

Indiana Department of Revenue
Indiana Apportioned Income for Nonresident Individuals

Prepare a separate schedule IT-40PNRA for each entity with multistate business activity.

Attach to Form IT-40PNR or Form IT-40P

Your First Name	Middle Initial	Last Name	Social Security Number
Name of Business			Federal ID# or SS# (if different from above)

Part 1 Taxpayer Information

Check box that indicates type of business income (see instructions): Sole Proprietorship Farming Rent Royalty

Check box where income was reported on Federal Return (*entries must be included in the amount reported on Lines, 6A, 7A and 8A of Schedule A of Form IT-40PNR*): Federal Schedule C Federal Schedule CEZ Federal Schedule E Federal Schedule F

Part 2 Adjusted Gross Business Income Subject to Apportionment

	Dollars	Cents
1. Enter the net federal income (loss) reported for the business activity	1	
2. Enter an amount equal for each deduction (or income item) used in arriving at Federal Net Income:		
Add Back: a) All state income taxes (taxes based on income)	2a	
Add Back: b) All real estate taxes	2b	
Add Back: c) All personal property taxes(except IN vehicle excise tax)	2c	
Deduct: d) U.S. Government bond interest and other nontaxables ...	2d	
3. Total Indiana modifications (add Lines 2a, b, and c; deduct 2d). (<i>You must also include this figure on Form IT-40PNR, Schedule A Line 12A or Form IT-40P, Schedule X, Line 12A</i>)	3	
4. Total income, as modified (add Lines 1 and 3)	4	

Part 3 Apportioned Income for Nonresident Individuals

Use this apportionment formula to apportion income received by the business from sources both within and outside Indiana.

Note: Interstate transportation entities must use Schedule E-7, available from the Department upon request.

	Column A Total within Indiana	Column B Total within and outside Indiana	Column C Indiana percentage
1. Property Factor - Enter total of: average real and tangible business property owned (at cost), inventories, and net rents paid (8x annual rental)	1a	1b	
Divide Line 1a by Line 1b, enter the percent in Line 1c			1c
2. Payroll Factor - Enter total payroll	2a	2b	
Divide Line 2a by Line 2b and enter percent in Line 2c			2c
3. Receipts Factor - Enter total business gross receipts (sales)	3a	3b	
3c. Divide Line 3a by Line 3b, enter result here .. % x 200% (2.0) double-weight adjustment			3c
4. Total percentages entered in Lines 1c, 2c and 3c			4
5. Divide percent in Line 4 by 4 (<i>or enter percent from Interstate Transportation Schedule E-7</i>)			5
6. Multiply total income amount in Part 2, Line 4 by percent in Part 3, Line 5			6

■ Combine Indiana Apportioned Income on Line 6 with amounts from other IT-40PNRA Schedules, if any. Carry grand total to IT-40PNR Schedule A, Line 13C, or Form IT-40P, Schedule X, Line 13C.

Instructions for Completing Schedule IT-40 PNRA

Indiana Apportioned Income for Nonresident Individuals

Attach completed schedule to your Indiana Part-Year Resident or Nonresident Individual Income Tax Return, Forms IT-40PNR or IT-40P

Who Should File

A nonresident person or proprietor, including an entertainer, independent contractor and other unincorporated individual, who derives business income from Indiana sources is subject to Indiana adjusted gross income tax on that income. On the U.S. income tax return this type of income is reported on Form 1040 Schedules C, CEZ, E and F. Nonresidents with adjusted gross income derived from Indiana sources must file Form IT-40PNR, Indiana Part-Year or Nonresident Individual Income Tax Return. If the nonresident is conducting the trade or business both within and outside Indiana, the taxpayer must apportion this income by completing Schedule IT-40PNRA. Part 3 outlines Indiana's three-factor formula for apportioning business income. Using this schedule will determine the taxable portion of business income to carry over to Form IT-40PNR, Schedule A, Line 13C, or Form IT-40P, Schedule X, Line 13C.

Note: If Indiana and your resident state of domicile tax the same business income, an offsetting credit may be available on the Indiana return based on existing agreements Indiana may have with your state. See further instructions for the individual income tax return under credits for taxes paid other states. For additional information concerning nonresident filing requirements, read the instructions for the individual income tax return or request Income Tax Information Bulletin #39 from the Department.

How to Report Business Income

Business income means adjusted gross income from transactions and activity in the regular course of taxpayers' trade or business. Business income would include income from tangible property if the acquisition, management, or dispositions of the property are integral parts of the taxpayer's regular trade or business.

Adjusted gross income derived from sources within Indiana includes: (1) income from real or tangible personal property in this state; (2) income from doing business in this state; (3) income from a trade or profession conducted in this state; (4) compensation for labor or services rendered within this state; and (5) income from stocks, bonds, notes, bank deposits, patents, copyrights, secret processes and formulas, good will, trademarks, trade brands, franchises, and other intangible personal property having a situs in Indiana. If income is derived solely from an Indiana business or profession or is totally derived from outside Indiana, it must be assigned (allocated) to that source and reported on Form IT-40PNR, Schedule A, Columns B or C, Lines 5 through 11, or Form IT-40P, Schedule X, Columns B or C, Lines 5 through 11. Only the apportioned business income from this schedule is to be reported on Form IT-40PNR Schedule A, Line 13C or Form IT-40P, Schedule X, Line 13C.

Caution: Multistate business income received from an S corporation, limited liability company, partnership, limited liability partnership, trust and estate is separately apportioned at the entity's level. Nonresidents must report their distributive shares of income (including modifications) as apportioned by those entities, on Form IT-40PNR, Schedule A, Lines 9C through 12C or Form IT-40P, Schedule X, Lines 9C through 12C.

Part 1

Complete all necessary boxes to identify source and type of business income received.

Part 2

Line 1 - Enter the net income received by the business as reported on the Federal income tax return on Schedules C, CEZ, E and F.

Line 2 - a) Enter all state taxes based on income levied by any state; b) Enter all local real estate taxes taken as deductions on the federal return; c) Enter any local personal property taxes (except Indiana vehicle excise tax) from all sources taken as deductions on the federal return; d) Enter interest from certain obligations of the United States Government included as income on the federal return (refer to Income Tax Information Bulletin #19 for a listing of eligible items), and other nontaxable income such as Indiana lottery prize receipts authorized by I.C. 4-30.

Line 3 and 3c - Total Indiana modifications (add Lines 2a,b,c and deduct d). You must also include this figure as part of the amount on Form IT-40PNR, Schedule A, Line 12A or Form IT-40P, Schedule X, Line 12A (which may be greater than or equal to this amount). Although this figure increases the income from the federal return (Column A), only Indiana's portion, on Schedule A (or Schedule X), Line 13C, is subject to tax.

Line 4 - Business activity's total modified net income (loss): Add Lines 1 and 3.

Part 3

Indiana generally follows the Uniform Division of Income for Tax Purposes Act for attributing income. Nonresidents who derive business income from sources within the state of Indiana and from sources outside the state of Indiana must apportion their income by completing each total amount necessary on Lines 1, 2, and 3. This formula uses each of your available factors to figure the percentage of your business's income derived from sources within Indiana. The numerator of the formula is the sum (Line 4) of the property factor plus the payroll factor plus 200% of the receipts factor (double weight). The denominator of the formula is four (4).

Note: Nonbusiness income is all income other than business income. It is allocable income and not part of a business's gross receipts in the apportionment formula.

Line 5 - Divide the sum in Line 4 above by the denominator factor of four (4) if all factor values are present in Column B. If either the property or payroll factor is absent, divide Line 4 by three (3). If the receipts factor (Line 3b) is absent, divide Line 4 by two (2).

Line 6 - Multiply your total modified net business income in Part 2, Line 4 by the Indiana apportionment percentage in Line 5. Enter the result here and on Form IT-40PNR, Schedule A, Line 13C, or Form IT-40P, Schedule X, Line 13C.