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FRONT COVER
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1996/1997 Corporate Income Tax Highlights

Legislative Highlights

Internal Revenue Code Reference

The Indiana General Assembly did not update Indiana Code 6-3-1-11 in 1996. For tax years beginning in 1996, any reference to the Internal Revenue Code will mean the Internal Revenue Code of 1986 as amended and in effect on January 1, 1995.

Indiana Research Expense Extended

Public Law #8 (1996) amends I.C. 6-3.1-4-1, effective for tax years beginning after December 31, 1995, to include a limited liability partnership as a taxpayer and pass through entity eligible for the qualified Indiana research expense credit.

The law also extends the credit's expiration date. This credit remains available to eligible taxpayers for expenses incurred for research activities conducted in Indiana through December 31, 1999.

Installment Due Dates for Quarterly Estimated Taxes

The installment due dates for paying estimated gross, adjusted gross and supplemental net income taxes specified in I.C. 6-2.1-5-1.1 and 6-3-4-4.1 currently applies only to tax years beginning after December 31, 1993 and ending before January 1, 1998.

For a taxpayer filing on a calendar year basis, the quarterly estimated tax returns for 1997 (Forms IT-6 or electronic funds transfer) are due April 20, 1997; June 20, 1997; September 20, 1997; and December 20, 1997. For a taxpayer filing on a fiscal year basis or short year basis, the quarterly estimated tax returns (Form IT-6 or electronic funds transfer) are due on the twentieth (20th) day of the fourth, sixth, ninth, and twelfth months of the taxable year.

Caution: The quarterly due dates may be different for tax years beginning in 1998.

Industrial Recovery Tax Credit Expanded to Lessees

Public Law #8 (1996) amending I.C. 6-3.1-11-13, effective March 31, 1996, allows a lessee of property in an industrial recovery site to be assigned tax credits based upon the owner's or developer's qualified investment in a vacant industrial facility within a designated industrial recovery site. Both parties must report the assignment on their tax return in the year of assignment. The lessee may use the credit to offset its total state income tax liability, but any excess credit must carry forward to the immediately following tax year(s).

Request additional information regarding the definitions, qualifications and procedures for obtaining the credit from: The Indiana Department of Commerce, Enterprise Zone Board, One North Capital, Suite 700, Indianapolis, Indiana 46204, telephone number (317) 232-8905.

Penalty for Returns Filed Late with No Tax Liability

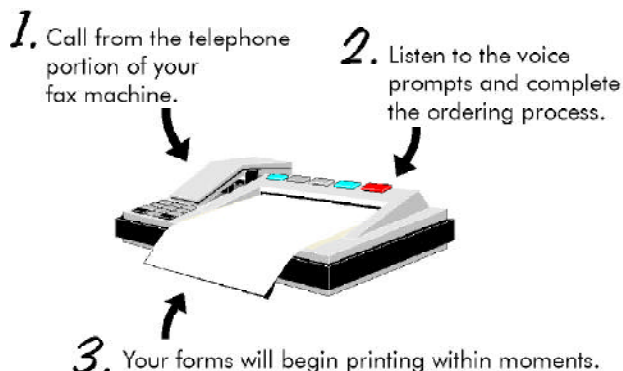
Effective July 1, 1994, I.C. 6-8.1-10-2.1 was amended to remove a separate penalty provision on late filed Indiana special corporation returns and instead provides that all corporations pay a penalty if a return that shows no tax liability for a taxable year is filed past its due date. The penalty is \$10 for each day that the return is past due, up to a maximum of \$250.

Generally, if a return with an income tax liability is filed late the imposed penalty is 10% of the unpaid tax. The penalty for each information return filed late remains at \$10.

Indiana TaxFax

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It's as easy as 1-2-3 to get tax forms ... 24 hours a day!



ABOUT THE COVER:

The cover of this booklet was created by Garry Mitchell, an Indianapolis artist, in collaboration with the Department of Revenue. It depicts a sampling of Indiana heritage and pride without singling out an individual corporation.

Garry Mitchell is a former employee of the Department and is most recently working for the State Supreme Court. He has created a comic strip and is hopeful to have it published one day. He is an alumnus of Ben Davis High School and an active volunteer with the school's radio program.

Filing Requirements

Any corporation doing business and having gross income in Indiana is required to file a corporation income tax return. Indiana tax law requires all corporations to adopt their federal tax year for reporting income to Indiana. This applies to both the gross income tax and the adjusted gross income tax.

A limited liability company that is treated as a partnership and not as a corporation for federal income tax purposes must file on Form IT-65. A not-for-profit corporation must file Form IT-20NP and/or IT-35AR. A political organization and a homeowner's association are not considered not-for-profit organizations and, therefore, must file as regular corporations on Form IT-20.

When a corporation is not required to file a federal return, its taxable year shall be a calendar year unless permission is otherwise granted. **The corporation's tax return is due the 15th day of the 4th month following the close of the tax year.**

A farmer's cooperative filing the federal income tax return by the fifteenth day of the ninth month following the close of the tax year will have thirty (30) days after the last due date of the federal return to file the annual Indiana return.

A corporation not filing an annual gross income tax return may be required to execute and file with the Department a statement under oath that not more than one thousand dollars (\$1,000) of taxable gross income was received during the tax year.

A corporation that has applied for and received permission to file for federal income tax purposes, under I.R.C. Sec. 1361, as an S Corporation on Form 1120S, is required to file an Indiana S Corporation Income Tax Return Form IT-20S.

Certain corporations may qualify to file as Indiana "special" corporations using Form IT-20SC. Indiana special corporations are exempt from the gross income tax. To qualify, the following requirements must be met: (1) the corporation must qualify to file as an S Corporation at the federal level even though it has elected not to do so; however, a corporation is considered to qualify even if one of its shareholders is a qualified trust that forms an employee stock ownership plan under Section 401(a) of the Internal Revenue Code; (2) passive investment income as defined in Section 1362(d)(3)(D) of the Internal Revenue Code cannot be more than 25% of the corporation's gross income for the tax year; and (3) a corporation must annually file Form IT-20SC for purposes of claiming the exemption from gross income tax. For an overview of corporate taxation, refer to Income Tax Information Bulletin #12, revised November, 1993.

If a corporation has overpaid its Indiana income tax liability, it may timely elect to have a portion or all of its overpayment credited to the following year's estimated tax account.

If an overpayment of tax is not refunded within ninety (90) days of either (1) the date the tax payment was due; (2) the date the tax was paid; or (3) the date the refund claim was filed, whichever is latest, it accrues interest at the rate established by the Commissioner.

Indiana Financial Institution Franchise Tax

I.C. 6-5.5-2-1 imposes an 8.5% franchise tax on the adjusted gross income of a corporation that is transacting the business of a financial institution, including: a holding company, a regulated financial corporation, or a subsidiary of the above. Any taxpayer who is subject to tax under I.C. 6-5.5 is exempt from Indiana's gross, adjusted gross and supplemental net income taxes as well as the former bank and savings & loan taxes under I.C. 6-5.

The franchise tax extends to both resident and nonresident financial institutions and to all other corporate entities when eighty percent (80%) of gross income is derived from activities which constitute the business of a financial institution. The business of a financial institution is defined as activities authorized by the federal reserve board; the making, acquiring, selling, or servicing of loans or extensions of credit; or operating a credit card, debit card or charge card business.

Entities wholly subject to this tax should not file Form IT-20; instead, they should file Form FIT-20, which is available from the Department. For further information on the financial institution franchise tax, request Commissioner's Directive #14 from the Department or call the Corporate Income Tax Section: (317) 232-2189.

Accounting Methods

Under the Gross Income Tax Act, the accounting method for reporting gross receipts of a corporation should conform with the method used on the federal return. However, if the method used on the federal return is a method other than cash or accrual, the method for reporting gross receipts shall be limited to the cash method. **Note:** The completed contract, percentage of completion, and the installment method of accounting are not permitted under the Gross Income Tax Act. If one of these methods is used for federal tax purposes, gross receipts must be reported on the cash basis.

Under the Adjusted Gross Income Tax Act, the Department will recognize the method of accounting used for federal income tax purposes.

Gross Income Tax (I.C. 6-2.1-1-2)

The gross income tax is a gross receipts tax. A corporation's entire amount of gross receipts is used as the tax base. Deductions for cost, losses, or expenses are not allowed in calculating the Indiana gross income tax liability. This tax is not to be confused with the Indiana sales and use tax. The gross income tax is not imposed on the act of sale, but on the receipts from sales when received or credited. The gross income tax generally applies to all intrastate transactions and receipts from doing business in Indiana. Most receipts derived from interstate commerce are exempt from this tax. For further information concerning interstate commerce, please refer to the Administrative Rules of the Indiana Department of Revenue, 45 I.A.C. 1-1-118 through 1-1-124.

There are two rates for the gross income tax: a high rate of 1.2% and a low rate of .3%.

Adjusted Gross Income Tax (I.C. 6-3-1-3.5)

The Indiana adjusted gross income tax is calculated using federal taxable income from federal Form 1120 and making Indiana modifications as required by I.C. 6-3-1-3.5(b). If income is derived from sources both within and outside Indiana, the adjusted gross income attributed to Indiana is determined by the use of an apportionment formula detailed on Schedule E. The adjusted gross income tax rate is 3.4%.

Supplemental Net Income Tax (I.C. 6-3-8-1)

The supplemental net income tax is calculated by deducting from Indiana adjusted gross income the greater of gross income tax, adjusted gross income tax, or Indiana insurance premium tax paid by domestic insurance companies; the remainder (supplemental net income) is taxed at the rate of 4.5%. Supplemental net in-

come can never be negative. If it is less than zero, enter zero on the appropriate line.

Estimated Quarterly Payments (I.C. 6-2.1-5 & 6-3-4-4.1)

A corporation whose estimated gross income tax liability exceeds \$1,000 for a taxable year, or adjusted gross income tax liability (after credit for tax imposed on gross income), exceeds the gross tax by \$1,000 annually, or supplemental net income tax liability exceeds \$1,000 annually, must file quarterly estimated tax payments.

The quarterly estimated income tax payments are submitted with the Indiana quarterly return, Form IT-6, or by electronic funds transfer when the average quarterly liability exceeds \$20,000. If the corporation has overpaid estimated payments, a credit must be claimed on the annual corporate return, Form IT-20, to obtain a refund or to carryover the excess to the following year's estimated tax account. Use the federal identification number of the reporting taxpayer. If an estimated account needs to be established, obtain Form E-6 to remit the initial payment and to request pre-printed quarterly estimated IT-6 returns.

For tax years beginning before January 1, 1998 the due dates for estimated income tax payments for calendar year corporate taxpayers are April 20, June 20, September 20 and December 20 of taxable year. Fiscal year and short tax year corporate filers must remit by the 20th day of the 4th, 6th, 9th and 12th month of their tax period. For further instructions, refer to Income Tax Information Bulletin #11, revised April, 1994.

Penalty for Underpayment of Estimated Taxes (I.C. 6-8.1-10-2.1 b)

Corporations that are required to estimate their income taxes will be subject to a ten percent (10%) underpayment penalty if they fail to file estimated tax payments or fail to remit a sufficient amount. To avoid the penalty, the required quarterly estimate should include at least twenty percent (20%) of the total income tax liability for the current taxable year or twenty-five percent (25%) of the corporation's final income tax liability for the previous tax year. The penalty for the underpayment of estimated tax is assessed on the difference between the actual amount paid by the corporation for each quarter and twenty-five percent (25%) of the corporation's final income tax liability for the current tax year. Refer to the instructions for completing Schedule IT-2220, Penalty for the Underpayment of Corporate Taxes.

Electronic Funds Transfer Requirements

I.C. 6-2.1-5-1.1 and I.C. 6-3-4-4.1 require that if a corporation's:

1. Estimated quarterly gross income tax liability for the current year;
2. Average estimated quarterly gross income tax liability for the preceding year;
3. Estimated quarterly adjusted gross income tax liability for the current year; or
4. Average estimated quarterly adjusted gross income tax liability for the preceding year;

exceeds \$20,000, the corporation shall make its estimated quarterly payments by electronic funds transfer (as defined in I.C. 4-8.1-2-7) or by delivering in person or by overnight courier a payment by cashier's check, certified check, or by money order to the Department. The transfer or payment shall be made on or before the date the tax is due. When the payment is made by electronic funds transfer (EFT), the payment is considered paid on the date the Department's account is credited with the payment. When the

payment is made by a courier, the payment is considered paid on the date the Department actually receives the payment. Taxpayers making payments by electronic funds transfer do not need to file IT-6 returns.

If a corporation which is not currently using the electronic funds transfer or overnight courier method determines that it meets the statutory requirements to do so, the corporation should contact the Indiana Department of Revenue, EFT Section: (317) 232-5500, to obtain the necessary instructions to remit its income tax payments in this manner. Failure to use the electronic funds method of payment when required will subject the taxpayer to a 10% late gross tax payment penalty and an underpayment penalty on estimated adjusted gross and supplemental net income taxes.

Consolidated Reporting

Both the Gross Income Tax Act and Adjusted Gross Income Tax Act provide for an election to file consolidated returns for qualified groups. To file a consolidated return for gross income tax purposes, the parent corporation must own eighty percent (80%) of the voting stock of each subsidiary. Each corporation in the affiliated group electing to file consolidated must be either incorporated in Indiana or registered with the Secretary of State to do business in Indiana. **All affiliated groups filing consolidated gross income tax returns with the Department must attach Schedule 8-D to the return.**

Under the Adjusted Gross Income Tax Act, affiliated corporations have the privilege of filing a consolidated return as provided in Section 1502 of the Internal Revenue Code for those affiliates as defined in Section 1504. The affiliated group may not include any corporation which does not have any taxable income or loss derived from sources within Indiana. If such an election is made for Indiana tax purposes, the Department should be notified by attaching a statement to the return indicating which affiliated corporations are included in the consolidated return. In addition, a schedule must accompany the annual return reflecting the adjusted gross income or loss of each of the participating affiliates.

If an affiliated group elects to file a consolidated return under either the Gross or Adjusted Gross Income Tax Act, the Department strongly urges the affiliated group to file a consolidated return under both Acts. The Department and taxpayers have experienced many administrative and procedural problems in applying proper credits, payments, and the calculation of tax for each member filing separately. If each member of an affiliated group files separately under one Act and consolidated under the other Act, the burden will be on each member to provide a complete breakdown of that member's gross tax, adjusted gross tax, supplemental net income tax, estimated tax payments, and other credits.

An election to file a consolidated return for Indiana purposes must be made by filing the consolidated return by the due date, including any extensions of time to file. Once an affiliated group elects to file consolidated for Indiana purposes, the group must follow that election for all subsequent years of filing. If the group wants to revoke the election in a subsequent tax year, the group must prove reasonable cause and receive written permission from the Department. The request to discontinue filing consolidated must be made at least 90 days before the due date of the return.

Unitary (Combined) Filing Status

Indiana taxpayers must petition to file their corporate return on a combined basis if this method will "more fairly reflect" their income derived from Indiana sources. A taxpayer must petition to file

on a domestic (water's-edge) unitary basis. A petition to file on a combined basis must be filed with the Department of Revenue, Tax Policy Division, 100 N. Senate, N248, Indianapolis, In 46204, within 30 days following the close of the tax year, I.C. 6-3-2-2(q). (Caution: Once permission has been granted to file on a combined basis a taxpayer must continue to file returns on this basis until permission is granted by the Department for use of an alternative method.)

Attach to the return a list of the corporations (and their federal identification number(s)) that are involved in the apportionment factor of the unitary filer. The computation of apportionment for members of a combined group must be included. Supporting schedules showing federal taxable income, dividend deductions, modifications, and nonbusiness income must also be attached. Each taxable member will be assigned a share of business income according to its relative share (its percentage share without considering any nontaxable member's share) of the unitary group's Indiana property, payroll and sales factors.

Additional information concerning unitary requirements may be obtained from the Tax Policy Division, (317) 232-7282. Refer to Tax Policy Directive #6, issued June 1992.

Treatment of Partnership Income

Gross Income Tax: Distributive shares of income to corporate partners is subject to gross income tax, at the high rate of 1.2%, to the extent the income from the partnership is attributable to Indiana using a three-factor apportionment formula in which the sales factor is not double-weighted. Refer to 45 I.A.C. 1-1-159.1.

Adjusted Gross Income Tax: If the corporate partner's and the partnership's activities constitute a unitary business under established standards (disregarding ownership requirements), the business income of the unitary business attributable to Indiana is determined by a three-factor formula. This formula consists of property, payroll, and sales of the corporate partner and its share of the partnership's factors for any partnership year ending within or with the corporate partner's income year. The partner's proportionate share of all of the partnership's (unapportioned) state income, real and personal property taxes, and charitable contributions is to be added back in determining adjusted gross income.

If the corporate partner's activities and the partnership's activities do not constitute a unitary business under established standards, the corporate partner's share of the partnership income attributable to Indiana shall be determined as follows: (1) If the partnership derives income from sources within and outside Indiana, the income derived from sources within Indiana is determined by a three-factor formula consisting of property, payroll, and sales of the partnership; (2) If the partnership derives income from sources entirely within Indiana, or entirely outside Indiana, such income will not be subject to formula apportionment. Refer to 45 I.A.C. 3.1-1-153.

For non-unitary partners, taxable partnership distributions included in federal adjusted gross income is deducted on line 33 of Schedule B. Non-unitary partnership income attributed to Indiana, including any apportioned pro rata modifications, is added back on line 37 of Schedule B.

Losses will be treated the same as income; however, losses may not exceed the limits imposed by I.R.C. sections 469 and 704.

Extensions for Filing

The Department recognizes the Internal Revenue Service's application for automatic extension of time to file (Form 7004). **Do not file a separate copy of Form 7004 with the Department to**

request an Indiana extension. The federal extension must be attached when the Indiana return is filed. Returns postmarked within thirty (30) days after the last date indicated on the federal extension will be considered timely filed. In the event a federal extension is not needed, a corporation may request, in writing, an Indiana extension of time to file from the Indiana Department of Revenue, Data Control-Business Tax, Returns Processing Center, 100 N. Senate Avenue, Indianapolis, Indiana 46204-2253.

Penalty for late payment will not be imposed if at least 90% of the tax reasonably expected to be due is paid by the original due date. **The extension payment should be sent with Indiana Form IT-6, or E-6, as a fifth quarter estimated payment.** Any tax paid after the original due date must include interest. Contact the Department for the current rate of interest that we are charging.

Amended Returns

Form IT-20X must be completed to amend an Indiana corporation income tax return. Always use Form IT-20X to comply with I.C. 6-3-4-6, which requires a taxpayer to notify the Department of any modifications (federal adjustment, R.A.R., etc.) made to a federal income tax return within 120 days of such change. Federal waivers should be attached, if applicable.

To claim a refund of an overpayment, the return must be filed within three years from the latter of the date of overpayment or the due date of the return. In the case of a carryback of a net operating loss deduction, Indiana follows federal regulations. Indiana recognizes initial federal waivers of the statute of limitations signed after January 1, 1978.

Identification Section

File a 1996 Form IT-20 for a tax year that ends December 31, 1996 or a fiscal year or a short year that begins in 1996. For a fiscal or a short tax year, fill in the beginning month and day of the tax year and the month, day and tax year end at the top of the form.

All corporations filing an Indiana corporation income tax return must complete the top portion of the form including questions A through Q. Please use the full legal name of the corporation and present mailing address. It is important that the federal identification number shown in the box at the upper right hand corner of the return be the one used on the U.S. corporation income tax return. Consolidated filers must use the federal identification number of the corporation designated as the reporting corporation.

If registered as a collection agent for the State of Indiana for sales and/or withholding tax, enter the assigned Indiana Taxpayer Identification (TID) number, less the last three digits. This number should be referenced on all returns and correspondence with the Department.

List the name of the county in Indiana in which you have a primary business location. Place "O.O.S." in the county box for an address outside Indiana.

Enter the principal business activity along with the number of the federal business activity code in the designated box on the return. Use the four-digit activity code as reported on the federal corporation income tax return.

The Department is mandated under I.C. 6-8.1-6-5 to request information concerning the number of motor vehicles owned or leased by a corporation, and whether or not those vehicles are registered in Indiana. A motor vehicle for purposes of this section is a car, a motorcycle, or a truck which has a declared gross weight of 11,000 pounds or less, and is subject to the motor vehicle excise tax. This information must be provided by answering question L on

the front of Form IT-20. Also, an explanation must be given if any of the vehicles are not registered in Indiana. Attach additional sheets if necessary.

Schedule A Gross Income Tax Calculation

The corporation's total gross receipts from all sources without regard to either the cost of goods sold, expenses, or any other deductions should be reported on lines 1 through 13. Receipts which are nontaxable under Indiana law should be deducted on line 15 and explained on Schedule G. Consolidated filers must complete Schedule 8-D, Consolidated Gross Income Tax Schedule, which is available from the Department upon request. **Note:** Negative figures cannot be reported on Schedule A.

Column A: Lines 1 through 7.

Line 1. Enter the total amount of commissions and fees actually or constructively received for services performed.

Line 2. Enter the amount of interest and dividends actually or constructively received. **Note:** Interest from obligations of the United States and Indiana governmental units is exempt and may be deducted on Schedule G. Interest from obligations of other states is taxable for gross income tax purposes (refer to Income Tax Information Bulletin #19, revised July, 1992).

Line 3. Enter the total amount of gross receipts from the rental of real or personal property regardless of where the property may be located or used. In addition, the total proceeds from real estate sales before making any deductions must be included on this line.

Line 4. Enter the gross receipts from the sale of securities and other miscellaneous personal property.

Line 5 - Gross Earnings: Trust companies, insurance companies (refer to insurance forms 4-A, 7-A and 9-A), dealers in securities, commercial paper brokers, certain investment companies, certain grain dealers and handlers, and certain wholesale grocers, must report qualifying business receipts on the gross earnings basis. Also, drug wholesalers (other than manufacturers) will report their sales of legend drugs on the gross earnings basis.

Gross earnings consist of:

1. The total gross amounts derived (without any deductions whatsoever) from transactions forming a part of usual or normal business functions such as: commissions, fees, rentals, and services, but not limited thereto;
2. The gross difference, on the sale or other taxable disposal of tangible or intangible property which was acquired in transactions forming a part of normal business, between the initial cost of such property to the seller at the time the property was acquired and the total selling price without any deductions; and,
3. In regard to rights acquired in margin transactions, gross earnings shall be the difference between the initial cost of such rights to the owner and the total disposal price of such rights without any other deductions.

The above taxpayers may not include in gross earnings any receipts under the classification realized through business activities that are not a part of their regular and ordinary functions. Income from the sale of property or fixtures used in carrying on the business or receipts from any other kind of activity or business, such as operating a farm, store, office building, apartment house,

etc., will be subject to taxation at the applicable rate.

Caution: Taxpayers who derive 80% or more of gross income from extending credit or making loans should not file Form IT-20. Instead, request the Financial Institution Franchise Tax Booklet from the Department of Revenue and file Form FIT-20.

Line 6. Enter all receipts derived from the performance of contracts, excluding that income specifically identified as materials that become an integral part of the project(s) that is to be reported on line 8. For lump-sum and fixed price contracts refer to 45 I.A.C. 1-1-101. The completed contract method and percentage of completion method are not allowed in computing Indiana gross income tax. The taxpayer is limited to the cash method of reporting if either of these methods is used for federal income tax purposes.

Line 7. Enter all receipts derived from miscellaneous sources including receipts derived from coin-operated laundries and dry cleaning equipment, apportioned partnership distributions, etc.

Column B: Lines 8 through 13.

Line 8. Enter all receipts derived from the sale of material used as an integral part in the completion of project(s) under contract. The contractor must be regularly and occupationally engaged in purchasing and providing the tangible personal property under contract to a final user from an established place of business. The sales value of the material used as an integral part of the project(s) in said contract(s) must be segregated from the other charges and substantiated by receipts on a per contract basis. This segregation must be maintained in a manner acceptable to the Department. Any portion of the receipts claimed as sales of materials provided under contract(s) which are not supported by proper segregation is reported on line 6 at the higher tax rate. The right to segregate and calculate tax at the lower rate does not apply to income from a transaction in which title to real estate is transferred. For lump-sum and fixed price contracts refer to 45 I.A.C. 1-1-101.

Line 9. Enter all receipts derived from the sale of merchandise by a corporation regularly engaged in purchasing tangible personal property and selling the same to its customers at a fixed and established place of business, except those sales by contractors reported on line 8. If such sale is made for the purpose of resale, it is properly reportable as a wholesale sale and should be entered on line 12.

Line 10. Enter the receipts derived from laundering, dry cleaning (excluding receipts from coin-operated equipment), industrial processing and commercial printing (excluding photocopying).

Receipts from laundering performed by the operator of a self-service launderette are reported on this line.

Relating to industrial processing, the essential requirements of this type of activity are that: (1) the property processed or serviced must be tangible personal property; (2) the property must be owned by the processor's customer who is a manufacturer, assembler, constructor, refiner, or processor; (3) the property serviced must be for sale by the processor's customer either as a completed article or as an integral part of property produced for sale by the processor's customer.

Line 11. Enter the receipts derived from the sale of farm products by corporations engaged in the business of agriculture.

Line 12. Enter the receipts derived from sales made by manufacturers to others for resale and other wholesale sales.

Line 13. Enter hotel and motel rental receipts for accommodation periods of less than 30 days.

Columns A & B: Lines 14 through 20.

Line 14. Add the amounts in each column, lines 1 through 13.

Line 15. The nontaxable receipts listed on Schedule G or 8-D, Consolidated Gross Income Tax Schedule, should be totaled and entered in the appropriate columns on line 15. For further information on nontaxable receipts, see the instructions for Schedule G.

Line 16. A \$1,000 exemption from taxable gross receipts is allowed for each annual tax year. This amount may first be applied to the high rate, then to the low rate along columns A and B; however, the total may not exceed \$1,000.

Taxpayers subject to gross income tax for less than twelve months may deduct \$83.33 per month times the number of month(s) in their tax year.

Taxpayers filing consolidated returns are entitled to one (1) \$1,000 annual exemption per tax year, regardless of the number of corporations included in the return. In no case shall the total exemption (sum of columns A and B) exceed \$1,000.

Line 19. Multiply amount entered on line 18, column A, by 1.2% (.012) and enter the result for column A. Multiply amount entered on line 18, column B, by .3% (.003) and enter the result for column B.

Line 20. Enter the total of columns A and B from line 19.

Schedule B
Adjusted Gross Income Tax Calculation

For unitary filers, use the combined group's totals and relative formula percentage for entries on all lines except lines 37 and 39. Compute the Indiana portion of a net operating loss deduction, if any, on line 39 based on the relative formula percentage as applied for the loss year.

Line 21. Enter the federal taxable income before any federal net operating loss deduction and/or special deductions from Form 1120, or pro forma U.S. corporation income tax return.

Line 22. Enter the special deductions from Schedule C, federal Form 1120.

Line 23. Subtract the amount on line 22 from line 21.

Lines 24, 25 and 26. Enter all taxes measured by income levied by any state, including Indiana gross income tax, and all local real estate and personal property taxes except Indiana vehicle excise taxes from all sources which were taken as deductions on the federal tax return. Enter all charitable contributions which were deducted when computing net taxable income on the federal tax return.

If a unitary relationship exists with a partnership include the proportionate share of the partnership's modifications provided for under I.C. 6-3-1-3.5(b) (unapportioned).

Line 27. Enter the interest or any proportionate share of interest from United States Government obligations included on the federal income tax return, Form 1120, and Form 1065 (if a unitary relation-

ship exists). However, this is not a total exclusion. All related expenses must first be deducted from the exempt dividend or interest income and is limited to the amount of income generated by each obligation. Refer to Income Tax Information Bulletin #19, revised June, 1992, for a listing of eligible items.

Line 28. Enter the amount of foreign gross up as determined in computing the federal foreign tax credit on Form 1118 and reflected on federal Schedule C. **Note:** The federal foreign tax credit is not allowed for Indiana income tax purposes.

Line 29. Enter the sum: add lines 24 through 26, subtract lines 27 and 28.

Line 31. Adjustments :

Deduction for Foreign Source Dividends - I.C. 6-3-2-12 allows a deduction from adjusted gross income equal to the product of:

- (1) The amount of the foreign source dividend included in the corporation's adjusted gross income for the tax year multiplied by
- (2) The percentage prescribed below.
 - (a) The percentage is one hundred percent (100%) if the corporation that includes the foreign source dividend in its adjusted gross income owns stock possessing at least eighty percent (80%) of the total combined voting power of all classes of stock of the foreign corporation from which the dividend is derived.
 - (b) The percentage is eighty-five percent (85%) if the corporation that includes the foreign source dividend in its adjusted gross income owns stock possessing at least fifty percent (50%) but less than eighty percent (80%) of the total combined voting power of all classes of stock of the foreign corporation from which the dividend is derived.
 - (c) The percentage is fifty percent (50%) if the corporation that includes the foreign source dividend in its adjusted gross income owns stock possessing less than fifty percent (50%) of the total combined voting power of all classes of stock of the foreign corporation from which the dividend is derived.

Complete the worksheet in Schedule H. *Any excess non-unitary foreign dividend may be deducted on Schedule F.*

The term "foreign source dividend" means a dividend from a foreign corporation and includes any amount that a taxpayer is required to include in its gross income for a tax year under Section 951 of the Internal Revenue Code (Subpart F, controlled foreign corporations). The Indiana foreign source dividend deduction is based on "foreign source dividends" after the federal special deductions less all related expenses and any attributable expenses from federal Form 1118. *Do not include any amount that is treated as a dividend under Section 78 of the Internal Revenue Code.*

Deduction for Indiana Lottery Winnings - Prize money from a winning Indiana lottery ticket included in federal taxable income may be excluded. *Explain deduction on Schedule H.*

Caution: Do not use line 31 to deduct out-of-state income. Instead, see the apportionment and allocation instructions for Schedules E and F.

Line 32. Add lines 30 and 31, enter the balance. If there is property, payroll, or sales outside Indiana, refer to the instructions for Schedules E and F and continue to line 33.

Line 33. Enter the net nonbusiness income (loss) and non-unitary partnership distribution from Schedule F, column B, line L. For further information on nonbusiness income, please refer to the instructions for Schedule F. You must also complete Schedule F-1.

Line 34. Deduct line 33 from line 32.

Line 35. If applicable, enter the Indiana apportionment percentage from completed Schedule E, line 4(c) or from Schedule E-7. Enter two decimal places (Examples: 67.89, 22.45, etc.). Do not enter 100% on this line. Generally, when the property and payroll factors are each 100% in Indiana, the corporation will not be subject to taxation by another state; therefore, all sales will be taxed by Indiana.

Line 36. Multiply line 34 by the apportionment percentage on line 35, if applicable; otherwise, enter amount from line 34.

Line 37. Enter Indiana net nonbusiness income (loss) and Indiana non-unitary partnership income from Schedule F, column A, line L. Also attach completed Schedule F-1.

Line 38. Enter the total of line 36 and line 37.

Line 39. The available portion of an Indiana net operating loss deduction applied should be entered here. In no case should this entry exceed the amount entered on line 38. Schedule IT-20NOL MUST be attached to support the entry. *Please review schedule IT-20NOL and instructions before entering an amount on line 39.*

Line 40. Subtract line 39 from line 38.

Line 41. Indiana adjusted gross income tax: multiply the amount on line 40 by 3.4% (.034). If line 40 is a loss, enter zero.

Schedule C Supplemental Net Income Tax Calculation

Line 42. Most taxpayers must calculate the adjusted gross income on Schedule B, line 40, unless exempt under I.C. 6-3-2-2.8. Enter the figure from line 40 on line 42. If it is a loss, enter zero -0-.

However, a domestic insurance company must enter its separately calculated federal net taxable income less interest from U.S. government obligations, as adjusted using a single direct premiums apportionment factor.

If either of the calculated figures amounts to a loss, enter zero and do not calculate the supplemental net income tax.

Line 43. Enter the greater of either the gross income tax as calculated on Schedule A, line 20, or the adjusted gross income tax on Schedule B, line 41. However, domestic insurance companies should enter either the gross tax or the greater of the gross tax (line 20) or the insurance premium tax paid (if an election was made to pay the gross premium privilege tax).

Line 44. Subtract line 43 from line 42. If this figure is zero or less, enter zero on lines 44 and 45. (Only domestic insurance companies should be using a separately calculated supplemental net income for line 42).

Line 45. Supplemental net income tax: multiply line 44 by 4.5% (.045). All taxpayers, except financial institutions filing Form FIT-20, are subject to and must calculate the supplemental net income tax.

Schedule D Total Income Tax Calculation

Line 46. Enter the greater of the gross income tax (Schedule A, line 20) or the adjusted gross income tax (Schedule B, line 41). If the insurance gross premium tax was paid, enter zero.

Line 47. Enter the supplemental net income tax from Schedule C, line 45.

Line 48. Enter the total of lines 46 and 47 and carry to line 49 on the front page of Form IT-20.

Schedule E Apportionment of Income

Use of Apportionment Schedule:

If the adjusted gross income of a corporation is derived from sources both within and outside Indiana, the adjusted gross income attributed to Indiana must be determined by use of an apportionment formula. The Department will not accept returns filed for adjusted gross income tax purposes on which the separate accounting method has been used. Schedule E must be used unless written permission is granted from the Department. The term "everywhere" does not include property, payroll or sales of a foreign corporation in a place outside the United States.

Refer to 45 I.A.C. 3.1-1-153 for tax treatment of unitary corporate partners.

Caution: Corporations may petition the Department for permission to file under the combined unitary tax method. This petition must be submitted within 30 days following the close of the tax year. If approved, a computation of apportionment for members of a combined group must be filed to properly determine each entity's share of the combined group's Indiana adjusted gross income.

Detailed Instructions:

Note: *Interstate transportation corporations should consult Schedule E-7 for details concerning apportionment of income. Contact the Department to get this schedule.*

1. Property Factor: The property factor is a fraction. The numerator is the average value during the tax year of real and tangible personal property used in the business within this state (including rental property), and the denominator is the average value during the tax year of such property everywhere. The average value of property shall be determined by averaging the values of the beginning and the end of the tax period. If the values have fluctuated, the averaging of monthly values may be necessary to properly reflect the average value of the property for the tax period. If, in the calculation of the property factor, the average values of properties are made up of a combination of values, attach a schedule showing how these average values were calculated. For example, the use of original cost for owned properties plus the value of rental or leased facilities based upon a capitalization of rents paid, which cannot be checked against the balance sheet or the profit and loss statement, must be supported. Property owned by the taxpayer is valued at its original cost. Property rented by the taxpayer is valued at eight (8) times the net annual rental rate.

Complete appropriate lines for both within Indiana and everywhere. Add lines (a) through (e) in columns A and B. Divide sum in box S1, column A by the sum from box S2, column B. Enter the percent in box S3, column C.

2. Payroll Factor: The payroll factor is a fraction. The numerator is the total wages, salaries, and other compensation paid to employees in this state for services rendered for the business, and the denominator is the total of such compensation for services rendered for the business everywhere. Normally, the Indiana payroll will match the unemployment compensation reports filed with the state as determined under the Model Unemployment Compensation Act. Compensation is paid in this state if (a) the individual's service is performed entirely within the state; (b) the individual's service is performed both within and outside the state, but the service performed outside the state is incidental to the individual's service within the state; (c) some of the service is performed in the state and (1) the base of operations or, if there is no base of operations, the place from which the service is directed or controlled is in the state; or (2) the base of operations or the place from which the service is directed or controlled is not in any state in which some part of the service is performed, but the individual's residence is in this state. Payments to independent contractors and others not classified as employees are not to be included in the factor. Payments to employees for service attributable to nonbusiness income should be excluded. That portion of an employee's salary directly contributed to a Section 401K plan is to be included in the factor; however, the employer's matching contribution will not be included in the factor.

Enter payroll values in boxes T1 and T2. Divide the total in box T1, column A by the total from box T2, column B. Enter the percent in box T3, column C.

3. Receipts Factor: The receipts factor is a fraction. The numerator is the total receipts of the taxpayer in this state during the tax year, and the denominator is the total receipts of the taxpayer everywhere during the tax year. Sales between members of an affiliated group filing a consolidated return under I.C. 6-3-4-14 shall be excluded. **This factor is double-weighted in the apportionment of income formula.** All gross receipts of the taxpayer which are not subject to allocation, such as nonbusiness income, are to be included in this factor. However, non-unitary partnership income should be excluded.

The numerator of the receipts factor must include all sales made in Indiana, sales made from this state to the U.S. Government, and sales made from this state to a state which does not have jurisdiction to tax the activities of the seller. The numerator will also contain intangible income attributed to Indiana including interest from consumer and commercial loans, installment sales contracts, and credit and debit cards as prescribed under I.C. 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 this state if the property is delivered or shipped to a purchaser within this state regardless of the f.o.b. point or other conditions of sale, or the property is shipped from an office, store, warehouse, factory, or other place of storage in this state, and the taxpayer is not subject to tax in the state of the purchaser.

Sales or receipts not specifically assigned above shall be assigned as follows: (1) gross receipts from the sale, rental, or lease of real property are in this state if the real property is located in this state; (2) gross receipts from the rental, lease, or licensing the use of tangible personal property are in this state if the property is in this state. If property was both within and outside Indiana during the tax year, the gross receipts are considered in this state to the extent the property was used in this state; (3) gross receipts from intangible personal property are in this state if the taxpayer has economic presence in this state and such property has not ac-

quired a 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 attributable to Indiana if the security or sale property is located in Indiana; consumer loans not secured by real or tangible personal property are attributable to this state if the loan is made to an Indiana resident; and commercial loans and installment obligations not secured by real or tangible personal property are attributable to Indiana if the proceeds of the loan are to be applied in Indiana. Interest income, merchant discounts, travel and entertainment credit card receivables and credit card holder's fees are attributable to the state to which the card charges and fees are regularly billed. Receipts from the performance of fiduciary and other services are attributable to the state in which the benefits of the services are consumed. Receipts from the issuance of traveler's checks, money orders, or United States savings bonds are attributable to the state in which those items are purchased. Receipts in the form of dividends from investments are attributable to Indiana if the taxpayer's commercial domicile is in Indiana; and (4) gross receipts from the performance of services are in this state if the services are performed in this state. If such services are performed partly within and partly outside this state, a portion of the gross receipts from performance of the services shall be attributed to this state based upon the ratio that the direct costs incurred in this state bear to the total direct costs of the services, unless the services are otherwise directly attributed to Indiana according to I.C. 6-3-2-2.2.

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

Complete all lines as indicated. Add receipt factor lines (a) through (d) in Column A. Also enter total receipts everywhere in box U2. See line 4(a) for calculation of the percentage.

4. Summary: Apportionment of Income for Indiana

(a) Divide sum in box U1, column A by the total from box U2, column B. Enter the quotient in the space provided and multiply by 200%. Enter the product in box U3, column C.

(b) Add entries in boxes S3, T3, and U3 of column C.

Enter the sum of the percentages in box V.

(c) Divide the total percentage entered in box V by 4 and carry out two decimals, e.g. 89.54%. Enter the average Indiana apportionment percentage in box W and carry to line 35, Schedule B of Form IT-20.

The property and payroll factors are each valued as a factor of 1 in the apportionment of income formula. The receipts factor is valued as a factor of 2. The combined three-factor denominator equals 4. In cases where there is a total absence of one of these factors for column B, you must divide the sum of the percentages by the number of the remaining factor values present in the apportionment formula.

5. Business Income Questionnaire: Complete this section if income is apportioned. *Also attach a listing of all business locations where the corporation has operations. Indicate the nature of the business activity at each location, whether a location: (a) accepts orders in that state; (b) is registered to do business in that state; (c) files income tax returns in other states; and (d) whether property in the other states is owned or leased.*

Schedule F
Allocation of Nonbusiness Income and
Non-Unitary Partnership Income to Indiana

Income of any type or class and from any source is business income if it arises from transactions and activities occurring in the regular course of a trade or business. Accordingly, the critical element in determining whether income is “business income” or “nonbusiness income” is the identification of the transactions and activity which are the elements of a particular trade or business. In general, all transactions and activities of the taxpayer which are dependent upon or contribute to the operations of the taxpayer’s economic enterprise as a whole constitute the taxpayer’s trade or business and will be classified as business income. Examples of business and nonbusiness income are illustrated on the reverse of the Nonbusiness Income and Non-Unitary Partnership Income Supplement, Schedule F-1.

Note: *Partnership distributions included in federal taxable income derived from a partnership which does not have a unitary relationship with the corporate partner (taxpayer) will be deducted on line I, column B. All non-unitary partnership distributions attributed to Indiana, including the apportioned share of the partnership’s state income, real and personal property taxes and charitable contributions, must be added back on line I, column A for Indiana adjusted gross income.*

Entries reflected on Schedule F must be fully explained on the Nonbusiness Income and Non-Unitary Partnership Income Supplement Schedule F-1. If Schedule F-1 is not completed, the information will be requested upon examination of the return.

Line (A) Dividends from nonbusiness sources are allocated to Indiana if the commercial domicile is Indiana.

If there is, or previously existed, a unitary relationship between the taxpayer and the payer of the dividend, the income is generally treated as business income. Some aspects to consider in determining whether a unitary relationship exists are the degree of control, centralized operating functions, economic benefits provided by the affiliate, inter-affiliate transfers of personnel, common trademarks and patents, and the total amount of sales between affiliated corporations. Dividends from a FSC or a DISC are treated as business income and must be apportioned. The excess, if any, of any non-unitary foreign source dividends not previously deducted may be eliminated.

Line (B) Interest from nonbusiness sources is allocated to Indiana if the commercial domicile is in Indiana. Generally, interest earned from long-term investments is considered nonbusiness income.

Note: An appropriate amount of liquid working capital is necessary for the day-to-day operation of a business. Therefore, income from short-term investments of temporarily idle cash and other liquid assets is business income. This includes interest from savings accounts, checking accounts, certificates of deposit, commercial paper and other such items.

Line (C) Net capital gains or losses from the sale of nonbusiness intangible personal property are allocated to Indiana if the taxpayer’s commercial domicile is in Indiana.

Line (D) Net capital gains or losses from the sale or exchange of nonbusiness tangible personal property are allocated to Indiana if:

- (a) The property had situs in Indiana at the time of the sale; or,
- (b) The taxpayer’s commercial domicile is in Indiana, and the taxpayer is not taxed in the state in which the property is located.

Note: If the property sold was used previously by the business, the capital gain or loss from the transaction is business income.

Line (E) Enter net capital gains or losses from the sale or exchange of all real property not used in the production of business income.

Line (F) Gross rents and royalties from real property (to the extent they constitute nonbusiness income) are allocated to Indiana if the real property is located in Indiana.

Line (G) Gross rents and royalties from nonbusiness related tangible personal property are allocated to Indiana to the extent the property is utilized in Indiana.

- (a) The extent of utilization is determined by multiplying the rents and royalties by the following fraction: The numerator is the number of days of physical location of the property in Indiana during the rental or royalty periods in the tax year. The denominator is the number of days of physical location of the property everywhere during the rental or royalty periods in the tax year.
- (b) Such rents and royalties are wholly taxed by Indiana if the taxpayer’s commercial domicile is in Indiana, and the taxpayer is not organized under the laws of or taxable in the state in which the property is utilized.

Line (H) Patent and copyright royalties not related to the production of business income are allocated to Indiana:

- (a) To the extent the patent or copyright is utilized by the taxpayer in Indiana; or,
- (b) To the extent the patent or copyright is utilized by the taxpayer in a state in which the taxpayer is not taxable, and the taxpayer’s commercial domicile is in Indiana.

A patent is utilized in a state to the extent it is employed in production or other processing in the state or to the extent the patented product is produced in the state.

A copyright is utilized in a state to the extent printing or other publication originated in the state.

Line (I) Other Nonbusiness Income and Non-Unitary Partnership Income: Add other nonbusiness income not provided for in lines (A) through (H). Also include in column B the total non-unitary partnership income reported on the federal return. Enter in column A apportioned income, as modified, from Form IT-65 Schedule IN K-1 with other Indiana nonbusiness income.

Line (J) Total Income: Enter totals of each column.

Line (K) Enter all related nonbusiness expenses attributed to excluded income other than state income and local property taxes.

Line (L) Net Nonbusiness Income (loss) and Non-unitary Partnership Income: Subtract line K from line J on columns A and B. Also enter amount of column B on line 33 and amount of column A on line 37 of Form IT-20.

Schedule G Nontaxable Items

Enter on the schedule nontaxable receipts for line 15 of Schedule A. Explain the nature of each nontaxable receipt itemized in this schedule.

Receipts not taxable for Indiana gross income tax purposes include but are not limited to the following deductions:

1. Interstate and foreign commerce; refer to 45 I.A.C. 1-1-118 through 1-1-124;
2. Interest on government obligations (federal, State of Indiana, and Indiana municipal obligations) net of all related expenses, refer to Income Tax Information Bulletin #19 for further information;
3. Intercompany transactions of a consolidated group when Schedule 8-D for consolidated gross income is attached to the return, 45 I.A.C. 1-1-166;
4. Reimbursements such as refunds, rebates, and loan repayments less interest;
5. Receipts as a true agent, 45 I.A.C. 1-1-54;
6. Accrual basis taxpayers may deduct bad debts in the same manner as provided in I.C. 6-2.5-6-9, refer to I.C. 6-2.1-4-2;
7. Qualified increased enterprise zone gross income is exempt from gross income tax (Part 4, Schedule EZ must be attached);
8. Receipts from out-of-state business operations, I.C. 6-2.1-1-2(c)(6);
9. Mortgages and similar encumbrances existing upon real estate at the time of its sale, refer to Income Tax Information Bulletin #47 for further information;
10. Income received from commercial printing is exempt from gross income tax if it is shipped, mailed, or delivered to a site outside of Indiana, I.C. 6-2.1-3-3.5;
11. Gross income from sale of Indiana lottery tickets and prize money from winning lottery tickets authorized by I.C. 4-30;
12. Gross income and deductions may be eliminated when received from transactions between members of a unitary group some of which become subject to the financial institution franchise tax, refer to I.C. 6-2.1-2-11; for a deduction from adjusted gross and supplemental net income, refer to I.C. 6-3-2-16;
13. Deduction of depreciation on qualified resource recovery systems for hazardous or solid wastes, I.C. 6-2.1-4-3; and,
14. Payments made on customarily returned empty reusable containers, I.C. 6-2.1-4-5.

Schedule H Additional Explanations

Explain on this schedule amounts entered on the return if an additional explanation is needed. Itemize each entry by schedule, line number, and amount. Make a subtotal to each applicable schedule.

Schedule CC-20 College Credit

Corporations liable for Indiana adjusted gross income tax may compute a credit against their adjusted gross income tax liability for charitable contributions to Indiana colleges and universities on Schedule CC-20. Corporations liable only for gross income tax (because their adjusted gross income tax is less than their gross

income tax) may compute the credit by basing it on their adjusted gross income tax liability and taking credit for the amount. Taxpayers having no taxable adjusted gross income will not be allowed to use this credit against their gross income tax liability.

Limitations: A corporation is allowed a tax credit for contributions to qualified Indiana institutions equal to fifty percent (50%) of the aggregate amount thereof, limited to the lesser of:

(1) Ten percent (10%) of the corporation's adjusted gross income tax for the year in which the gifts are made (computed without regard to any credits against the tax), or

(2) One thousand dollars (\$1,000).

Consolidated corporations may take the maximum credit for each member of the group making contribution(s), provided separate Schedule CC-20's or CC-40's are attached.

Summary of Calculations

Line 49. Enter the total income tax from Schedule D, line 48. This figure cannot be less than zero.

Line 50. I.C. 6-2.5-3-2 imposes a use tax at the rate of five percent (5%) upon the use, storage or consumption of tangible personal property in Indiana which was purchased or rented in a retail transaction, wherever located, and 5% sales tax was not paid.

Examples of taxable items include magazine subscriptions, office supplies, electronic components and rental equipment. Also, any property purchased free of tax, by use of an exemption certificate or from out-of-state, and converted to a non-exempt use by the business is subject to the use tax.

If you are a registered retail sales agent or out-of-state use tax agent for Indiana you must report non-exempt purchases used in your business on Form ST-103, Indiana annual, quarterly or monthly Sales or Use Tax Voucher. If you are not required to file Form ST-103, or have failed to properly include purchases that are now subject to use tax, complete the Consumer's Use Tax Worksheet on page 18 to compute any sales/use tax liability.

Carry the total calculated sales/use tax due to line 50 on the front of the return. **Caution:** Do not report your totals from ST-103 on this worksheet or Form IT-20.

Line 52. Enter the amount of credit to be taken for charitable contributions to eligible colleges and universities located within Indiana. **Note:** Either Schedule CC-20, on page 4 of Form IT-20, or a separate Schedule CC-40 must be completed and filed with the income tax return.

Line 53. (E1) Enter the allowable **Neighborhood Assistance Credit** reflected on preapproved Form NC-20. For further information, refer to Income Tax Information Bulletin #22. Attach Form NC-20 if claiming this credit.

(E2) Do not use. The former Drug and Alcohol Abuse Prevention Credit expired December 31, 1993.

Line 54. (F1) Enter the allowable **Indiana Research Expense Credit**. Schedule IT-20REC, revised 9-91, must be attached.

(F2) Enter the allowable credit for contributions made to the **Twenty-First Century Scholars Program Support Fund** (I.C. 6-3-3-5.1). Use Schedule TCSP-40 to compute this credit. The credit is equal to 50% of the contributions made during the year, limited to the

lesser of 10% of the corporation's total adjusted gross income tax (as determined without regard to any credits against the tax); or \$1,000. Detailed information about the scholarship program, registration, and administration may be obtained by calling the State Student Assistance Commission at (317) 233-2100.

(F3) Enter the **Enterprise Zone Employment Expense Credit** as calculated on Schedule EZ, Part 2, and attach this schedule to the return. For further information on this credit and other enterprise zone tax benefits, refer to Income Tax Information Bulletin #66.

(F4) Enter the **Enterprise Zone Loan Interest Credit** as calculated on Schedule LIC, and attach this schedule to the return.

(F5) Enter the total amount of other credits. See list of **Other Credits** on page 23.

The total of all credits are limited to the amount of tax due on line 49 unless otherwise noted. See lines 59 and 60 for certain refundable credits.

Line 55. Enter total tax credits reported on lines 52, 53, and 54.

Line 56. Enter total tax due (subtract line 55 from line 51).

Line 57. Enter total amount of estimated quarterly income tax payments reported on Form IT-6 or via electronic funds transfer and itemize each quarterly payment in the spaces provided.

Line 58. Enter the amount previously paid with an extension of time to file and the year and amount of any prior year overpayment credit, if any. Enter combined total in box I.

Line 59. Enter the total amount of gross income tax paid on sales of real estate. Copies of receipts for the amount claimed must be attached to the return or the credit will be reduced or disallowed.

Line 60. Enter any other allowable credits not listed elsewhere and attach a complete explanation. Credits claimed on this line may include the gross income tax withheld from nonresident contractors (attach WH-18, copy C).

Line 61. Add lines 57, 58, 59 and 60.

Line 62. Enter the net tax due (subtract line 61 from line 56).

Line 63. Enter the penalty for the underpayment of corporate taxes from Schedule IT-2220. Attach a completed copy of this schedule even if you meet an exception to the underpayment penalty.

Line 64. If a payment is made after the original due date, interest must be included with the payment. Interest will be calculated from the original due date until the date the payment is made. Contact the Indiana Department of Revenue for the current rate of interest we charge.

Note: An extension of time to file does not extend the time to pay any tax due; therefore, interest must be calculated on late payments.

Line 65. Enter the penalty amount which applies:

A. If the return with payment is made after the original due date, a penalty which is the greater of \$5.00 or 10% of the balance of tax due (line 62), must be entered. The penalty for paying late will not be imposed if *all three* of the following conditions are met:

- (1) A valid extension of time to file exists;
- (2) At least 90% of the expected tax liability was paid by the original due date; and,
- (3) The remaining tax is paid by the extended due date.

B. If the return showing no tax liability (on line 51) is filed late, penalty for failure to file by the due date will be \$10 per day that the return is past due, up to a maximum of \$250.

Line 66. If a payment is due, enter the total tax plus any applicable penalties and interest on this line and remit this amount. A separate payment must accompany each Form IT-20 filed.

Lines 67, 68 and 69. If the corporation has overpaid its tax liability, enter the result of line 61 minus lines 56, 63 and 64.

If the return is timely filed, the corporation may elect to have a portion or all of its overpayment credited to the following year's estimated tax account. The portion to be applied to the following year's estimated tax account should be entered on line 69. The portion to be refunded should be entered on line 68. The total of lines 68 and 69 must equal the amount shown on line 67.

Note: If the overpayment is reduced due to an error on the return or an adjustment by the Department, the amount to be refunded (line 68) will be corrected before any changes are made to the amount on line 69.



1996/97

Indiana Department of Revenue
CORPORATION INCOME TAX RETURN

for Calendar Year Ending December 31, 1996

FORM IT-20

SF 44275 (Rev. 8-96)

or Other Tax Year Beginning 1996 and Ending 19

(Do not write above)

Name of Corporation, Federal Identification Number, Number and Street, Indiana County or O.O.S., Principal Business Activity and Code, City, State, Zip Code, Indiana Taxpayer Identification Number

- A. Date of incorporation in the State of
B. Check applicable boxes: Initial Return, Final Return
C. Accounting method used for reporting income on Schedule A: Cash, Accrual
D. Total assets of the corporation \$
E. Location of records if different from above address
F. Is the corporation in a bankruptcy proceeding?
G. Is 80% or more of your gross income derived from making, acquiring, selling or servicing loans or extensions of credit?
H. Is this return for a period of less than 12 months?
I. Is this a consolidated return for gross income tax?
J. Is this a consolidated return for adjusted gross income tax?
K. Telephone number of corporation
L. Did the corporation make quarterly tax payments using the above Federal Identification Number?
M. Is return filed on a combined basis under the unitary concept?
N. Is this corporation filing unitary reports with other states?
O. If filing unitary, have there been any material changes in the factual circumstances since the last petition was filed?
P. Enter the number of motor vehicles operated by the corporation in the state of Indiana on the last day of the year
Q. Are all of the vehicles registered in the State of Indiana?

Summary of Calculations

Table with columns for line numbers (49-69), descriptions, and lettered boxes (A, C, D, E1-E5, G, H, I, J, K, M, N, O, P, Q, R, S). Includes a large 'IT-20' watermark.

Make check payable to the Indiana Department of Revenue and mail to: 100 N. Senate Avenue, Indianapolis, Indiana 46204-2253. Under penalties of perjury, I declare I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.

(Do not write below)

70
71

Signature of Corporate Officer Date

Signature of Preparer other than Taxpayer Date

Title/Print Name

Preparer's Telephone Number

Identification Number

Schedule A - Gross Income Tax Calculation (This schedule must be completed)

- 1. Commissions and fees
2. Interest and dividends
3. Rents, leases, and sales of real estate (without deductions)
4. Sale of securities and personal property (without deductions)
5. Gross earnings (see instructions)
6. Contractor receipts and other service receipts
7. Partnership distributions, other receipts (attach explanation)

Table with 2 columns: Column A (1.2% (.012) High Rate) and Column B (.3% (.003) Low Rate). Rows 1-7 correspond to High Rate Receipts, rows 8-13 to Low Rate Receipts. Includes summary rows 01-02, 03-04, 05-06, 07-08, and 20.

Schedule B - Adjusted Gross Income Tax Calculation (Complete this schedule)

Table for Schedule B with rows 21-41. Includes Federal taxable income, adjustments, and final Indiana Adjusted Gross Income Tax calculation.

Schedule C - Supplemental Net Income Tax Calculation (Complete this schedule)

Table for Schedule C with rows 42-45. Includes supplemental net income and supplemental net income tax calculation.

Schedule D - Total Income Tax Calculation (Complete this schedule)

Table for Schedule D with rows 46-48. Includes total income tax calculation.

Name as shown on return	Federal Identification Number
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The following information must be submitted by all corporations having income from sources both within and outside the state, regardless of method of apportionment used. (Interstate transportation entities must use Schedule E-7).

(For tax years beginning in 1996). Read instructions on page 8.

1. Property Factor - Average yearly value of real and tangible personal property used in the business whether owned or rented. (Owned property at original cost, see instructions. Exclude property not connected with the business and value of construction in process).
 (a) Property reported on federal return at original cost.....
 (b) Fully depreciated assets still in use at cost.....
 (c) Inventories (including work in progress).....
 (d) Other tangible personal property.....
 (e) Rented property (8 times the annual net rental).....
Total Property Values: Add lines 1(a) through 1(e).....

COLUMN A Total Within Indiana	COLUMN B Total Within and Outside Indiana	COLUMN C Indiana Percentage
S1	S2	S3 . %

2. Payroll Factor - Wages, salaries, commissions, and other compensation of employees related to business income included in the return. If the amount reported in column A does not agree with the total compensation reported for unemployment insurance purposes, attach a detailed explanation.
Total Payroll Value:.....

T1	T2	T3 . %

3. Receipts Factor (less returns and allowances)
 (a) Sales delivered or shipped to Indiana:
 (1) Shipped from within Indiana.....
 (2) Shipped from outside Indiana.....
 (b) Sales shipped from Indiana to:
 (1) The United States Government.....
 (2) Purchasers in a state where the taxpayer is not subject to
 income tax (under P.L. 86-272).....
 (c) Interest income and other receipts from extending credit attributed to Indiana....
 (d) Other gross business receipts.....
Total Receipts: Add column A lines 3(a) through 3(d); enter all receipts in box U2 ..

U1	U2	

4. Summary - Apportionment of Income for Indiana (Percentage should be two decimal places, e.g. 98.76%)
 (a) **Receipts Percentage** for factor 3 above: Divide U1 by U2, enter result here: . % X 200% (2.0) double-weighted adjustment
 (b) **Total Percents:** Add percentages entered in boxes S3, T3 and U3 of column C. Enter sum.....
 (c) **Indiana Apportionment Percentage:** Divide box V by 4 if all three factors are present. Enter here and on Schedule B, line 35.....
 NOTE: If either property or payroll factor for column B is absent, divide box V by 3. If the receipts factor (U2) is absent, you must divide box V by 2. See instructions on page 9.

U3	. %
V	. %
W	. %

5. Business Income Questionnaire - (This section must be completed - attach additional sheets listing business activities and locations in other states)
 Describe briefly the nature of the Indiana business activities including the exact title and principal business activity of any partnership in which the corporation has an interest:

 Describe briefly the nature of activities of sales personnel operating and soliciting business in Indiana: _____
 Do Indiana receipts on box U1 include all sales shipped from Indiana to (1) where the purchaser is the U.S. government; or (2) locations where the taxpayer's only activity in the state of the purchaser consists of the mere solicitation of orders? Yes No If not, please explain:

Schedule F — Allocation of Nonbusiness Income and Non-Unitary Partnership Income to Indiana
 (Any entries on this schedule must be explained on Schedule F-1, Nonbusiness Income and Non-Unitary Partnership Income Supplement)

		Indiana Sources Column A		All Sources Column B
(A) Dividends (not from FSC's) (Excess after federal and state foreign source dividends deduction).....	75		87	
(B) Interest (other than U.S. Government interest).....	76		88	
(C) Capital gain or loss from sale or exchange of intangible personal property.....	77		89	
(D) Net capital gain or loss from sale or exchange of tangible personal property.....	78		90	
(E) Net capital gain or loss from sale or exchange of real property.....	79		91	
(F) Rents and royalties from real property.....	80		92	
(G) Rents and royalties from tangible personal property.....	81		93	
(H) Patent and copyright royalties.....	82		94	
(I) Other nonbusiness income and income from non-unitary partnership(s).....	83		95	
(J) Total Nonbusiness Income and Non-Unitary Partnership Income (add A through I).....	84		96	
(K) Less: Enter nonbusiness expenses (other than state income and local property taxes).....	85		97	
(L) Net Nonbusiness Income (loss) and Non-Unitary Partnership Income (J minus K) (Enter total of column B on line 33, and total of column A on line 37 Schedule B of Form IT-20).....	86		98	

Schedule G — Nontaxable Items (List nontaxable items reported on line 15, Schedule A) (This section must be completed — attach additional sheets if necessary)			
Line	Item Deducted	Deducted at higher rate	Deducted at lower rate

Schedule H — Additional Explanation or Adjustment of Items Elsewhere on Return (Carry subtotals to respective schedules)			
Schedule	Line	Explanation	Amount

Schedule B line 31 Foreign Source Dividends Deduction (excluding Foreign Gross Up) for dividends reported on federal Schedule C included in taxable income.				
(A) Net federal taxable dividends (after Schedule C special deductions) from foreign corporations	(B) Related Expenses for Column A	(C) Balance Col. A less Col. B	(D) Dividend Deduction Rate	(E) Dividend Deduction Col. C x Col. D
80% or more of stock owned:			100%	
50% but less than 80%:			85%	
Less than 50% of stock owned:			50%	
Foreign Source Dividends Deduction from adjusted gross income (Add Column E and carry subtotal to Schedule B, Line 31)				()

Schedule CC-20 — College and University Contribution Credit (List charitable contributions)		
Name of Indiana College or University	Date	Amount Given

A. Total contributions to Indiana colleges and universities	A	
B. 50% of line A or \$ 1,000, whichever is less	B	
C. Enter adjusted gross income tax from Schedule B, line 41	C	
D. 10% of your Indiana adjusted gross income tax (multiply line C by .10)	D	
E. Credit — lesser of line B or line D (enter here and on line 52 on front of Form IT-20)	E	

Name	Federal Identification Number
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Attach additional sheets if necessary. Examples of income classifications are illustrated on the reverse side of this schedule. Carry subtotal to appropriate columns A and B of Schedule F, on Form IT-20.

(A) Dividends

Source	If Corp. % owned	Short or Long term	Location	Principal business activity	FSC/DISC (yes/no)	Amount

Note: If dividends are received from an affiliated corporation, attach a statement describing the unitary relationship. For further information, refer to the instructions for schedule F line (A).

(B) Interest

Source	Type: C/D Portfolio, Savings etc.	If Corp. % owned	Short or Long term	Principal business activity	FSC/DISC (yes/no)	Amount

(C) Capital Gains (Losses) from Sales of Intangible Personal Property

Item	Location	Short or Long term	Gross Proceeds	Net Income or (Loss)

(D, E) Capital Gains (Losses) from Sales of Tangible Personal Property and Real Estate

Item	Gross Proceeds	Intent for original use	Former or current business use (yes/no)	Degree of use (all, part, none)	Location	Net Income or (Loss)

(F, G) Rents and Royalties from Real Estate and Tangible Personal Property

Item	Reason for Ownership	Former or current business use (yes/no)	Degree of use (all, part, none)	Location	Net Income or (Loss)

(H) Patent and Copyright Royalties

Item	Detailed Description	Company	Location	Income

(I) Other (Nonbusiness) Income and Income from Non-Unitary Partnership(s)

Description (in detail)	Other Net Income or (Loss) and Indiana Partnership Distributions (Including Modifications)	Other Gross Proceeds and Federal K-1 Partnership Distributions

(K) Nonbusiness Expense

Description (in detail)	Attributed to Line(s) above	Amount

Information for the Classification of Business and Nonbusiness Income to Indiana Schedule F and F-1

Business Income is defined as income from transactions and activities in the regular course of the taxpayer's trade or business, including income from tangible and intangible property if the acquisition, management or disposition of the property are integral parts of the taxpayer's regular trade or business. In the case of partnership income, the relationship between the business of the corporate partner and that of the partnership will control the classification. Thus, if the partnership's activities are closely related to the activities of the corporate partner, the corporate partner's share of partnership income will be apportioned the same as its other business income.

Some examples of business income include (but are not limited to):

1. Income from the operation of the business;
2. Interest from short-term investments of temporarily idle cash;
3. Interest on tax refunds;
4. Service charges;
5. Dividends from affiliates, but only if a unitary relationship exists;
6. Rental income from real and tangible property. If the property has previously been used in the business, could be used in the business, or if the property is incidental to the business, it is properly classified as business income;
7. Capital gain or loss from the sale of equipment or other property previously used in the business; or,
8. Partnership income from a partnership with a unitary relationship to the corporate partner.

Nonbusiness Income is defined as being all income not properly classified as business income.

Some examples of nonbusiness income include (but are not limited to):

1. Dividends from stock held for investment purposes only;
2. Interest on portfolio of interest bearing securities held for investment purposes only; or,
3. Capital gain or loss from sale of property that was held for investment purposes only.

Note: If the corporate partner's activities and partnership's activities **do not** constitute a unitary business, the corporate partner's share of partnership income attributed to Indiana is to be added with nonbusiness income allocated to Indiana after the apportionment of the corporation's other business income.

Any questions concerning the proper classification of income should be directed to: Indiana Department of Revenue, Corporation Income Tax Section, Indiana Government Center North, Room N203, 100 North Senate Avenue, Indianapolis, Indiana 46204-2253. Telephone inquiries may be directed to (317) 232-2189.

Consumer's Use Tax Worksheet for Line 50, Form IT-20

List all taxable purchases of property on which Indiana sales tax was not paid.
Read instructions on page 11. (If more space is needed to list purchases, use an additional sheet.)

Vendor	Description of tangible personal property purchased or rented	Date of purchase or rental	Purchase/rental price of property
Note: Do not include the following items on the worksheet : automobiles, watercraft, aircraft, and trailers. A credit for taxes previously paid is not allowed for these items that are required to be titled, registered, or licensed in Indiana. For more information regarding use tax, call (317) 233-4015.		1. Total purchase/rental price of property subject to the sales/use tax	1
		2. Use tax (5% of line 1)	2
		3. Sales tax previously paid on the above items up to 5% credit per item.	3
		4. Use tax due (line 2 minus line 3). Carry this amount to line 50 of Form IT-20. If the amount is negative, enter zero.	4



**Indiana Department of Revenue
Corporate Income Tax
Net Operating Loss Computation**
(See instructions on the reverse of this schedule)

Name of Corporation or Organization	Federal Identification Number
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PART I—Computation of Indiana loss

Complete this schedule if line 9 shows a loss. Enter loss, if any, as a positive figure in the box.

Loss year ending	Net operating loss from line 9 below

A separate Schedule IT-20NOL must be completed for each loss year.

Loss year

1. I.R.C. Section 63 (or Section 511) taxable income including the special dividend deduction but excluding any federal net operating loss deduction (see instructions)	1.
2. Add back: All state income taxes deducted	2.
3. Add back: All real estate taxes and personal property taxes deducted	3.
4. Add back: All charitable contributions deducted	4.
5. Deduct: Interest earned on direct U. S. Government obligations reported	5.
6. Deduct: Foreign gross up as determined from federal Form 1118	6.
7. Subtotal (add lines 1 through 4, deduct lines 5 and 6).....	7.
8. Indiana apportionment percentage from the apportionment schedule of the loss year return (if applicable)	8. %
9. Indiana (loss) available for carryover (line 7 multiplied by line 8)	9.

PART II—Election to forgo the three-year carryback of a net operating loss deduction

Has an election to forgo the three-year carryback period been made for the tax year entered in Part I for federal tax purposes? **Yes** **No**

PART III—Effect of loss year

(1) Tax year ending	(2) Indiana AGI as last determined by department records	(3) Amount of NOL deduction carried back/forward	(4) Indiana AGI after net operating loss deduction	(5) Remaining unused net operating loss
3rd Preceding tax year				
2nd Preceding tax year				
1st Preceding tax year				
1st Following tax year				
2nd Following tax year				
3rd Following tax year				
4th Following tax year				
5th Following tax year				
6th Following tax year				
7th Following tax year				
8th Following tax year				
9th Following tax year				
10th Following tax year				
11th Following Tax Year				
12th Following Tax Year				
13th Following Tax Year				
14th Following Tax Year				
15th Following Tax Year				

Schedule IT-20NOL Instructions

Who Should File Schedule IT-20NOL?

Corporate taxpayers subject to the adjusted gross income tax must complete and attach this schedule to any Indiana corporation tax return: Forms IT-20, IT-20SC, IT-20NP, or IT-20X, when claiming the loss deduction. Schedule IT-20NOL is not in itself a claim for refund, but an attachment to show how the net operating loss is applied.

Corporations doing business as a financial institution may not use this schedule. Instead, Schedule FIT-20NOL should be completed. Unused net operating losses that were incurred before December 31, 1989, under the Adjusted Gross Income Tax Act, may not be deducted for the financial institutions franchise tax.

When to File?

A refund initiated by a net operating loss carryback must be claimed by the taxpayer within 3 years from the original due date of the loss year's return (including extensions). Net operating loss carryforward deductions fall within regular statutory requirements.

Indiana Treatment of Net Operating Loss Deduction for Adjusted Gross Income Tax Purposes

The net operating loss deduction that will be recognized for Indiana income tax purposes shall be the amount of loss apportioned to Indiana for the tax year after all required modifications. Modifications include the add back of property taxes, income taxes, charitable contributions, deduction of interest on U.S. Government obligations, and a deduction for the foreign gross up.

Affiliated groups or corporations involved in mergers must follow the same guidelines as provided by the Internal Revenue Code and rulings issued by the Internal Revenue Service with respect to their treatment of net operating loss deductions. More than one Schedule IT-20NOL may be required to comply with these requirements.

The calculation for an Indiana net operating loss deduction pertains to the Adjusted Gross Income Tax Act. The net operating loss used to reduce Indiana adjusted gross income will have an effect on supplemental net income. The net operating loss deduction is not considered in calculating the Indiana gross income tax.

Carryback and Carryforward Years for Corporations

For loss years beginning after December 31, 1975 the net operating loss deduction remaining after a three (3) year carryback may be carried forward to the **fifteen** (15) tax years following the loss year, and an option to forgo the three year carryback may be elected (see Part II instructions).

PART I - Computation of Indiana Loss

Enter the tax year ending date of the loss year and the amount of the loss if an Indiana net operating loss is calculated on line 9. Nonbusiness income and foreign source dividends deduction cannot create or increase the Indiana net operating loss deduction. Enter only the items enumerated on lines 1 through 8.

Any other adjustments that affect the calculation of I.R.C. Section 63 loss year taxable income on Part I of the net operating loss schedule must be fully explained. Not-for-profit organizations begin with I.R.C. Section 511 (taxable income) from federal Form 990T without regard to a federal net operating loss deduction.

PART II - Election to Forgo the Three-Year Carryback of a Net Operating Loss Deduction

Pursuant to the Internal Revenue Code a taxpayer may elect to forgo the entire carryback period. If this election is made, the net operating loss deduction may be carried forward only. A taxpayer must irrevocably elect, by the loss year's due date (including extensions) the same carryback or carryforward treatment for Indiana tax purposes as elected for federal tax purposes. This election is also reflected on Indiana Schedule IT-20NOL. Check the appropriate box.

If a taxpayer has no federal net operating loss, a statement must be attached to the Indiana loss year return electing to forgo the carryback period.

PART III - Effect of Loss Year

It is important that a Schedule IT-20NOL be completed for each year in which a loss occurs. Copies of the schedule should be attached to returns for all years in which the loss deduction is claimed. If more than one loss year is being utilized, a separate Schedule IT-20NOL should be completed for each NOL deduction available.

Column (1) Tax Years - Enter in column (1) the applicable tax year ending date(s). If, in one or more of these years, a loss was incurred or the adjusted gross income was previously reduced to zero by another loss carryforward, the year should still be entered and all five columns completed.

Column (2) Indiana Adjusted Gross Income - Enter the Indiana adjusted gross income from the original return, or as previously adjusted. If the adjusted gross income was previously reduced by another net operating loss deduction, a copy of the Schedule IT-20NOL for the prior loss year should be attached. If previously adjusted from an audit or amended return, an explanation should be attached to the IT-20NOL schedule explaining how the adjusted gross income figure was calculated.

Column (3) Amount of Net Operating Loss Deduction - Enter the amount of loss from Part I necessary to decrease adjusted gross income for the year to zero. If the income for the year is greater than the loss available, enter the full amount of the loss. Any remaining unused loss deduction will be shown in column (5).

Column (4) Indiana Adjusted Gross Income After Deduction - Subtract the amount in Column (3) from the amount in Column (2) and enter the difference in this column.

Column (5) Remaining Unused Net Operating Loss - Enter the amount of net operating loss deduction remaining after each year's calculation. This amount is available to offset income reported in Column (2) of the next year that has income.

If you have any questions concerning Indiana's treatment of a net operating loss deduction, contact:

Indiana Department of Revenue
Compliance Division, Corporate Income Tax Section
Indiana Government Center North, Room N203
100 North Senate Avenue Indianapolis, Indiana 46204
Telephone Number (317) 232-2189

Attach the completed Schedule IT-20NOL to the return(s) on which a net operating loss deduction is claimed.



Indiana Department of Revenue
Penalty for Underpayment
of Corporate Taxes

TAX YEAR ENDING _____, 19 ____

(Attach to your tax return)

Name of Corporation or Organization	Federal Identification Number
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Part I - How to Figure Underpayment of Corporate Taxes (See instructions on reverse of this schedule)

1. Enter total calculated adjusted gross income tax	1	
2. Enter total calculated gross income tax (if less than \$1,000 enter -0-).....	2	
3. Subtract line 2 from line 1 and enter difference (if less than \$1,000 enter -0-, continue to lines 4 and 5).	3	
4. Enter total calculated supplemental net income tax (if less than \$1,000 enter -0-).....	4	
5. Add lines 2, 3 and 4. If zero, do not complete rest of schedule.....	5	
6. Enter total tax reduction credits excluding estimated taxes paid (cannot exceed total on line 5).....	6	
7. Subtract line 6 from line 5. If zero, stop; you do not owe an underpayment penalty.....	7	

Part II - How to Figure Exception to Underpayment Penalty

8. Multiply line 7 by 80% and enter result here.....	8	
9. Enter 100% of prior year's final income tax liability less tax reduction credits (do not reduce by estimated taxes paid). See instructions.....	9	
10. Enter line 8 or line 9, whichever amount is less.....	10	

Short period filers see note on reverse following line 22 instructions.

Quarterly Estimated Periods:

	(a) 1st quarter	(b) 2nd quarter	(c) 3rd quarter	(d) 4th quarter
11. Enter in columns (a) through (d) the quarterly installment dates that correspond to the 20th day of the 4th, 6th, 9th and 12th months of the tax year.....	11			
12. Enter the actual amount of estimated tax paid or credited on or before the due date of the installment for each quarter.....	12			
13. Enter overpayment, if any, from the preceding column that exceeds any remaining prior <underpayments> shown on line 16....	13			
14. Add line 12 and line 13 for each column.....	14			
15. Divide line 10 by four; enter result in columns (a) through (d).....	15			
16. Subtract line 15 from line 14 for each quarter. If the result is a negative figure, you have not met any exception to the penalty for the quarter.....	16			

Part III - How to Figure Penalty

17. Enter overpayment, if any, from the preceding column that exceeds any remaining prior <underpayments> shown on line 20.....	17			
18. Add line 12 in Part II, and line 17 above, for each quarter.....	18			
19. Divide line 7 in Part I by four (4); enter result in columns (a) through (d).....	19			
20. Subtract line 19 from line 18. If the result is a negative figure, this is your <underpayment> for the quarter.....	20			
21. If line 16 shows an overpayment for the quarter (an exception has been met), enter zero on line 21. Otherwise, compute 10% penalty on the <underpayment> shown on line 20 for each column. Enter the penalty, if any, for the quarter as a positive figure.....	21			

22. Add line 21, columns (a) through (d). This is your total underpayment penalty . Enter here and carry to the appropriate line of Form IT-20, IT-20G, IT-20S, IT-20SC, or IT-20NP....	22	
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Schedule IT-2220 Instructions

Who Should File?

Schedule IT-2220 must be completed and attached to the annual corporate Form IT-20, IT-20G, IT-20NP, or IT-20SC anytime the corporation did not pay the required amount of gross, adjusted gross, or supplemental net income tax **in any particular quarter**, or the corporation meets an exception to the penalty for underpayment as provided for in Indiana Code 6-3-4-4.1.

What is the Required Amount?

Corporations that have annual income tax liabilities exceeding \$1,000 are subject to an underpayment penalty if they fail to file estimated tax payments or fail to remit a sufficient amount on a quarterly basis.

Quarterly payments for: 1) gross income tax are due anytime the annual gross income tax exceeds \$1,000 for a taxable year, or 2) whenever the adjusted gross income tax liability (after credit for tax imposed on gross income) exceeds the annual gross income tax by \$1,000 or more. Also, quarterly estimated payments for supplemental net income tax are due anytime the annual supplemental net income tax is \$1,000 or more for the year.

The qualified estimated payments should equal 25% of the total income tax due for the year. In order to avoid the penalty, the quarterly estimate must equal at least twenty percent (20%) of the total income tax liability for the current taxable year or twenty-five percent (25%) of the final income tax liability for the prior taxable year.

The Indiana Code does not provide corporations an exception to the penalty for underpayment of estimated taxes using either an annualized income or adjusted seasonal method.

PART I - How to Figure Underpayment of Corporate Taxes

This schedule must be used by Form IT-20, IT-20G, IT-20NP, IT-20S and IT-20SC filers in determining whether or not the minimum amount of tax was timely paid.

1. Enter the annual adjusted gross income tax from Schedule B of Form IT-20 and IT-20S, Schedule A of Forms IT-20SC, or Schedule C of Form IT-20NP.
2. Enter the annual gross income tax from Schedule A of Form IT-20 or IT-20G (schedule A and B of Form IT-20NP). If total gross income tax is less than \$1,000, enter zero. Form IT-20SC filers enter zero.
3. Subtract line 2 from line 1. Enter zero if difference is less than \$1,000.
4. Enter the annual supplemental net income tax from Schedule C of Form IT-20, Schedule B of Forms IT-20S and IT-20SC, or Schedule D of Form IT-20NP. If total supplemental net income tax is less than \$1,000, enter zero. Form IT-20G filers enter zero.
5. Add lines 2, 3 and 4. If the total is zero, STOP. You owe no penalty and you do not need to complete this schedule.
6. Enter your total tax reduction (non-refundable) credits (college credit, neighborhood assistance credit, etc.) reported on line 55 of Form IT-20; line 16 of Form IT-20G; line 34 of Form IT-20NP or line 24 of Form IT-20SC. Also include applicable WH-18 withholding credits and any gross income tax paid on sales of real estate. **Do not** enter estimated tax payments, extension payments, or prior year's overpayment credit. In no case may the total of tax reduction credits exceed the total tax on line 5.
7. Subtract line 6 from line 5. This is your current year's tax liability. If zero, STOP. You do not owe any underpayment penalty.

PART II - How to Figure Exception to Underpayment Penalty

I.C. 6-3-4-4.1(e) prescribes two exceptions to the penalty for underpayment. If required to pay quarterly, the estimate should include either at least 20% of the total income tax liability for the taxable year or 25% of the final income tax liability for the previous tax year.

If the previous year was for a period of less than twelve months, the exception may be met by demonstrating what the liability would have been if a twelve-month return had been filed. For example, if the previous year was for 6 months, double the total tax for that year and enter 25% of this total. If last year's tax was zero, enter zero on line 9.

9. Enter 100% of your prior year's final income tax liability (total tax less non-refundable credits and any withholding and gross tax credits) before applying estimated tax credits.

11. Enter in columns (a) through (d) the quarterly installment due dates that correspond to the estimated income tax payments for your tax year.

If filing on a calendar year basis, the installment due dates for corporate income tax payments are April 20, June 20, September 20 and December 20 of the taxable year. Fiscal year and short tax year filers must remit by the twentieth day of the fourth, sixth, ninth, and twelfth months of the taxable year. Short period filers see note following line 22 instructions. **Caution:** These quarterly due dates may be different for tax years beginning in 1998.

12. Enter the amount of estimated taxes paid by the due date of the installment for each quarter. Payments made after the quarterly due date should be reported in the following quarter (unless penalty and interest were included with the payment). If you are carrying forward an overpayment credit from the previous year, add that amount together with the installment amount paid for the first quarter. Do not include any credits claimed on line 6. **STOP.** Complete lines 13 through 16 in each column before proceeding to the next column.

13. Enter the remaining overpayment, if any, from line 16 of the preceding quarter, as adjusted after deducting any previous <underpayment> balance.

15. Divide line 10 by four (4) and enter the result in each column. NOTE: Short period filers must apply the instructions following line 22 instructions.

16. Subtract line 15 from line 14 for each column. If line 14 is less than line 15, enter the resulting underpayment in <brackets>. If line 15 is equal to or greater than line 14, the difference is an overpayment and you have met an exception to the penalty for the quarter. See instructions for line 13.

After completion of all four columns, if none of the quarters show an underpayment, stop here and attach schedule to your return. Otherwise proceed to Part III to recompute your actual underpayment.

PART III - How to Figure the Penalty

The penalty for the underpayment of estimated taxes is assessed on a quarterly basis on the difference between the amount paid for each quarter and twenty-five percent (25%) of the final tax liability for the current year. **If any underpayment is shown on line 16 continue by completing lines 17 through 21 in each column before proceeding to the next column.**

17. Enter the remaining overpayment, if any, from line 20 of the preceding quarter, as adjusted after deducting any previous <underpayment> balance.

19. Enter current year's quarterly tax due: divide line 7, in Part I, by four (4) and enter result in each column.

20. Subtract line 19 from line 18. If line 18 is less than line 19, enter the resulting underpayment in <brackets>. If line 18 is greater than line 19, the difference is carried as an overpayment to line 17 of the next column after deducting any remaining <underpayments> shown on line 20 of the preceding columns.

21. **Multiply the amount of <underpayment> on line 20 for each column by 10% if an exception to penalty for the quarter was not met on line 16. Enter zero on line 21 if line 16 is zero or greater for the quarter.**

22. Add the amounts on line 21 for all quarters and enter result here. This is your total underpayment penalty due. Carry this amount to the appropriate line on the front of Form IT-20, IT-20G, IT-20NP, IT-20S or IT-20SC.

Short Period Returns: Lines 15 and 19 must be changed to correspond with your short period return. Do not enter 25% of line 7 or 10; instead, divide lines 7 and 10 by 3 for returns consisting of three quarterly periods. Divide lines 7 and 10 by 2 for returns consisting of two quarterly periods. Use the entire amount from lines 7 and 10 for returns consisting of one quarterly period. For lines 11 through 21, complete only those columns which correspond with the number of quarters being filed.

Other Tax Credits

Also see instructions for lines 59 and 60.

Guarantee Association Credit - An insurance company may claim a tax credit up to 20% of an assessment paid to either the Indiana Insurance Guarantee Association or the Indiana Life and Health Insurance Guarantee Association (see I.C. 27-6-8-15 and I.C. 27-8-8-16);

Historic Rehabilitation Tax Credit - I.C. 6-3.1-16-7 provides a tax credit for rehabilitating historic properties. The credit is 20% of the total cost of certified rehabilitation expenses of at least \$5,000 made to a registered Indiana historic structure that is at least 50 years old, 2000 square feet on the ground floor, and actively used in a trade or business. The credit may be used to offset a taxpayer's total state income tax liability but any excess credit must be carried forward to the immediately following tax year(s).

Contact the Division of Historic Preservation and Archaeology, at (317) 232-1646, to obtain more information and instructions for approval of this credit;

Indiana Comprehensive Health Insurance Association Credit - An insurance company who is a member may elect to claim a credit (nonrefundable) against its income tax liability for the assessment paid to the Indiana Comprehensive Health Insurance Association;

Industrial Recovery Tax Credit - I.C. 6-3.1-11 provides for a state tax liability credit based upon a taxpayer's qualified investment in a vacant industrial facility within a designated industrial recovery site. If the enterprise zone board approves the application and the plan for rehabilitation, the taxpayer is entitled to a credit based upon the "qualified investment." The taxpayer must carry forward any excess credit to the immediately following tax year(s).

Effective March 31, 1996, a lessee of property in an industrial recovery site may be assigned tax credits based upon the owner's or developer's qualified investment within the designated industrial recovery site. The assignment must be in writing and any consideration may not exceed the value of the part of the credit assigned. Both parties must report the assignment on their state tax return for the year of assignment. The lessee may use the credit to offset its total state income tax liability but any excess credit must carry forward to the immediately following tax year(s).

Request additional information regarding the definitions, qualifications, and procedures for obtaining the credit from: The Indiana Department

of Commerce, Enterprise Zone Board, One North Capitol, Suite 700, Indianapolis, Indiana 46204, telephone number (317) 232-8905;

Investment Cost Credit - Effective for tax years beginning after December 31, 1994, a limited liability company is entitled to an enterprise zone investment cost credit against its adjusted gross income tax liability provided under I.C. 6-3.1-10-4 for a qualified investment made in a designated zone located in Vigo County, Indiana. The limited liability company may carry over any excess credit to succeeding taxable years.

The Indiana Department of Commerce administers this program, One North Capitol, Suite 700, Indianapolis, Indiana 46204, telephone number (317) 232-8911;

Maternity Home Tax Credit - An income tax and unused carryover credit is allowed for maternity home owners who provide a temporary residence to at least one pregnant woman for at least 60 consecutive days during the pregnancy. If more than one entity has an ownership interest in a maternity home, each may claim the credit in proportion to its ownership interest. The maternity home owner must annually file an application with the State Department of Health in order to be eligible to claim this credit.

A copy of the application approved by the State Department of Health must be attached to verify the credit claimed. Contact the Maternal and Child Health Division at (317) 633-8451 for the application and more information about this credit;

Personal Computer Tax Credit - An income tax credit of \$125 per unit of qualified personal computer equipment donated to a not-for-profit Educational Service Center in conjunction with the Buddy-Up with Education Program may be claimed. Attach preapproved Form PC-20 to the return.

Form PC 10/20, Personal Computer Tax Credit Application, is available from the Department. For more information about this program call the Central Indiana Educational Service Center at (317) 387-7100;

Teacher Summer Employment Tax Credit - I.C. 6-3.1-2-1 provides a credit to taxpayers who hire designated shortage certified teachers during school summer vacations. The credit for each teacher hired is the lesser of either \$2,500 or 50% of the compensation paid. The Professional Standards Board will certify the qualified positions. Schedule TSE must be attached to the return. Contact the Department of Education at (317) 232-6675 for information about this credit.

Special Reminders

1. A corporation filing on a fiscal or short year basis must enter its tax year beginning and ending dates on the return.
2. Net operating loss deductions must be supported by completing Schedule IT-20NOL.
3. Nonbusiness income deductions shown on Schedule F must be explained on Schedule F-1, Nonbusiness Income and Non-Unitary Partnership Income Supplement.
4. **The Penalty for Underpayment of Corporate Taxes, Schedule IT-2220, must be completed and attached to return to reflect the applicable penalty and/or exceptions. See pages 21 and 22.**
5. If an extension of time to file exists, the corporation must prepay at least 90% of the tax reasonably expected to be due by the original due date. Failure to do so will result in a 10% penalty on the amount paid after the original due date. Interest will be due on any payment made after the original due date.
6. Corporations filing consolidated returns must attach a Schedule 8-D to reflect the gross income and nontaxable receipts of each corporation. In addition, a schedule to reflect the net federal taxable income and Indiana modifications of each corporation must accompany the return to support the adjusted gross income calculation.
7. **Corporations that qualify and wish to file as an Indiana "special" corporation cannot use this form. Form IT-20SC must be filed in order to claim the exemption from the gross tax.**
8. The Department requires that the appropriate lines be completed on the official forms. For example, do not refer to a separate schedule when computing the adjusted gross income tax. Rather, complete Schedule B of the return. Failure to do so will cause delays in processing.
9. **Copies of pages 1 through 4 of the federal U.S. corporation income tax return and any extension form must be attached to the Indiana corporation income tax return.** This requirement is made under the authority of I.C. 6-8.1-5-4(d).

If you have any questions you may call the Corporate Income Tax Section: (317) 232-2189.



INDIANA DEPARTMENT OF REVENUE
 100 N. SENATE AVENUE
 INDIANAPOLIS, IN 46204-2253

Corporate Taxpayer Assistance
 (317) 232-2189



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**STATE OF INDIANA
 CORPORATE INCOME TAX BOOKLET
 FORM IT-20 TAX YEAR 1996/97**

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Tax forms may be requested by calling (317) 486-5103. If you would like forms faxed to you, use the phone on your fax machine to call Indiana TaxFax at (317) 233-2FAX (2329). By calling this number and reviewing the list of available forms, you will have immediate access to most of our tax forms and information bulletins.

Many of the tax forms are also available on the internet at the following address: <http://www.ai.org/dor>

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