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 2017 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 2017. 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](http://www.in.gov/dor/3617.htm)) explains required modification on the allowance of depreciation for state tax purposes.

#### Add-back 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 \$2,000,000 is 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 add-back 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 the 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. A listing of eligible items is available in Information Bulletin #19 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm).

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

**Add-back 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. If a deferred amount previously was added back, deduct the amount of deferred income recognized for federal purposes in the current period.

**Add-back 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 add-back. **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 add-back for interest earned on these obligations. For more information, see Information Bulletin #19 available at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm).

**Indiana Lottery Winnings Annuity Deduction (3-digit code 629)**

If a taxpayer receives proceeds from a winning Hoosier Lottery ticket for a lottery held prior to July 1, 2002, those proceeds may be deducted from the taxpayer's Indiana adjusted gross income. This deduction applies only to prizes won from the Hoosier Lottery Commission; proceeds from other state lotteries or from other gambling sources, such as casinos, are not deductible. In addition, proceeds from winning Hoosier Lottery tickets for lotteries held after June 30, 2002, are not deductible.

**Note.** Individuals or entities that have purchased Hoosier Lottery prizes from a winning ticket holder for valuable consideration are not eligible for this deduction.

**Line 2f.** Enter the total amount of add-backs and deductions from any additional sheets. If more than five add-backs and/or deductions are claimed, 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 13.

For more information, see Information Bulletin #12 available at [www.in.gov/dor/3650.htm](http://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 of 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 the 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 4 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 the S corporation qualifies 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 the appropriate box on question P if completing Schedule M, Alternate Adjusted Gross Income Tax Calculation.

Schedule M is available in the IT-20 Indiana Corporate Income Tax Booklet found at [www.in.gov/dor/5696.htm](http://www.in.gov/dor/5696.htm).

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

If the tax exceeds \$2,500, 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 of tangible personal property. This tax applies to the use, storage, or consumption of goods in Indiana that were 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.

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 at the time of conversion. Complete the Sales/Use Tax Worksheet below to compute any sales/use tax liability. For further information about use tax, call (317) 232-0129.

**Note:** A registered retail merchant for Indiana must report nonexempt purchases used in the Indiana business. This is reported on Form ST-103, ST103MP, or ST-103CAR, Indiana Annual, or Monthly Sales and Use Tax Voucher. If use tax is not paid by the original due date of the return, interest will be added to the amount due. A 10% penalty or \$5, whichever is greater, is charged on each unpaid use tax liability.

**Caution:** Do not report 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.** Add the tax shown on lines 12, 13, and 14.

<b>Sales/Use Tax Worksheet</b>		
List all purchases made during 2017 from out-of-state companies.		
<b>Column A</b> Description of personal property purchased from out-of-state retailer	<b>Column B</b> Date of purchase(s)	<b>Column C</b> Purchase Price
Magazine subscriptions:		
Mail order purchases:		
Internet purchases:		
Other purchases:		
1. Total purchase price of property subject to the sales/use tax .....		<b>1</b>
2. Sales/use tax: Multiply line 1 by .07 (7%) .....		<b>2</b>
3. Sales tax previously paid on the above items (up to 7% per item) .....		<b>3</b>
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 Form IT-20S .....		<b>4</b>

**Line 16.** Enter the total amount of pass-through withholding. (Enclose a copy of Schedule 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 are 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.** Enter the amount of Economic Development for a Growing Economy (EDGE) credit being claimed from line 19 of Schedule IN-EDGE. Enter only (1) the aggregate credit amounts from Schedule IN K-1s for the entity's shareholders who are included on the composite return and (2) any credit amount that the corporation is claiming for itself as a refundable credit. The Schedule IN-EDGE must be completed and enclosed with the return. Otherwise, this credit will be denied.

**Line 20.** Enter the amount of EDGE-R credit being claimed from line 19 of Schedule IN-EDGE-R. Enter only (1) the aggregate credit amounts from Schedule IN K-1s for the entity's shareholders who are included on the composite return and (2) any credit amount that the corporation is claiming for itself as a refundable credit. The Schedule IN-EDGE-R must be completed and enclosed with the return. Otherwise, this credit will be denied.

**Line 21.** Enter the total amount of credits claimed from Schedule IN-OCC, and enclose Schedule IN-OCC with the return. Otherwise, these credits will be denied. If filing this schedule with Form IT-20S, only reflect the credit amounts from Schedule IN K-1s on behalf of the entity's shareholders who are included on the composite return. Do not include credits from Schedule 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 Schedule IN K-1 not the 3-digit code utilized on the S Corporation income tax return.

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

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

- 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 Form IT-20S.

- 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 Form IT-20S.

For the current rate, call the department at (317) 232-0129 or see Departmental Notice #3 available at [www.in.gov/dor/3618.htm](http://www.in.gov/dor/3618.htm).

**Line 24.** 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 exception to this penalty. In addition, a separate \$10 penalty is assessed on each Schedule IN K-1 information return that is late.

**Note: No penalty is due on composite withholding tax if at least 80% of the withholding tax for the current year, or 100% of the prior year's withholding tax is remitted by the 15<sup>th</sup> day of the 4<sup>th</sup> month following the end of the tax year. Penalty is applicable if all remaining tax and interest due is not paid by the extended due date.**

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

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

**Line 27.** If the total of lines 16 through 21 exceeds line 15, subtract lines 23 through 25 from line 22. If the result is less than zero, this is the 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. A S corporation's overpayment credit may not be carried over to the following year; any overpayment amount will be refunded.

## Certification of Signatures and Authorization Section

Sign, date, and print the corporation name on the return. If a paid preparer completes the return, authorize the department to discuss the tax return with the preparer by checking the authorization box above the line for the name of the personal representative.

### Personal Representative Information

Typically, the department contacts the S corporation if there are any questions or concerns about the tax return. If the department can discuss the tax return with someone else (e.g., the person who prepared it or a designated person), complete this area.

First, check the “Yes” box that follows the sentence “I authorize the department to discuss my tax return with my personal representative.”

Next, enter:

- The name of the individual designated as the corporation’s personal representative; and
- The individual’s email address.

If this area is completed, the department is authorized to contact the personal representative, instead of the corporation, about this tax return. After the return is filed, the department will communicate primarily with the designated personal representative for any matters concerning this return.

**Note:** The authorization for the department to be in contact with your personal representative can be revoked at any time. To do so, submit a signed statement to the department. The statement must include a name, Federal Identification Number of the S corporation, and the year of the tax return. Mail the statement to Indiana Department of Revenue, P.O. Box 7206, Indianapolis, IN 46207-7206.

### Officer Information

An officer of the organization must sign and date the tax return and enter the officer’s name and title. Please provide a daytime telephone number the department may call if there are any questions about the tax return. Also, provide an email address if contact via email is desired.

### 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 the paid preparer’s PTIN; do not enter an FID or Social Security number;
- The paid preparer’s complete address.

**Note:** Complete this area even if the paid preparer is the same individual designated as the personal representative.

## Mailing Options

If taxes are owed, please mail the completed return to:

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

If taxes are not owed, please mail the 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.

	<b>A.</b>	<b>B.</b>	<b>C.</b>
<b>Distributive Share Amounts:</b>	<b>S Corporation</b>	<b>Distributions from</b>	<b>Distributions</b>
<b>S Corporation's Distributive Share of Items</b>	<b>Income</b>	<b>Partnerships/</b>	<b>Attributed to</b>
	<b>All Sources</b>	<b>Estates/Trusts</b>	<b>Indiana</b>
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) .....			
<b>Less allowable deductions for state tax purposes:</b>			
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 .....		↓	↓
<b>13. Carry total on line 13A to Form IT-20S line 1 on front page of return .....</b>	13A	13B	13C
14. Total of Indiana state modifications to distributive share income (see line 2f, Form IT-20S) .....		14B	14C
15. Net Indiana adjusted gross income distributions from partnerships, estates, and trusts (add lines 13C and 14C) .....			15C
16. Enter amount of Indiana pass-through credits attributed from partnerships, estates, and trusts, if any .....			16C

# 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. This schedule is available at [www.in.gov/dor/5696.htm](http://www.in.gov/dor/5696.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 in all jurisdictions 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;
- All receipts from sales of business property in Indiana; and
- All interest, dividend, or other intangible income earned in Indiana.

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. For tax years beginning on or after Jan. 1, 2016, Indiana no longer requires the inclusion of “throwback” sales in the numerator of the receipts factor.

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

- Gross receipts from the sale, rental, or lease of real property are in Indiana if the real property is located in Indiana;
- 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;
- Gross receipts from intangible personal property are in Indiana if the taxpayer has economic presence in Indiana and such property has not acquired business situs 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 from investments are attributed to Indiana if the taxpayer’s commercial domicile is in Indiana.

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

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

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

On line 7, report direct premiums and annuity considerations received during the taxable year for insurance upon property or risks in Indiana. The terms *direct premiums and annuity considerations* mean the gross premiums received from direct business as reported in the corporation’s annual statement filed with the Department of Insurance.

**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. In addition, enter the total receipts from all jurisdictions 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 the Indiana apportionment percentage; carry it to the apportionment entry line on the return, line 4 on Form IT-20S.

The completed Schedule E, Apportionment of Income, must be enclosed with the return.

### Part II - Business/Other Income Questionnaire

Complete all applicable questions in this section. If income is apportioned, enclose the completed Schedule E, Apportionment of Income, with Form IT-20S.

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## 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 shareholders. A penalty of \$500 will be assessed to any S corporation that fails to file a composite return that includes all nonresident shareholders required to be included. However, if a nonresident shareholder's distributive share of income after modifications is a negative amount, the shareholder should not be included on the Schedule Composite.

The composite return must be filed with and has 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.

### Filing Requirements for Schedule Composite

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

- No deduction is permitted for carryover of net operating losses or capital losses;
- No personal exemption is permitted;
- No deduction is allowed for charitable contributions allowed or allowable pursuant to IRC Section 170;
- No credit is permitted for taxes paid to other states;
- No credit carryovers are permitted (except for those on Schedule IN-OCC); and
- 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 for more information.

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

List 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.

**Note:** The name of all nonresident individuals of reverse credit agreement states who are subject to and pay income taxes at rates equal to or greater than Indiana's individual income tax rate to the resident states must be listed on the Schedule Composite, but with the amount of withholding tax/credit for these shareholders listed as zero.

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

**Column B.** Enter the Indiana modifications from Schedule 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 individual tax rate.

**Column E.** If a nonresident individual has his/her principal place of business or employment in an Indiana county on Jan. 1, the county tax must be calculated. Multiply column C by the applicable county tax rate, which can be found in Departmental Notice #1, located at [www.in.gov/dor/reference/files/dn01.pdf](http://www.in.gov/dor/reference/files/dn01.pdf).

**Column F.** The amount of tax liability for each nonresident 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 there are any questions, please visit the department's website at [www.in.gov/dor/](http://www.in.gov/dor/) or contact the department at (317) 232-0129.**

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## Instructions for Schedule IN K-1

Enclose each shareholder's Schedule 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](http://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 (individual, entity, trust name, etc.).

**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 domicile.

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

**Line 6.** Enter the Federal Identification Number (FID) of the paying entity. **Note: Do not obscure any digits when entering the FID number.**

**Line 7.** Enter the amount of distributive share. This amount should include all Indiana add-backs and deductions.

**Line 8.** Enter the amount of Indiana state tax withheld. This amount should only include payments made with Form IT-6WTH 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:

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

A completed Schedule IN-OCC (credit schedule) must be enclosed with Form IT-20S to support the credit distribution for certified credits; otherwise, the credits will be denied.

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, see Income Tax Information Bulletin #59 available at [www.in.gov/dor/reference/files/ib59.pdf](http://www.in.gov/dor/reference/files/ib59.pdf).

**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 Schedule 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 Schedule 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 the tax liability on the composite filing. The shareholder/partner has \$300 remaining credit. Schedule 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, Form IT-40PNR, reporting all Indiana-source income (including the income taxed on the composite return) should be filed. When completing the IN-OCC, the shareholder/partner will be able to use up to \$700 of the HBI credit, using the amount associated with the 4-digit number first. For example, if the total state tax liability is \$500, "HBI 1820 \$400" will be listed on Schedule IN-OCC, and the remaining amount is then reported as needed as "HBI 820 \$100." A 3-digit code 820 in the amount of \$200 remaining will be available to carryforward.

Credits reported on Part 2 of Schedule 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 the 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 through 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 –** An alternative application of Schedule IN K-1 must be used 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 through 23.** Enter the Indiana modifications from Form IT-20S, lines 2a through 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 23. 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.

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 the allowable portion of Indiana credits on the 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 allowable credits. See Commissioner’s Directive #29 available at [www.in.gov/dor/3617.htm](http://www.in.gov/dor/3617.htm) for more information.

## Order of Credit Application

If claiming more than one credit, first use the credits that cannot be carried over and applied against the state adjusted agro income (AGI) tax in another year. Next, use the credits that can be carried over for a limited number of years and applied against the state AGI tax. If one or more credits are available, apply the credits in the order that the credits would expire. Finally, use the credits that can be carried over and applied against the state AGI tax in another year.

## Example:

Assume a taxpayer has a neighborhood assistance credit for which no carryover is available, a school scholarship credit that can be carried forward to 2023, and a community revitalization enhancement district credit with an indefinite carryforward period. The taxpayer would apply the credits in the following order until the credit is exhausted or the taxpayer’s liability is reduced to zero, whichever comes first:

- Neighborhood assistance credit
- School scholarship credit (expiring in 2023)
- Community revitalization enhancement district credit (indefinite carryforward period)

For more information about Indiana tax credits, see Information Bulletin #59 available at [www.in.gov/dor/3650.htm](http://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 available at [www.in.gov/dor/3650.htm](http://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.

An application for certification must be filed 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 the website at [iedc.in.gov](http://iedc.in.gov). Information Bulletin #99 is available at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm).

Enclose the certification from the IEDC, otherwise the credit will be denied.

### **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 Indiana Economic Development Corporation (IEDC) before the expenditure is made. The credit is equal to 25% 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 state income tax returns for the year of assignment.

Enclose the certification from the IEDC, otherwise the credit will be denied.

Contact the Indiana Economic Development Corporation at One North Capitol, Suite 700, Indianapolis, IN, 46204, or visit the website at [iedc.in.gov](http://iedc.in.gov) for more information about this credit.

### **Economic Development for a Growing Economy (EDGE) Credit 839**

This credit is for businesses that conduct certain activities designed to foster job creation in Indiana. It is a refundable tax liability credit.

**Note:** Schedule IN-EDGE must be completed and enclosed with the IT-20S. Otherwise the credit will be denied. A PIN must be obtained from the IEDC.

Claim this credit on line 19 of the return or Part 2 of the IN K-1.

Contact the Indiana Economic Development Corporation at One North Capitol, Suite 700, Indianapolis, IN 46204, for eligibility requirements or visit [www.iedc.in.gov](http://www.iedc.in.gov) for additional information.

### **Economic Development for a Growing Economy Retention (EDGE-R) Credit 857**

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:** Schedule IN-EDGE-R must be completed and enclosed with the IT-20S. Otherwise, the credit will be denied. A PIN must be obtained from the IEDC.

Claim this credit on line 20 of the return or Part 2 of the IN K-1.



If claiming the EDGE or EDGE-R credit at both the corporate and pass-through levels, the amount of credit claimed may not exceed the total credit approved for the corporation. When claiming at the pass-through level, the Schedule IN-EDGE or IN-EDGE-R must be enclosed with the IT-20S return. Contact the Indiana Economic Development Corporation at One North Capitol, Suite 700, Indianapolis, IN 46204, for eligibility requirements or visit [www.iedc.in.gov](http://www.iedc.in.gov) for additional information.

### **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 Form IT-20S return, otherwise the credit will be denied.

See Indiana Schedule EZ Parts 1, 2, and 3 available at [www.in.gov/dor/3515.htm](http://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.

See Information Bulletin #66 available at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm) and Indiana Schedule LIC available at [www.in.gov/dor/3515.htm](http://www.in.gov/dor/3515.htm) for more information about how to calculate this credit. Enclose the completed enterprise zone Schedule LIC with the Form IT-20S return. For more information, contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN, 46204. Call IEDC at (317) 232-8800 or visit [www.iedc.in.gov](http://www.iedc.in.gov).

Enclose the certification from the IEDC, otherwise the credit will be denied.

### **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 Indiana 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, see Information Bulletin #97 available at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm). This credit is administered by the IEDC. Contact IEDC at One North Capitol, Suite 700, Indianapolis, IN 46204. Visit website [www.iedc.in.gov](http://www.iedc.in.gov) or call (317) 232-8800. A copy of the certificate from the IEDC verifying the amount of tax credit for the taxable year must be submitted to the department, otherwise the credit will be denied.

### **Historic Building Rehabilitation Tax Credit 819**

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

### **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 [www.iedc.in.gov](http://www.iedc.in.gov) or call (317) 233-3638 for more information. Also, see Information Bulletin #95 available at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm).

Submit a copy of the IEDC certificate verifying the amount of tax credit for the taxable year with the return, otherwise the credit will be denied. 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 in Indiana. Compute the credit using Schedule IT-20REC. If claiming a current year credit, make sure to check the corresponding box on Form IT-20S, question V. To claim a portion of a prior-year Indiana Research Expense Credit, please include Schedule IT-20REC from the prior-year’s credit being utilized along with a schedule reflecting the utilization of the prior-year credit up to this point. **Note:** Current-year credits must be used first, then prior-year credits may be applied.

Schedule IT-20 REC available at [www.in.gov/dor/5696.htm](http://www.in.gov/dor/5696.htm), must be completed and enclosed with the return to claim this credit; otherwise, the credit will be denied. For more information, please visit the department’s website at [www.in.gov/dor](http://www.in.gov/dor).

**Important.** Make sure to check Box V on Form IT-20S if claiming this credit.



### **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. 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.

Keep any approval certification or letter of credit assignment with your records as the department can require you to provide this information at a later date.

### **Industrial Recovery Credit 824**

This credit is based on a taxpayer's qualified investment in a vacant industrial facility located in a designated industrial recovery site. The IEDC must approve the application for credit and the plan for rehabilitation. A lessee of property in an industrial recovery site may be assigned tax credits based on the owner's or developer's qualified investment within the designated industrial recovery site. Effective July 1, 2013, an industrial facility does not have to be vacant for at least one year to qualify.

This credit is administered by the IEDC. Contact IEDC at One North Capitol, Suite 700, Indianapolis, IN 46204. Visit the IEDC website available at [www.iedc.in.gov](http://www.iedc.in.gov) or call (317) 232-8800. A copy of the certificate from the IEDC verifying the amount of tax credit for the taxable year must be submitted to the department, otherwise the credit will be denied.

### **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**

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

This carryforward credit is available to pass-through entities, such as members of partnerships and S corporations.

The carryforward portion of the previously approved credit must be reported on Schedule IN-OCC, found at [www.in.gov/dor/5696.htm](http://www.in.gov/dor/5696.htm). Make sure to enclose this schedule with your tax filing. If you are claiming this credit as a pass-through entity, make sure to keep Schedule IN K-1 with your records as the department can require you to provide this information.

### **Neighborhood Assistance Tax Credit 828**

If a contribution is made to the Neighborhood Assistance Program or activities were engaged in to upgrade areas in Indiana, a credit for this assistance may be available. 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. Call (317) 232-7777 within Indianapolis or (800) 872-0371 outside of Indianapolis.

### **New Employer Credit 850**

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

### **Riverboat Building Credit 832**

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 the 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.

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 \$12.5 million in credits per state fiscal year (July 1 – June 30).

Enclose Schedule IN-OCC to claim this credit, otherwise the credit will be denied.

### **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. Apply online through the IEDC's website at [iedc.in.gov](http://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 the tax return, otherwise the credit will be denied.

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## Reminders

- Complete the S corporation's identification section.
- List the two-digit code of the Indiana county; enter "00" (two zeroes) in the county box to indicate an out-of-state business operation.
- S corporations filing on a fiscal-year basis must enter the tax year's beginning and ending dates.
- A composite return must be filed on Schedule Composite.
- Enclose Schedule E-Appportionment of Income, if applicable.
- Enclose copies of the first five pages of the U.S. Income Tax Return for an S Corporation, Form 1120S and Schedule M-3.
- 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.

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## Additional Information

### 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 shares of all S corporation income, whether distributed or undistributed, on separate Indiana income tax returns. Each shareholder's distributive share of the S corporation's 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. Schedule IN K-1 must be attached to the individual income tax return to support the pass-through of income,

modifications, credits, and withholding. The shareholder must claim credit on Form IT-40PNR by enclosing Schedule IN K-1 for amounts withheld by the S corporation from the shareholder's distributive share of income.

### Important:

- Full-year nonresident shareholders are exempt from filing an individual income tax return 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 IT-40PNR.
- Part-year nonresident shareholders 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. Schedule IN K-1 will be used to document the withholding tax paid on behalf of the shareholder. The shareholder must claim credit for withholding by enclosing Schedule IN K-1 to report 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 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 shareholder'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
Add-back modifications	+ 35,000
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

## 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](http://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.

A taxpayer may be liable for this tax if:

- the taxpayer purchased utility services from outside Indiana (or anywhere, if for resale); and
- the taxpayer is 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 behalf, the person who consumes the utility must remit this tax on Form USU-103. For more information, see Commissioner's Directive #32 at [www.in.gov/dor/3617.htm](http://www.in.gov/dor/3617.htm).

Indiana Department of Revenue  
**Indiana S Corporation Income Tax Return**  
for Calendar Year Ending December 31, 2017

**2017**

or Other Tax Year Beginning   2017 and Ending

Check box if amended.

Check box if name changed.

Name of Corporation  Federal Identification Number

Number and Street  Enter 2-Digit County Code  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 V. Check box if reporting a credit on Form IT-20REC

**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  1  .00
2. a. Enter name of addback or deduction (see instructions)  Code No.  2a  .00
- b. Enter name of addback or deduction  Code No.  2b  .00
- c. Enter name of addback or deduction  Code No.  2c  .00
- d. Enter name of addback or deduction  Code No.  2d  .00
- e. Enter name of addback or deduction  Code No.  2e  .00
- f. Enter the total amount of addbacks and deductions from any additional sheets (use a minus sign for negative amount)  2f  .00
3. Total S corporation income, as adjusted (add lines 1 through 2f)  3  .00
4. Enter percentage for Indiana apportioned adjusted gross income from IT-20S Schedule E line 9  4  %



**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: <b>Indiana Department of Revenue.</b> 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

<p><b>I authorize the Department to discuss my return with my personal representative (see instructions).</b></p> <p><input type="checkbox"/> Y <input type="checkbox"/> N</p> <p><b>Personal Representative's Name</b> (please print)</p> <input type="text"/> <p>Email Address <input type="text"/></p> <p>Signature of Corporate Officer _____</p> <p>Date <input type="text"/> <input type="text"/> <input type="text"/></p> <p>Print or Type Name of Corporate Officer</p> <input type="text"/> <p>Title</p> <input type="text"/> <p>If you owe tax, please mail your return to IN Department of Revenue, PO Box 7205, Indianapolis, IN 46207-7205.</p>	<p><b>Paid Preparer: Firm's Name</b> (or yours if self-employed)</p> <input type="text"/> <p><b>Paid Preparer's Name</b></p> <input type="text"/> <p>PTIN <input type="text"/></p> <p>Telephone Number <input type="text"/></p> <p>Address <input type="text"/></p> <p>City <input type="text"/></p> <p>State <input type="text"/> Zip Code+4 <input type="text"/></p> <p>Paid Preparer's Signature _____</p> <p>Date <input type="text"/> <input type="text"/> <input type="text"/></p> <p>If you do <b>not</b> owe any tax, mail it to IN Department of Revenue, PO Box 7147, Indianapolis, IN 46207-7147.</p>
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Indiana Department of Revenue  
**Entity's Composite Indiana**  
**Adjusted Gross Income Tax Return**

Entity's Tax Year **2017** or Other Year Beginning   2017 and Ending

Name of Entity	Federal Identification Number
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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
	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>
	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)
Individual/Non-corporate entity 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).....						

Enter total tax on line 14 of Form IT-20S, line 6a of Form IT-65, or line 11 of Form IT-41.

Carry total tax and credits from 15F to Summary of Calculations.

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

Tax Year Beginning   2017 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](http://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	<input type="text"/>	.00
8. IN State Tax Withheld _____	8	<input type="text"/>	.00
9. IN County Tax Withheld _____	9	<input type="text"/>	.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/PIN 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
<b>14. Total pro rata distributions</b> (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   2017 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
<b>Sales delivered or shipped to Indiana:</b>			
1. Shipped from within Indiana	<input type="text"/> .00		
2. Shipped from outside Indiana	<input type="text"/> .00		
<b>Sales shipped from Indiana to:</b>			
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) (for years beginning prior to Jan. 1, 2016 only)	<input type="text"/> .00		
<b>Other</b>			
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		
<b>8. Total Receipts:</b> Add column A receipts lines on 1A through 7A and enter in line 8A. Enter all receipts on line 8B	<b>8A</b> <input type="text"/> .00	<b>8B</b> <input type="text"/> .00	
<b>Apportionment of income for Indiana:</b>			
<b>9. Apportionment Percentage:</b> 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:



