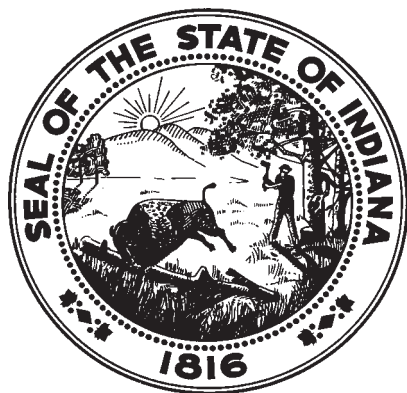


Indiana
Corporate
Adjusted
Gross
Income Tax
Booklet

Form
IT-20



For
Tax Year
2003
and
Fiscal Years
Ending in
2004

2003 Indiana Corporate Adjusted Gross Income Tax

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For Other Indiana Department of Revenue Forms:

Web Address - www.in.gov/dor/

Our homepage provides access to forms, information bulletins and directives, tax publications, e-mail, and various filing options.

Indiana TaxFax - (317) 233-2329

Call TaxFax using the telephone portion of your fax machine or computer to obtain the Department's catalog of available Indiana tax forms.

Tax Forms Order Line - (317) 615-2581

Annual Public Hearing

In accordance with the Indiana Taxpayer Bill of Rights, the Department will conduct an annual public hearing on Tuesday, June 1, 2004. Please come and share your ideas on how the Department of Revenue can better administer Indiana tax laws. The hearing will be held at 9a.m. in the Indiana Government Center South, Conference Center Room 1, 402 West Washington Street, Indianapolis, Indiana. If you can't attend, please submit your concerns in writing to: Indiana Department of Revenue, Commissioner's Office, 100 North Senate Avenue, Indianapolis, Indiana 46204.

Legislative and Administrative Highlights for Corporate Income Tax

Internal Revenue Code References

Public Law (P.L.) 105-2003 updates references to the Internal Revenue Code in certain Indiana income tax statutes. For tax year 2003, any reference to the Internal Revenue Code means the Internal Revenue Code of 1986, as amended, and in effect on January 1, 2003. *Citations affected: IC 6-3-1-3.5, 6-3-1-11 and 6-3-1-33. Effective: January 1, 2003 (retroactive). HEA 1728, SECTION 2.*

Not included in the above reference to the Internal Revenue Code are any provisions in Public Law 108-27, The Jobs and Growth Tax Relief Reconciliation Act, which was signed by the President on May 28, 2003.

Modification to Eliminate Bonus Depreciation

Add or subtract the amount attributable to bonus depreciation in excess of any regular depreciation which would be allowed had not an election under IRC Section 168(k) been made that substitutes for regular depreciation as applied to property in the year that it was placed into service (HEA 1728-2003 SECTIONS 4 and 5).

On Form IT-20, use the new modification line 6 to reflect certain federal provisions that may not be used to arrive at Indiana adjusted gross income. Explain any adjustments on Schedule H, page 4 of the return. Refer to line 6 instructions on page 7.

Repeal of Gross Income Tax and Supplemental Net Income Tax

P.L. 192 2002(ss) repealed the gross income tax and the supplemental net income tax. The bank tax, the savings and loan tax, and the production credit association tax were also repealed, as well as the credit for property taxes paid on inventory. *Citations affected: IC 6-2.1 and 6-3-8. Effective: January 1, 2003. HB 1001(ss), SECTION 191.*

Adjusted Gross Income Tax Rate Increase

PL 192-2002(ss) increased the corporate adjusted gross income tax from 3.4% to 8.5%. *Citations affected: IC 6-3-2-1. Effective: January 1, 2003. HB 1001(ss), SECTION 70.*

Adjusted Gross Income Defined

P.L. 192-2002(ss), SECTION 67 defines adjusted gross income for domestic life insurance companies to be the same as federal taxable income as defined in Section 801 of the Internal Revenue Code adjusted as follows: add Section 170 deductions and add back state and local income taxes. Subtract income that is exempt under statutes of the United States and income included in taxable income under Section 78 of the Internal Revenue Code.

Other insurance companies that are organized under Indiana law use the definition contained in Section 832 of the Internal Revenue Code with the same adjustments that are listed above. *Citations affected: IC 6-3-1-3.5. Effective: January 1, 2002 (retroactive). HB 1001(ss).*

Insurance Companies

P.L. 192-2002(ss), SECTION 68 provides that life insurance companies and other insurance companies are a corporation for purposes of the adjusted gross income tax statute. *Citations affected: IC 6-3-1-10. Effective: January 1, 2003. HB 1001(ss).*

Factor Apportionment for Insurance Company

P.L. 192-2002(ss), SECTION 71 provides that insurance

companies are subject to a one-factor apportionment formula based on premiums written in Indiana divided by premiums written everywhere. *Citations affected: IC 6-3-2-2. Effective: January 1, 2003. HB 1001(ss).*

Insurance Company's Net Operating Loss Deduction

P.L. 192-2002(ss), SECTION 73 provides that insurance companies subject to the adjusted gross income tax are allowed a net operating loss deduction even if the taxpayer was not subject to tax at the time of the loss. *Citations affected: IC 6-3-2-2.6. Effective: January 1, 2003. HB 1001(ss).*

Exemption for Insurance Company Paying Premium Tax

P.L. 192-2002(ss), SECTION 74 provides that foreign insurance companies are exempt from the adjusted gross income tax, and domestic insurance companies are exempt if they elect to pay the insurance premium tax. *Citations affected: IC 6-3-2-2.8. Effective: January 1, 2003. HB 1001(ss).*

Fares Exempt from Tax

P.L. 192-2002(ss), SECTION 76 provides an exemption for public transportation fares from the adjusted gross income tax statute. *Citations affected: IC 6-3-2-3.5. Effective: January 1, 2003. HB 1001(ss).*

Payment of Estimated Tax

P.L. 192-2002(ss), SECTION 80 specifies estimated payment dates for the adjusted gross income tax, which were previously specified in the gross income tax statute. Provides that no estimated payment penalty will be imposed if the taxpayer has paid 20% of the final liability for the taxable year, or 25% of the final liability for the taxpayer's prior taxable year. *Citations affected: IC 6-3-4-4.1. Effective: January 1, 2003. HB 1001(ss).*

Utility Receipts Tax Effective January 1, 2003

P.L. 192-2002(ss) created a utility receipts tax that is imposed at the rate of 1.4% of the taxable gross receipts of a utility. Gross receipts are defined as the value received for the retail sale of utility services. Pass through entities are subject to the utility receipts tax at the entity level. The utility services subject to tax include: electrical energy, natural gas, water, steam, sewage, and telecommunications.

There is transition language for the utility receipts tax for a fiscal year taxpayer. The taxpayer's first taxable year is from January 1, 2003 until the end of their normal taxable year. *New Citations: IC 6-2-3. Effective: July 1, 2002 and January 1, 2003. HB 1001(ss), SECTIONS 47, 196, 201.*

Indiana Research Tax Credit Increases in 2003 and Extended through December 31, 2013

P.L. 192-2002(ss), SECTION 87 increases the research expense credit from 5% to 10% of the qualified expenditures, and eliminates the apportionment of the credit, so that 100% of all research conducted in Indiana will be eligible for the credit. This SECTION applies to taxable years beginning after December 31, 2002. *Citations affected: IC 6-3.1-4-2. Effective: January 1, 2003. HB 1001(ss).*

P.L. 224-2003, SECTION 191 provides that the research expense credit against the adjusted gross income tax be extended through December 31, 2013. *Citations affected: IC 6-3.1-4-6. Effective: July 1, 2003. HB 1001.*

Legislative and Administrative Highlights for Corporate Income Tax continued

Voluntary Remediation Tax Credit

P.L. 109-2001, SECTION 1, provides a credit for qualified investments involving the remediation of a brownfield. The credit is limited to the lesser of a taxpayer's state tax liability, \$100,000, or 10% of the qualified investment per project. The local legislative body is required to approve the credit. The Department of Environmental Management shall share administrative duties with the Indiana Development Finance Authority.

The total amount of credits that may be granted in each state fiscal year is limited to \$1,000,000. No new tax credits, other than carry-overs, are allowed for tax years beginning after December 31, 2003. Pass-through entities are eligible for the credit. *Citations affected: IC 6-3.1-23. Effective: January 1, 2002. SB 273.*

Expansion of EDGE Program as a Job Retention Credit Effective for 2003 and 2004

P.L. 178-2002, SECTION 41-50, provides that the Economic Development for a Growing Economy (EDGE) program includes projects that are for job retention and not just job creation in Indiana. The job retention criteria require that the applicant employ at least 200 employees. The average compensation must exceed the county average by five (5) percent, and the local communities affected must contribute \$1.50 of incentives for every \$3 of tax credit provided. The job retention credit is capped at \$5,000,000 per year in state FY 2004 and in FY 2005. An agreement for awarding job retention credits must be approved by the state budget agency.

The act eliminates the requirement that an applicant for the job creation credit must verify that there is another state competing for the project. *Citations affected: IC 6-3.1-13. Effective: January 1, 2003. HB 1196.*

Venture Capital Investment Tax Credit Effective for 2004 through 2008

P.L. 192-2002(ss), SECTION 119, creates a Venture Capital Investment Tax Credit, effective for taxable years beginning after December 31, 2003. Provides that a taxpayer that provides qualified investment capital to a qualified Indiana business is entitled to a credit. Requires the Department of Commerce to certify that the Indiana business is qualified to receive the investment based on six different criteria established in the statute. The Department of Commerce shall provide a copy of Commerce's certification to the investors for inclusion with their tax filing. The Department of Commerce may impose an application fee of \$200.

The maximum amount of credit is equal to the lesser of twenty (20) percent of the qualified investment or \$500,000. The total amount of credits that may be allowed in a calendar year may not exceed \$10,000,000. The taxpayer must submit proof to the Department that the taxpayer is eligible for the credit. The Department shall keep track of all filings of credits being claimed and grant the credit in the chronological order that they are received. The credit can be carried forward but there is no provision for carry back or refund of an unused credit. The credit is limited to investments that occur before December 31, 2008. *Citations affected: IC 6-3.1-24. Effective: July 1, 2002 and January 1, 2003. HB 1001(ss.)*

P.L. 192-2002(ss) was amended by P.L. 214-2003 (January 1, 2003, retroactive) effective for tax years beginning after December 31, 2003. It provides that a pass through entity is eligible for the venture capital investment tax credit.

A taxpayer desiring to receive the venture capital investment tax credit must apply to the Department of Commerce for a certification that the proposed investment would qualify for a credit. The application must include the name and address of the taxpayer, and the name and address of each proposed recipient of the proposed investment.

For a taxpayer to receive the credit, the investment capital must be provided to the qualified business within two (2) years after the certification of the investment plan. Upon proof of a taxpayer's investment, the Department of Commerce shall issue a certificate to the taxpayer that the taxpayer is eligible for the credit. Requires the taxpayer submit a copy of the certificate issued by the Department of Commerce for the venture capital investment tax credit to the Department when filing the taxpayer's tax return and claiming the credit. *Citations affected IC 6-3.1-24. Effective: January 1, 2003 (retroactive). SB 386-2003, SECTIONS 1-8.*

Two New Enterprise Zones Established

The State Enterprise Zone Board designated areas in the cities of **Frankfort** and **Salem** as two new enterprise zones. The designation is effective for January 1, 2003 through December 31, 2013 and applies to taxable years beginning after December 31, 2002.

Contact the Indiana Department of Commerce, Community Development Division, Enterprise Zone Services, One North Capitol Avenue, Indianapolis, IN 46204, or call 317-232-8911. Also contact your local Urban Enterprise Zone Association for more information.

General Statement and Instructions for 2003 Form IT-20

Filing Requirements for Current and Fiscal Year Returns

Any corporation doing business and having gross income in Indiana is required to file a corporation income tax return unless specifically exempt. Indiana tax law requires all corporations to adopt their federal tax year for reporting income to Indiana.

A limited liability company, including a publicly traded partnership, that is treated as a partnership and not as a corporation for federal income tax purposes must file on Form IT-65. A nonprofit corporation must file Form IT-20NP and/or Form NP-20. A political organization and a homeowner's association are not considered nonprofit 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 fifteenth (15th) day of the fourth (4th) month following the close of the tax year.**

A farmer's cooperative described in Section 1381 of the Internal Revenue Code has until the fifteenth (15th) day of the tenth (10th) month following the end of its taxable year to file its annual Indiana Adjusted Gross Income Return.

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.

If a corporation has overpaid its Indiana income tax liability, it may 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 will accrue interest from the date the tax was due and will be paid at the rate established by the Commissioner.

For an overview of corporate taxation, refer to Income Tax Information Bulletin #12. Attach copies of pages 1 through 4 of the completed U.S. Corporation Income Tax Return when filing the Indiana return on paper.

Indiana Financial Institution Tax

I.C. 6-5.5-2-1 imposes an 8.5% franchise tax on the adjusted gross income of a corporation transacting the business of a financial institution, including: a holding company, a regulated financial corporation, or a subsidiary of the above. Any taxpayer subject to tax under I.C. 6-5.5 is exempt from Indiana's adjusted gross income tax.

The franchise tax extends to both resident and nonresident financial institutions and to all other corporate entities when eighty (80) percent 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 loans or extensions of credit; acting as an agent broker or advisor in connection with leasing that is the economic equivalent of an extension of credit; or operating a credit card, debit card or charge card business.

Entities subject to this tax should not file Form IT-20; instead, they should file Form FIT-20. For information, request Commissioner's Directive #14 by calling the Corporate Income Tax Section: (317) 615-2662.

Utility Receipts Tax

Effective January 1, 2003, a utility receipts tax is imposed at the rate of 1.4% of the taxable gross receipts of a utility. Gross receipts are defined as the value received for the retail sale of utility services. Pass through entities are subject to the utility receipts tax at the entity level. The utility services subject to tax include: electrical energy, natural gas, water, steam, sewage, and telecommunications.

Entities subject to this tax must file Form URT in addition to the annual corporate adjusted gross income tax return, Form IT-20. See Commissioner's Directive #18 for further information.

Accounting Methods and Taxable Year

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

Adjusted Gross Income (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 and allocation formula detailed on Schedule E. The adjusted gross income tax rate is increased to eight and one-half (8.5) percent.

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

A corporation whose estimated adjusted gross income tax liability exceeds \$1,000 for a taxable year must file quarterly estimated tax payments.

Estimated income tax payments are submitted with the Indiana quarterly estimated return, Form IT-6, or by electronic funds transfer when the average quarterly liability exceeds \$10,000. 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.

If an estimated account needs to be established, contact the Department to remit the initial payment and to request preprinted quarterly estimated IT-6 returns. Use the federal identification number of the reporting taxpayer.

The quarterly due dates for estimated income tax payments for calendar year corporate taxpayers are April 20, June 20, September 20 and December 20 of the 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.

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

Corporations required to estimate their income taxes will be subject to a ten (10) percent underpayment penalty if they fail to timely file estimated tax payments or fail to remit a sufficient amount. To avoid the penalty, the required quarterly estimated payments must be at least twenty (20) percent of the total income tax liability for the current taxable year or twenty-five (25) percent of the corporation's final income tax liability for the previous tax year.

Use Schedule IT-2220 to show an exception to the penalty if the corporation underpaid its income tax for any quarter. If an exception to the penalty is not met, payment of the computed penalty must be included with the return.

The 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 (25) percent 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 Income Taxes.

Electronic Funds Transfer Requirements

Corporate quarterly estimated tax is required to be remitted by Electronic Funds Transfer (EFT) if the amount of the corporate adjusted gross income tax imposed on a corporation exceeds an average liability of \$10,000 per quarter (or \$40,000 annually). Because there is no minimum amount of payment, the Department encourages all corporate taxpayers not required to remit by EFT to participate voluntarily in our EFT program. Note: Taxpayers remitting by EFT should not file quarterly IT-6 coupons. The amounts are reconciled when the annual income tax return is filed.

If the Department notifies a corporation of its requirement to remit by EFT, the corporation must do the following:

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

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

If the corporation determines that it meets the requirements to remit by Electronic Funds Transfer (EFT), contact the Indiana Department of Revenue, EFT Section, by calling (317) 615-2695.

Consolidated Reporting

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 Indiana consolidated return must include any member of the affiliated group under Section 1504 of the Internal Revenue Code having income or loss attributable to Indiana during the year.

If such an election is made for Indiana tax purposes, the Department should be notified by attaching a statement using the Schedule 8-D, Schedule of Indiana Affiliated Group Members, indicating the affiliated corporations included in the consolidated return. In addition, a spreadsheet must accompany the annual return reflecting the adjusted gross income or loss of each of the participating affiliates. Schedule 8-D is available separately from the Department.

An election to file a consolidated adjusted gross income tax return for Indiana purposes must be made by filing the consolidated tax 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 good cause and receive written permission from the Department. The request to discontinue filing consolidated must be made at least ninety (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 "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 Indiana Department of Revenue, Tax Policy Division, 100 N. Senate, N248, Indianapolis, IN, 46204, within thirty (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)) involved in the apportionment factor of the unitary filer. The computation of apportionment for members of a combined group must be included. Unitary Schedule 1 detailing federal taxable income and inter-company eliminations must 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

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 apportionment formula. The 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 taxes, and charitable contributions are 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 at the partnership level 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 are deducted on line 13 of return. Non-unitary partnership income attributed to Indiana, including any apportioned pro rata modifications, is added back on line 17. Refer to instructions for Schedule F for further information.

Losses will be treated the same as income; however, losses cannot exceed the limits imposed by I.R.C. Section 704.

Extensions for Filing Returns

The Department normally 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 form 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.

If 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, Corporate Income Tax Section, Returns Processing Center, 100 N. Senate Avenue, Indianapolis, Indiana, 46204-2253.

Penalty for late payment will not be imposed if at least ninety (90) percent of the tax is paid by the original due date. **The extension payment should be sent with the previous pre-printed Indiana Form IT-6, as a fifth quarter estimated payment for your taxable year.** Any tax paid after the original due date must include interest. Contact the Department for the current rate of interest charged for late payments.

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 (3) years from the latter of the date of overpayment or the due date of the return. For carryback of a net operating loss deduction, Indiana generally follows federal regulations.

I.C. 6-8.1-9-1 entitles a taxpayer to claim a refund because of a reduction in tax liability resulting from a federal modification by allowing six (6) months from the date of modification by the Internal Revenue Service to file a claim for refund.

Therefore, an overpayment resulting from a modification of a federal income tax liability must be claimed within the latter of: the three year period from the due date of the return, date of payment, or within six (6) months of the taxpayer's notification by the Internal Revenue Service.

If an agreement to extend the statute of limitations for an assessment is entered into between the taxpayer and the Department, then the period for filing a claim for refund is likewise extended.

Calculation of Interest on Refund Claims

IC 6-8.1-9-2 states if an overpayment of tax is not refunded within ninety (90) days of either: the date the tax payment was due, the date the tax was paid, or the date the refund claim is filed, whichever is latest, it will accrue interest from the date the tax was due or paid at the rate established by the Commissioner

An approved overpayment will be refunded or may be credited to the following tax year. A combination of the above two options can be used.

Instructions for Completing Form IT-20

Identification Section

File a 2003 Form IT-20 return for a taxable year ending December 31, 2003, a short tax year beginning in 2003 and ending in 2003, or a fiscal year beginning in 2003 and ending in 2004. For a short or

fiscal tax year fill in at the top of the form the beginning month and day and ending date of the taxable year.

All corporations filing an Indiana corporation income tax return must complete the top portion of the form including questions *K to V*. Please use the full legal name of the corporation and present mailing address.

For question K, check box #2 only if the corporation is dissolved, liquidated or has withdrawn from the state. **Domestic insurance companies must check box K4 in question K. Farmer's cooperatives must check box K5.** The federal identification number shown in the box at the upper right hand corner of the return must be accurate and the same as 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 the corporation is registered as a collection agent for the State of Indiana for sales and/or withholding tax, enter the assigned Indiana Taxpayer Identification (TID) number as 10 digits by dropping the trailing three digits. This number should be referenced on all returns and correspondence filed with the Department.

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

Enter your principal business activity code, derived from the North American Industry Classification System (NAICS), in the designated block of the return. Use the six-digit activity code as reported on the federal corporation income tax return.

A list of these codes is available through the Department's website: www.in.gov/dor/resources/

Computation of Adjusted Gross Income Tax

Unitary filers should use the combined group's totals and relative formula percentage for entries on all lines except lines 17 and 19. Compute the Indiana portion of a net operating loss deduction, if any, on line 19 based on the relative formula percentage as applied for the loss year.

Line 1. Enter the federal taxable income (as defined under I.R.C. Sections 63, 801 and 832) before any federal net operating loss deduction and/or special deductions from Form 1120, or pro forma U.S. corporation income tax return for the taxable period.

Line 2. Enter the special deductions from Schedule C, federal Form 1120 excluding NOL. Use the amount reportable to Indiana if filing as a consolidated group.

Line 4. Enter all taxes measured by income levied by any state, taken as deductions 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 5. Enter all charitable contributions deducted when computing federal net taxable income.

Line 6. Adjustment is required for any provision claimed under The Jobs and Growth Tax Relief Reconciliation Act of 2003 and bonus any depreciation allowed under The Jobs Creation and Workers Assistance Act of 2002 which affected adjusted gross income.

Add or subtract an amount necessary to make the adjusted gross income of any taxpayer that owns property for which additional first-year special depreciation allowance (bonus depreciation) for qualified property was allowed in the current

taxable year or in an earlier taxable year equal to the amount of adjusted gross income that would have been computed had an election not been made under Section 168(k) of the Internal Revenue Code to apply bonus depreciation.

See **Commissioner's Directive #19**, issued August, 2003 for information on the allowance of depreciation for state tax purposes. Attach a statement to explain any adjustment.

Line 7. 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 relationship exists). However, this is not a total exclusion. All related expenses must first be deducted from the exempt dividend or interest income and are limited to the amount of income generated by each obligation. Refer to Income Tax Information Bulletin #19 for a listing of eligible items.

Line 8. 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 9. Enter the sum: add lines 4, 5 and 6 subtract lines 7 and 8.

Line 11. 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 (100) percent if the corporation including the foreign source dividend in its adjusted gross income owns stock, possessing at least eighty (80) percent of the total combined voting power of all classes of stock of the foreign corporation where the dividend is derived.
 - (b) The percentage is eighty-five (85) percent if the corporation including the foreign source dividend in its adjusted gross income owns stock, possessing at least fifty (50) percent but less than eighty (80) percent of the total combined voting power of all classes of stock of the foreign corporation where the dividend is derived.
 - (c) The percentage is fifty (50) percent if the corporation including the foreign source dividend in its adjusted gross income owns stock, possessing less than fifty (50) percent of the total combined voting power of all classes of stock of the foreign corporation where the dividend is derived.

Complete the worksheet on form page 4.

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 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.

Do not include any amount treated as a dividend under Section 78 of the Internal Revenue Code. Also refer to Indiana Income Tax Information Bulletin #78.

- **Deduction for Lottery Games Prize Money**-A portion of prize money received from the purchase of a winning Indiana lottery game or ticket included in federal taxable income should be excluded. Beginning after June 30, 2002, the proceeds of up to \$1200 are deductible from each winning lottery game or ticket paid through the Hoosier State Lottery Commission. *Explain deduction on Schedule H, on form page 4.*

Caution: Do not use line 11 to deduct out-of-state income. Instead, see the apportionment and allocation instructions for IT-20 Schedules E and F.

Additional Explanations IT-20 Schedule H

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

Line 12. Add lines 10 and 11, enter the balance. If there is property, payroll, or sales outside Indiana, refer to the instructions for Schedule E and F.

Line 13. Enter the net nonbusiness income (loss) and tiered/non-unitary partnership distribution from IT-20 Schedule F, column C, line 10. You must also attach completed IT-20 Schedule F.

IT-20 Schedule F

Allocation of Nonbusiness Income and Indiana Non-Unitary Partnership Income

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 dependent upon or contributing 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.

With partnership income, the relationship between the business of the corporate partner and the partnership will control the classification. 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.

Nonbusiness Income is defined as all income not properly classified as business income. 45 I.A.C. 3.1-1-31. 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 the sale of property held for investment purposes only.

Note: Partnership distributions included in federal taxable income derived from a partnership not having a unitary relationship with the corporate partner (taxpayer) will be reported on line 9, column C. All non-unitary partnership distributions attributed to Indiana, including the apportioned share of the partnership's state income taxes and charitable contributions, must be entered on line 9, column D for Indiana adjusted gross income.

Likewise, any previously apportioned income, including distributions from tiered partnerships, are treated as allocated income and reported on line 9, column C. It will not be part of the tax base of apportionable business income.

The taxpayer's pro rata portion of such income and modifications that were previously attributed to Indiana will be carried to line 9, column D. The total on line 9D is added to the corporation's non-business income allocated to Indiana and other business income apportioned to Indiana to determine the taxpayer's total taxable income.

Line (1) Dividends from nonbusiness sources are allocated to Indiana if the commercial domicile is Indiana. If there is, or was, a unitary relationship between the taxpayer and the payer of the dividend, the income is generally treated as business income. Factors to consider in determining if a unitary relationship exists are the degree of control, centralized operating functions, economic benefits provided by the affiliate, inter-company transfers of personnel, common trademarks and patents, and the total sales between affiliated corporations. Net dividends from a FSC or a DISC (after federal Schedule C deduction) are treated as business income and must be apportioned.

Line (2) 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 (3) 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.

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 taxable in the state where the property is located. Include net capital gains or losses from the sale or exchange of all real property not used in the production of business income.

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

Line (4) 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.

Rents and royalties from nonbusiness 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 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 (5) Patents, copyrights and royalties from intangible property are allocated to Indiana:

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

1. 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.

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

Line (6) Other Nonbusiness Income: Enter other nonbusiness income not provided for in lines (1) through (5) and line (9).

Line (7) Total Nonbusiness Income from column A, gross amount subtotals lines 1 through 6.

Line (8) Total Related Expenses from Column B, subtotals lines 1 through 6 (all related nonbusiness expenses attributed to excluded income other than state income taxes).

Line (9) Distributive Share Income from Non-Unitary Partnerships and Tiered Partnerships: Enter in column C the total non-unitary partnership and tiered partnership income reported on the federal return. Enter in column D apportioned Indiana income, as modified, from Form IT-65 Schedule IN K-1, and any portion of tiered partnership income attributed to Indiana.

Line (10) Total Net Nonbusiness Income (loss): Add all subtotals from column C. Also enter amount of column C on line 13 of Form IT-20.

Line (11) Total Indiana Nonbusiness Income and Indiana Non-Unitary Partnership Income: Add all subtotals from column D. Also enter amount of column D on line 17 of Form IT-20.

Form IT-20 Continued

Line 14. Deduct line 12 from line 13.

Line 15a-d. If applicable, enter the Indiana apportionment percentage (round to two decimal places, e.g. 98.46%) from the completed schedule. Check box 15a if using IT-20 Schedule E, line 4c. Check box 15b if using Schedule E-7, Apportionment for Interstate Transportation. (Schedule is available upon request.) Check box 15c if using another approved method. (You must attach the appropriate schedule.) 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 are taxed by Indiana.

Single Receipts Factor: Starting January 1, 2003, a domestic insurance company must use a one-factor apportionment formula when computing taxable adjusted gross income. Adjusted gross income derived from sources within Indiana is determined on premiums and annuity considerations received during the taxable year for insurance upon property or risks in Indiana (3A), divided by premiums and annuity considerations everywhere (3B), as reported in the Annual Statement filed with the department of insurance. Check box 15c; attach a separate calculation statement and enter result as an apportionment percentage on line 15d.

IT-20 Schedule E Apportionment of Adjusted Gross Income for Indiana

Use of apportionments schedule:

If the adjusted gross income of a corporation is derived from sources both within and outside Indiana, the amount attributed to

Indiana must be determined by use of a three-factor apportionment formula except certain insurance companies that, effective on January 1, 2003, must use a single factor for adjusted gross income tax. The Department will not accept returns filed for adjusted gross income tax purposes using the separate accounting method. 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 thirty (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. Use the relative apportionment method as outlined in Tax Policy Directive #6.

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

Part I - Apportionment of Adjusted Gross Income

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 within Indiana (plus value of rented 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 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 composed 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.

Total Property Values

Complete appropriate lines for both within Indiana and everywhere. Add lines (a) through (e) in columns A and B. Divide the sum on line 1A, by the sum from line 1B. Multiply by 100 and enter the percent on line 1C. Round the percentage to the nearest second decimal place (e.g., 16.02%).

2. Payroll Factor: The payroll factor is a fraction. The numerator is the total wages, salaries, and other compensation paid to employees in Indiana, 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 Indiana as determined under the Model Unemployment Compensation Act. Compensation is paid in Indiana if: (a) the individual’s service is performed entirely within Indiana; (b) the individual’s service is performed both within and

outside Indiana, but the service performed outside Indiana is incidental to the individual’s service within Indiana; or (c) some of the service is performed in Indiana and (1) the base of operations, or if there is no base of operations, the place where the service is directed or controlled is in Indiana; or (2) the base of operations or the place where 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 Indiana. Payments to independent contractors and others not classified as employees are not included in the factor. The portion of an employee’s salary directly contributed to a Section 401K plan should be included in the factor; however, the employer’s matching contribution should not be included.

Total Payroll Value

Enter payroll values in lines 2A and 2B. Divide the total on line 2A by the total from line 2B. Multiply by 100 and enter the percent on line 2C. Round the percentage to the nearest second decimal place.

3. Receipts Factor: The receipts factor is a fraction. The numerator is the total receipts of the taxpayer in Indiana during the tax year, and the denominator is the total receipts of the taxpayer everywhere during the tax year. Do not include the portion of dividends excluded for federal taxable business income, or the percentage of foreign source dividends deducted (under I.C. 6-3-2-12). Sales between members of an affiliated group filing a consolidated return under I.C. 6-3-4-14 shall be excluded.

All gross receipts of the taxpayer which are not subject to allocation are to be included in this factor. Do not include any previously apportioned income or any partnership distribution. The receipts factor is double-weighted in the apportionment of income formula when applied to adjusted gross income.

The numerator of the receipts factor must include all sales made in Indiana, sales made from Indiana to the U.S. Government, and sales made from Indiana to a state not having 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 Indiana if the property is delivered or shipped to a purchaser within Indiana regardless of the f.o.b. point or other conditions of sale, or the property is shipped from an office, store, warehouse, factory, or other place of storage in Indiana, and the taxpayer is not subject to tax in the state of the purchaser.

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

consumer loans not secured by real or tangible personal property are attributed to Indiana if the loan is made to an Indiana resident; and commercial loans and installment obligations not secured by real or tangible personal property are attributed to Indiana if the proceeds of the loan are applied in Indiana. Interest income, merchant discounts, travel and entertainment credit card receivables and credit card holder's fees are attributed to the state where the card charges and fees are regularly billed. Receipts from the performance of fiduciary and other services are attributed to the state where the benefits of the services are consumed. Receipts from the issuance of traveler's checks, money orders, or United States savings bonds are attributed to the state where those items are purchased. Receipts in the form of dividends from investments are attributed to Indiana if the taxpayer's commercial domicile is in Indiana; and (4) gross receipts from the performance of services are in Indiana if the services are performed in Indiana. If such services are performed partly within and partly outside Indiana, a portion of the gross receipts from performance of the services shall be attributed to Indiana based upon the ratio the direct costs incurred in Indiana bear to the total direct costs of the services, unless the services are otherwise directly attributed to Indiana according to 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 Indiana if it is shipped from an office, store, warehouse, or other place of storage in Indiana. See above rules for sales other than tangible personal property if such sales are made to the United States Government.

Other gross receipts: Under (f) Other, report other gross business receipts not included elsewhere, and pro rata gross receipts from all unitary-partnership(s), excluding from the factors the portion of distributive share income derived from a previously apportioned partnership source [45 I.A.C. 3.1-1-153(b)].

Single Apportionment Factor for Domestic Insurance Companies: The Receipts Factor section may be used by a domestic insurance company subject to adjusted gross income tax to compute its apportionment factor. Enter on line 3A direct insurance premiums and annuity considerations upon property and risks in Indiana. Enter on line 3B direct insurance premiums and annuity considerations everywhere as reported in the Annual Statement filed with the department of insurance. Divide line 3A by 3B, multiply by 100 and enter resulting percent on line 15d of Form IT-20. Also check box 15c and attach statement to support entries for single factor apportionment.

Total Receipts

Complete all lines as indicated. Add receipt factor lines 3(a) through 3(f) in column A. Enter total on line 3A. Also enter total receipts everywhere on line 3B. See line 4(a) for calculation of the percentage. Round the percentage to the nearest second decimal place.

4. Summary: Apportionment of Income for Indiana for Fiscal Year

- (a) Divide sum on line 3A by the total from line 3B. (Multiply by 100 to arrive at a percentage rounded to the nearest second decimal place.) Enter the quotient in the 4(a)1 space provided and multiply by the 200% double weight adjustment. Enter the product on line 4a of column C.
- (b) Add entries on lines 1C, 2C, and 4a of column C. Enter the sum of the percentages on line 4b.

- (c) Divide the total percentage entered on line 4b by 4. Enter the average Indiana apportionment percentage (rounded to the nearest second decimal place) on line 4c and carry to line 15d, of Form IT-20 and check box 15a.

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. When 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.

Part II - Business/ Non Business Income Questionnaire

Complete all applicable questions in this section. If income is apportioned, list (a) all business locations where the corporation has operations. Indicate (b) the nature of the business activity at each location, whether a location (c) accepts orders in that state, (d) is registered to do business in that state, or (e) files income tax returns in other states, and whether property in the other states is (f) owned or (g) leased.

Form IT-20 Continued

Line 16. Multiply line 14 by the apportionment percentage on line 15d, if applicable; otherwise, enter amount from line 14.

Line 17. Enter Indiana net nonbusiness income (loss) and Indiana tiered, non-unitary partnership income from Schedule F, column D, line 11.

Line 18. Enter the total of line 16 and line 17.

Line 19. The available portion of an Indiana net operating loss deduction is calculated on Schedule IT-20NOL. In no case should this entry exceed the amount entered on line 18. Schedule IT-20NOL MUST be attached to support the entry. Please review Schedule IT-20NOL and instructions before entering an amount on line 19.

Line 20. Subtract line 19 from line 18. Enter here and on line 21.

Line 21. Enter the adjusted gross income subject to tax from line 20.

Line 22. Multiply the amount on line 21 by the corporate adjusted gross income tax rate of 8.5 percent. If line 21 is a loss, enter zero (-0-). Enter the computed adjusted gross income tax. If the insurance gross premium tax was paid, enter zero (-0-).

Line 23. Sales/Use Tax Note: Use tax is computed on an annual basis and should be reported on this line if not previously reported on Form ST-103.

I.C. 6-2.5-3-2 imposes a use tax at the rate of six percent (.06), upon the use, storage or consumption of tangible personal property in Indiana that was purchased or rented in a retail transaction, wherever located, and sales tax was not paid.

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

Use worksheet on form page 4 to compute any sales/use tax liability. For more information regarding use tax, call (317) 233-4015.

Carry the total calculated sales/use tax due to line 23 on the front of the return. **Caution:** Do not report your totals from ST-103 on this worksheet or on Form IT-20.

Line 24. Enter the amount of credit for charitable contributions during the year to eligible colleges and universities located within Indiana.

Note: Schedule CC-20, found on page 4 of Form IT-20, or a separate Schedule CC-40, must be completed and filed with the income tax return.

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.

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

- (1) Ten (10) percent of the corporation's adjusted gross income tax for the year when 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 a separate Schedule CC-20 or Schedule CC-40 (attachment sequence #8) is completed .

Also see Income Tax Information Bulletin #14.

Line 25. Enter the allowable **Neighborhood Assistance Tax Credit** reflected on pre-approved Form NC-20. For further information, refer to Income Tax Information Bulletin #22. Attach Form NC-20 if claiming this credit.

Line 26. Enter the allowable **Indiana Research Expense Tax Credit**. Schedule IT-20REC, must be attached.

Line 27. 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. Enter the allowable amount of your available credit pursuant to I.C. 27-8-10-2.1. Please attach your computation for the credit and the remaining carryover amount.

Line 28. Enter the **Enterprise Zone Employment Expense Tax Credit** as calculated on Schedule EZ, Part 2, or the amount assigned or received from a pass-through entity. Attach the schedule to the return. For further information on this credit and other enterprise zone tax benefits, refer to Income Tax Information Bulletin #66.

Line 29. Enter the **Enterprise Zone Loan Interest Tax Credit** as calculated on Schedule LIC or the amount assigned or received from a pass-through entity. Attach the schedule to the return.

Line 30. Enter the total amount of other credits. See list of **Other Tax Credits** on page 13. The total of all credits is limited to the amount of tax due on line 22 unless otherwise noted. See lines 35 - 36 for certain refundable credits.

Line 31. Enter total tax credits reported on lines 24 through 30.

Line 33. Enter total amount of estimated quarterly income tax payments for the taxable year reported on Form IT-6 or via electronic funds transfer. Itemize each quarterly payment in the spaces provided.

Line 34. Enter the amount of overpayment credit carried over, if any, and specify from which tax year.

Line 35. Enter the amount previously paid with valid extension of time to file.

Line 36. Enter any other payments and refundable credits attributed to the tax year, and attach a complete explanation. Claim on this line EDGE credits.

Line 37. Add lines 33 through 36.

Line 38. Enter the net tax due (subtract line 37 from line 32).

Line 39. Enter the penalty for the underpayment of corporate tax from Schedule IT-2220. Attach a completed copy of this schedule even if you meet an exception to the underpayment penalty.

Line 40. 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 rate of interest charged on late payments.

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 41. Enter the penalty amount that applies:

A. If the return with payment is made after the original due date, a penalty which is the greater of \$5.00 or ten (10) percent, of the balance of tax due (line 38), 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 ninety (90) percent of the tax liability was paid by the original due date; and,
- (3) The remaining tax is paid by the extended due date.

B. If the return showing no tax liability (lines 22 and 23) 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 42. 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 return filed.

Lines 43, 44 and 45. If the corporation has overpaid its tax liability, enter the result of line 37 minus lines 32, 39 and 41.

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. Enter on line 45 the amount of overpayment from line 43 to be credited to next year's estimated tax account. The portion to be refunded should be entered on line 44. The total of lines 44 and 45 must equal the amount shown on line 43.

Note: If the overpayment is reduced because of an error on the return or an adjustment by the Department, the amount refunded (line 44) will be corrected before any changes are made to the amount on line 45. A refund may be set-off and applied to other liabilities under I.C. 6-8.1-9-2(a) and 6-8.1-9.5.

Certification of Signatures and Authorization Section

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

Please mail completed returns with filled-in 2-D bar code to:

**Indiana Department of Revenue
P.O. Box 7231
Indianapolis, IN 46204-7231**

All other prepared returns must be mailed to:

**Indiana Department of Revenue, 100 N. Senate Ave.
Indianapolis, IN 46204-2253**



Indiana Department of Revenue

Indiana Corporate Adjusted Gross Income Tax Return

Form IT-20

for Calendar Year Ending December 31, 2003 or Other Tax Year

(Do not write above)

State Form 44275 (9-03)

Beginning AA / 2003 and Ending BB / /

Form fields for Name of Corporation, Federal Identification Number, Principal Business Activity Code, Address, and various checkboxes (K-V).

Computation of Adjusted Gross Income Tax

All corporations must complete this section. Round off entries to nearest whole dollar.

Income

Table with 3 rows for Income: Federal taxable income, Net qualifying dividends deduction, and Subtotal.

Modifications for Adjusted Gross Income

Table with 10 rows for Modifications for Adjusted Gross Income, including state and local taxes, charitable contributions, and interest deductions.

2003 IT-20

Other Adjustments

Table with 4 rows for Other Adjustments: Foreign Source Dividends, Subtotal of modifications, Deduct: Nonbusiness income, and Taxable business income.

Apportionment of Income for Entity with Multi-state Activities

Table for Apportionment of Income, including checkboxes for methods (15a-c) and percentage entry (15d).

Add Allocated and previously Apportioned Income to Indiana

Table with 2 rows for Add Allocated and previously Apportioned Income to Indiana.

Deduct from Indiana Adjusted Gross Income

Table with 2 rows for Deduct from Indiana Adjusted Gross Income: net operating loss deduction and adjusted gross income subject to tax.

Tax Calculation

21. Enter Indiana adjusted gross Income from line 20	21		
22. Indiana adjusted gross income tax: Multiply line 21 by 8.5% (0.085). Result may not be less than zero.	22		
23. Sales/use tax due from worksheet on form page 4	23		

Tax Liability Reduction Credits (Attach all supporting documentation)

24. College and University Contribution Credit (CC-20) page 4 of form	24			
25. Neighborhood Assistance Tax Credit (NC-20)	25			
26. Indiana Research Expense Tax Credit (IT-20REC)	26			
27. Indiana Comprehensive Health Insurance Association Credit	27			
28. Enterprise Zone Employment Expense Tax Credit (EZ 2)	28			
29. Enterprise Zone Loan Interest Tax Credit (LIC)	29			
30. Other non-refundable credits (See listing on page 13)	30			
31. Total of tax reduction credits (Sum of credits applied may not exceed line 22)	31			
32. Total taxes due: Add lines 22 and 23, subtract line 31. (Cannot be less than zero)	32			

Credit for Estimated Tax and Other Payments

33. Total quarterly estimated income tax paid (Itemize quarterly IT-6/EFT payments below). Qtr1 _____ Qtr 2 _____ Qtr 3 _____ Qtr 4 _____	33			
34. Enter prior year overpayment credit from tax year ending _____	34			
35. Enter this year's extension payment	35			
36. Other credits applied from _____ (Attach supporting evidence)	36			
37. Total payments and credits: Add lines 33 through 36	37			

Balance of Tax Due or Overpayment

38. Balance of Tax Due: If line 32 is greater than line 37, enter the difference as the tax balance due	38		
39. Penalty for Underpayment of Income Tax from attached Schedule IT-2220	39		
40. Interest: If payment is made after the original due date, compute interest. (Contact the Department for current interest rate)	40		
41. Late Penalty: If paying late enter 10% of line 38; see instructions. If lines 22 and 23 are zero enter \$10 per day filed past due date, see instructions	41		
42. Total Amount Owed: Add lines 38 through 41. Make check payable to Indiana Department of Revenue Pay in U.S. funds	42		
43. Overpayment: If sum of lines 32, 39 and 41 is less than line 37, enter the difference as an overpayment	43		
44. Refund: Enter portion of line 43 to be refunded	44		
45. Overpayment Credit: Amount of line 43 less line 44 to be applied to the following year's estimated tax account	45		

Certification of Signatures and Authorization Section

I authorize the Department to discuss my return with my tax preparer. Yes No For Department Use

Under penalties of perjury, I declare I have examined this return, including all accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct and complete. Company's E-mail address

Signature of Corporate Officer Date

Print or Typed Paid Preparer's Name

Street Address

City State Zip+4

Print or Type Name of Corporate Officer Title

Preparer's FID, SSN, or PTIN Number Check One: 1 Federal I.D. Number 2 Social Security Number 3 PTIN Number

Preparer's Daytime Telephone Number

Preparer's Signature

**Indiana Department of Revenue
Apportionment of Adjusted Gross Income for Indiana**

IT-20 Schedule E

State Form 49105 (9-03)

For Tax Year Beginning AA / / 2003 and Ending BB / /

Name as shown on return B	Federal Identification Number A
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Each filing entity having income from sources both within and outside Indiana must complete a three-factor apportionment schedule except financial institutions and certain insurance companies that use a single factor. Interstate transportation entities must use Schedule E-7, Apportionment for Interstate Transportation. Combined unitary filers must use the apportioning method (relative formula percentage) as outlined in Tax Policy Directive #6. Omit cents - percents should be rounded two decimal places - read apportionment instructions.

Part I - Apportionment of Adjusted Gross Income for Indiana

	Column A TOTAL WITHIN INDIANA	Column B TOTAL WITHIN and OUTSIDE INDIANA	Column C INDIANA PERCENTAGE
1. Property Factor - Average value of owned property from the beginning and the end of the tax year. (Value of and pro rata share of real and tangible personal property at original cost.)			
(a) Property reported on federal return (average value for tax year)			
(b) Fully depreciated assets still in use at cost (average value for tax year)			
(c) Inventories, including work in progress (average value for tax year)			
(d) Other tangible personal property (average value for tax year)			
(e) Rented property (8 times the annual net rental)			
Total Property Values: Add lines 1(a) through 1(e)	1A	1B	1C _____ . ____ %
2. Payroll Factor - Wages, salaries, commissions, and other compensation of employees and pro rata share of payroll reportable on the return.			
Total Payroll Value:	2A	2B	2C _____ . ____ %
3. Receipts Factor (less returns and allowances) - Include all non-exempt apportioned gross business income. Do not include non-unitary partnership distributions or previously apportioned income that must be reported with allocable non-business income on Schedule F. Complete classification questionnaire on Part II. Sales delivered or shipped to Indiana:			
(a) Shipped from within Indiana			
(b) Shipped from outside Indiana			
Sales shipped from Indiana to:			
(c) The United States Government			
(d) Purchasers in a state where the taxpayer is not subject to income tax (under P.L. 86-272)			
(e) Interest and other receipts from extending credit attributed to Indiana			
(f) Other gross business receipts not previously apportioned			
Total Receipts: Add column A receipts lines 3(a) through 3(f) and enter in line 3A. Enter all receipts in line 3B, on column B	3A	3B	
4. Summary - Apportionment of Income for Indiana			
(a) Receipts Percentage for factor 3 above: Divide 3A by 3B, enter result here: 4(a)1 _____ . ____ % X 200% (2.0) double-weighted adjustment			4a _____ . ____ %
(b) Total Percents: Add percentages entered in boxes 1C, 2C and 4a of column C. Enter sum			4b _____ . ____ %
(c) Indiana Apportionment Percentage: Divide line 4b by 4 if all three factors are present. Enter here and carry to line 15d of the tax return			4c _____ . ____ %

NOTE: If either property or payroll factor for column B is absent, divide line 4b by 3. If the receipts factor (3B) is absent, you must divide line 4b by 2.

Part II - Business/Non Business Income Questionnaire

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

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

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

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

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

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

(a)

6. List (here and on IT-20 Schedule F) source of any directly allocated income from other partnerships, estates and trusts not in taxpayer's apportioned tax base:

Schedule H - Additional Explanation or Adjustment of Items Elsewhere on Return (Carry subtotals to respective schedules)			
Column A	Column B	Column C	
Reference to line number	Explanation	Amount	

Foreign Source Dividends Deduction Worksheet (excluding Foreign Gross Up) for dividends reported on federal Schedule C included in taxable income.			
Percentage of Voting Stock	Column A Remainder of Federal Taxable Dividends (after Schedule C special deductions) from foreign corporations	Column B Dividend Deduction Rate	Column C Dividend Deduction Col. A x Col. B (enter as negative value)
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 C and carry to Form IT-20, line 11			()

Sales/Use Tax Worksheet for Line 23, Form IT-20		
List all purchases made during 2003 from out-of-state companies.		
Column A	Column B	Column C
Description of personal property purchased from out-of-state	Date of Purchase(s)	Purchase Price
Magazine subscriptions:		
Mail order purchases:		
Internet purchases:		
Other purchases:		
1. Total purchase price of property subject to the sales/use tax		
2. Sales/use tax: Multiply line 1 by .06 (6%)		
3. Sales tax previously paid on the above items (up to 6% per item) plus other tax credits that offset use tax, attach explanation		
4. Total amount due: Subtract line 3 from line 2. Carry to Form IT-20, line 23. If the amount is negative, enter zero and put no entry on line 23 of the IT-20		

Schedule CC-20 - College and University Contribution Credit		
Column A - Name of Indiana College or University (List charitable contributions)	Column B Date	Column C Amount Given
1. Total contributions to Indiana colleges and universities		
2. 50% of line 1 or \$1000, whichever is less		
3. Enter adjusted gross income tax for tax period from, line 22		
4. 10% of your Indiana adjusted gross income tax (multiply line 3 by .10)		
5. Credit - Lesser of line 2 or line 4 (enter here and on line 24 on Form IT-20)		

Indiana Department of Revenue
Allocation of Nonbusiness Income and
Indiana Non-Unitary Partnership Income

(Omit Cents)

<u>Column AA</u>		<u>Column BB</u>	Column A	Column B	Column C	Column D
(4) Rents and Royalties from Tangible Personal Property and Real Estate		Former or current business use Yes/No	Gross Amount	Related Expenses	Net Amount All Sources	Net Amount Indiana Source
Source						
<i>Carryforward subtotals from additional sheets</i>						
Total Rents/Royalties, Expenses, and Net Amounts....					4C	4D
(5) Patents, Copyrights, and Royalties from Intangible Property						
Source						
<i>Carryforward subtotals from additional sheets</i>						
Total Patents/Royalties, Expenses, and Net Amounts..					5C	5D
(6) Other (nonbusiness income)						
Source and Type						
<i>Carryforward subtotals from additional sheets</i>						
Total Other Income, Expenses, and Net Amounts					6C	6D
(7) Total Nonbusiness Income (add subtotals in column A)		7A				
(8) Total Related Expenses (add subtotals in column B, lines 1 through 6)		8B				
(9) Distributive Share Income from Non-Unitary Partnerships & Tiered Partnerships			<u>Column AA</u>	<u>Column BB</u>	Federal K-1 Distributive Share of Income from Non-Unitary/Tiered Partnership(s)	Indiana IN K-1 Distributive Share of Income from Non-Unitary/Tiered Partnership (Including modifications)
Name of partnership (List previously apportioned/allocated partnership distributions)			LLC or LLP			
<i>Carryforward subtotals from additional sheets</i>						
Total Federal Non-Unitary Partnership Income; Net Amount Attributed to Indiana					9C	9D
(10) Total Net Nonbusiness & Non-Unitary Partnership Income (add subtotals in column C, lines 1C through 6C plus line 9C)					10C	
<i>Carry total of line 10C to line 13 of Form IT-20.</i>						
(11) Total Net Nonbusiness & Non-Unitary Partnership Income from Indiana Sources (add subtotals in column D, lines 1D through 6D plus Line 9D)						11D
<i>Carry total of line 11D to line 17 of Form IT-20.</i>						



Indiana Department of Revenue
**Penalty for Underpayment
of Corporate Income Tax**
(See Instructions on reverse side of this schedule)

Name of Corporation or Organization B	Federal Identification Number A
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Part I - How to Figure Underpayment of Corporate Tax
(Effective for taxable years beginning after December 31, 2002)

1. Enter Indiana adjusted gross income tax (if less than \$1,000, enter -0-)	1		
2. Enter total tax reduction credits excluding estimated taxes paid for the taxable period (cannot exceed amount on line 1)	2		
3. Subtract line 2 from line 1. If zero, stop; you do not owe an underpayment penalty	3		

Part II - How to Figure Exception to Underpayment Penalty

4. Multiply line 3 by 80% and enter result here	4		
5. Enter portion of your prior year's final income tax liability, net of tax reduction credits (do not reduce by estimated taxes paid), that is relative to number of months in the current taxable period. See instructions	5		
6. Enter line 4 or line 5, whichever amount is less	6		

Short period filers see note on reverse following line 18 instructions

Quarterly Estimated Tax Paid for Taxable Year

		(a) 1st quarter	(b) 2nd quarter	(c) 3rd quarter	(d) 4th quarter
7. Enter in columns (a) through (d) the quarterly installment dates corresponding to the 20th day of the 4th, 6th, 9th and 12th months of the tax year	7	/ /	/ /	/ /	/ /
8. Enter estimated income tax paid / credited on or before the due date of the installment for each quarter	8				
9. Enter the overpayment, if any, from the preceding column that exceeds any remaining prior <underpayments> shown on line 12	9				
10. Add line 8 and line 9 for each column	10				
11. Divide line 6 by four or by the number of quarters in the tax period; enter result in columns (a) through (d)	11				
12. Subtract line 11 from line 10 for each quarter. If the result is a negative figure, you have not met any exception to the penalty for the quarter	12				

Part III - How to Figure Penalty

13. Enter the overpayment, if any, from the preceding column that exceeds any remaining prior <underpayments> shown on line 16	13				
14. Add line 8 in Part II, and line 13 above, for each quarter	14				
15. Divide line 3 in Part I by four or the number of quarters in the tax period, divisor cannot be less than 1; enter result in applicable columns	15				
16. Subtract line 15 from line 14. If the result is a negative figure, this is your <underpayment> for the quarter	16				
17. If line 12 shows zero or more for the quarter, the overpayment exception is met. Enter zero on line 17. Otherwise, compute 10% penalty on the <underpayment> shown on line 16 for each column. Enter the penalty, if any, for the quarter as a positive figure	17				
18. Add line 17, columns (a) through (d). This is your total underpayment penalty . Enter here and carry to the appropriate line of Form IT-20, IT-20S or IT-20NP	18				

Instructions for Schedule IT-2220

Who Should File?

Schedule IT-2220 must be completed and attached to corporate Form IT-20, IT-20S or IT-20NP anytime the corporation did not pay the required amount of adjusted gross 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 having 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 are due whenever the adjusted gross income tax liability exceeds \$1,000 for a taxable year.

The qualified estimated payments should equal twenty-five (25) percent of the total income tax due for the year. To avoid the penalty, the quarterly estimate must equal at least twenty (20) percent of the total income tax liability for the current taxable year or twenty-five (25) percent 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-20S and, IT-20NP, filers in determining whether or not the minimum amount of tax was paid timely.

1. Enter total Indiana adjusted gross income tax for your taxable year from Form IT-20, IT-20S, or Form IT-20NP.

2. Enter your total tax reduction (nonrefundable) credits (college credit, neighborhood assistance credit, etc.) reported on Form IT-20 or Form IT-20NP. **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 1.

3. Subtract line 2 from line 1. 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 twenty (20) percent of the total income tax liability for the taxable year or twenty-five (25) percent of the final income tax liability for the previous tax year.

Special Note for Final Short/Fiscal Year Filers: If the previous year was for a period of less than twelve (12) 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 six (6) months, double the total tax for that year and enter twenty-five (25) percent of this total. If last year's tax was zero, enter zero on line 9.

5. Enter the proportional amount of your prior year's final income tax liability (total tax less nonrefundable credits and any withholding and other tax credits) before applying estimated tax credits that is relative to the number of months in the current taxable period. Short period line 4 entry should be equal to the prior year's income tax liability multiplied by a ratio of the months in the current taxable period.

7. Enter in columns (a) through (d) the quarterly installment due dates corresponding 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 your taxable year. Short period filers see note following line 18 instructions.

8. Enter the amount of estimated income tax paid by the due date of the installment for each quarter. Payments made after the quarterly due date must be reported in the following quarter when paid. If you are carrying forward an overpayment credit from the previous year, add that amount together with the installment amount paid for the first available quarter to which the carryover credit is posted. Do not include any credits claimed on line 2. **STOP.** Complete lines 9 through 12 in each column before proceeding to the next column.

9. Enter the remaining overpayment, if any, from line 12 of the preceding quarter, as adjusted after deducting any previous <underpayment> balance.

11. Divide line 6 by the the number of quarters in the taxable period . Divisor cannot be less than one. Enter the result in each column. NOTE: Short period filers must apply the instructions following line 18 instructions.

12. Subtract line 11 from line 10 for each column. If line 10 is less than line 11, enter the resulting underpayment in <brackets>. If line 11 is equal to or greater than line 10, the difference is an overpayment and you have met an exception to the penalty for the quarter. See instructions for line 9.

After completion of all four columns, if none of the quarters shows 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 (25) percent of the final tax liability for the current year. **If any underpayment is shown on line 12 continue by completing lines 13 through 17 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. Enter current year's quarterly tax due: divide line 3, in Part I, by the number of quarters in the taxable period. Divisor cannot be less than one. Enter result in each column. See note for short period.

16. Subtract line 15 from line 14. If line 14 is less than line 15, enter the resulting underpayment in <brackets>. If line 14 is greater than line 15, the difference is carried as an overpayment to line 13 of the next column after deducting any remaining <underpayments> shown on line 16 of the preceding columns.

17. Multiply the amount of <underpayment> on line 16 for each column by ten (10) percent if an exception to penalty for the quarter was not met on line 12. Enter zero on line 17 if line 12 is zero or greater for the quarter.

18. Add the amounts on line 17 for all quarters and enter result. This is your total underpayment penalty due. Carry this amount to the appropriate line on the front of Form IT-20, IT-20NP or IT-20S.

Short Period Returns: Lines 11 and 15 must be changed to correspond with your short period estimated return. Do not enter twenty-five (25) percent of line 3 or 6; instead, divide lines 3 and 6 by 3 for returns consisting of three full quarterly periods. Divide lines 3 and 6 by 2 for returns consisting of two full quarterly periods. Use the entire amount from lines 3 and 6 for returns consisting of one, or less than one, quarterly period. For lines 7 through 17, complete only those columns corresponding with the number of full quarters being filed.



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

Name of Corporation or Organization	Federal Identification Number
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PART I — Computation of Indiana Net Operating Loss (Effective for 2003 and Fiscal Years Beginning in 2003 and Ending 2004.)

Complete this schedule if line 9 shows a loss for the tax year. Enter loss, if any, as a positive figure in the box. A separate Schedule IT-20NOL must be completed for each loss year.

Loss year	Loss year ending	Net operating loss from line 9 below	
	aa / / MM DD YYYY	bb	
1.	Enter federal taxable income (as defined in I.R.C. Sections 63, 511, 801 or 832) 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 charitable contributions deducted		3
4.	Add or subtract net bonus depreciation allowance		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 (multiply line 7 by line 8)		9

PART II — Election to waive the carryback of a net operating loss deduction

To claim the Indiana portion of a net operating loss deduction, if any, you must apply the same carryback/carryover treatment as used for federal tax purposes. *Use combined amounts if filing a consolidated return.*

If you compute a qualified Indiana loss on Part I and there is no federal NOL, check this box to waive the two, three, or five-year NOL carryback provision for state tax purposes: cc

Complete this schedule, Parts I and II, attach to and timely file your Indiana loss year return.

PART III — Effect of loss year carried to current tax year return.

(Read all instructions for application of federal carry back and carry forward provisions.)

(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
5th Preceding tax period				
4th Preceding tax period				
3rd Preceding tax period				

Effective for loss years beginning after August 5, 1997, the 3rd preceding tax year carry back application is eliminated for non-farm losses.

2nd Preceding tax period				
1st Preceding tax period				

Note: For loss years incurred in 2001 and 2002, use the same 5-year or 2-year carry back application or carry forward election for the NOL that is in effect for federal purposes.

1st Following tax period				
2nd Following tax period				
3rd Following tax period				
4th Following tax period				
5th Following tax period				
6th Following tax period				
7th Following tax period				
8th Following tax period				
9th Following tax period				
10th Following tax period				

Attach schedule if extending to 15th or 20th following tax year.

Instructions for Schedule IT-20NOL for Tax Periods Beginning in 2003

Note: These instructions apply to Indiana returns in compliance with the Internal Revenue Code of 1986 as amended and in effect on January 1, 2003 with the exception of bonus depreciation. Other provisions of the Job Creation and Workers Assistance Act of 2002 that affect tax years beginning after December 31, 2002 are applicable to the computation of the 2003 tax year loss to the extent allowed for federal purposes.

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-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.

When to File?

A refund initiated by a net operating loss carryback must be claimed by the taxpayer within three (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. Parts I and II should be completed and this schedule attached to the loss year return if electing to waive a state NOL carryback application. Also, attach a fully completed Schedule IT-20NOL to the return(s) where a net operating loss deduction is claimed.

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

The net operating loss deduction 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 (for tax periods 1998 and before), 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 before August 6, 1997, the net operating loss deduction remaining after a three (3) year carryback (if not timely waived) may be carried forward to the **fifteen** (15) tax years following the loss year. (See Part II instructions). Certain losses may be carried up to **twenty** (20) years, following federal provisions.

PART I - Computation of Indiana Net Operating 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. Effective for tax year 2003, add back or subtract an amount equal to bonus depreciation which would be allowed had not an election under I.R.C. Section 168(k) been made that substitutes for regular depreciation. Enter only the items enumerated on lines 1 through 8.

Any other adjustments affecting the calculation of I.R.C. Sections 63, 801 or 832 loss year taxable income on Part I of the net operating loss schedule must be fully explained. Nonprofit 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 Waive the Carryback of a Net Operating Loss Deduction

Pursuant to the Internal Revenue Code, a taxpayer may irrevocably elect, by the loss year's due date (including extensions), to waive the entire carryback period. If this election is made for the loss year on the federal return, the net operating loss deduction may only be carried forward for federal and state tax purposes.

Effective for tax years beginning after August 5, 1997 (excluding tax years ending in 2001 or 2002), federal legislation generally decreased the NOL carry back period from three (3) to two (2) tax years, while the carryforward period increased from fifteen (15) to twenty (20) years. **For tax years ending in 2001 and 2002, the carry back period is extended to five (5) years unless an election to carry forward was timely made.**

Farm Losses: Effective for tax years beginning after December 31, 1997, any part of an NOL attributed to a loss from farming operations may be treated as a separate NOL and may be carried back five years following federal provisions.

In the absence of net operating loss on the federal return, the taxpayer may make an election to waive the carryback of its Indiana net operating loss. This election is reflected on Indiana Schedule IT-20NOL by checking the appropriate box or by attaching to the timely filed Indiana loss year return a statement waiving the NOL carryback provision.

PART III - Effect of Loss Year

Schedule IT-20NOL must be completed for each year a loss occurs. Copies of the schedule should be attached to returns for all years a NOL 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
Corporate Income Tax Section
100 North Senate Avenue
Indianapolis, Indiana 46204
Telephone Number (317) 615-2662

Other Tax Credits

See instructions for line 36 for refundable credits.

Nonrefundable credits are as follows:

Guaranty Association Credit - An insurance company may claim a tax credit up to twenty (20) percent of an assessment paid to either the Indiana Insurance Guaranty Association or the Indiana Life and Health Insurance Guaranty 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 twenty (20) percent of the total cost of certified rehabilitation expenses of at least \$10,000 made to a registered Indiana historic structure that is at least fifty (50) years old, owned by the taxpayer, 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.

Maternity Home Tax Credit - An income tax and unused carryover credit is allowed for maternity home owners providing a temporary residence to at least one pregnant woman for at least sixty (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) 233-1261 for the application and more information about this credit.

Prison Investment Tax Credit - An income tax credit is allowed under I.C. 6-3.1-6 for amounts invested in Indiana prisons to create jobs for prisoners. The amount is limited to fifty (50) percent of the investment in a qualified project approved by the Department of Corrections, plus twenty-five (25) percent of the wages paid to inmates. The maximum credit a taxpayer may claim is \$100,000 per year.

Twenty-First Century Scholars Program Support Fund - (I.C. 6-3-3-5.1). Use Schedule TCSP-40 to compute credit for contributions made to this fund. The credit is equal to fifty (50) percent of the contributions made during the year, limited to the lesser of ten (10) percent 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 Office of the Twenty-first Century Scholars Program at (317) 233-2100. Attach Schedule TCSP-40.

Teacher Summer Employment Tax Credit - I.C. 6-3.1-2-1 provides a tax credit to taxpayers hiring designated shortage certified teachers during school summer vacations. The credit for each teacher hired is the lesser of either \$2,500 or fifty (50) percent 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.

The following programs are administered by the Indiana Department of Commerce. To request additional information regarding the definitions, procedures, and qualifications for obtaining these credits, contact: Indiana Department of Commerce, One North Capitol, Suite 600, Indianapolis, Indiana, 46204, or call (317) 232-8911. Web address: www.in.gov/doc

Capital Investment Tax Credit - Effective January 1, 2001, a taxpayer or a pass-through entity is eligible for a capital investment cost tax credit provided by I.C. 6-3.1-13.5 based on certain qualified capital investments made in Shelby County. The credit, if certified by the Indiana Department of Commerce, is equal to fourteen (14) percent of the amount of the approved qualified investment and is ratable over a seven (7) year period. Contact: Economic Development Division, (317) 232-5297.

Community Revitalization Enhancement District Credit - A state and local income tax liability credit is available for a qualified investment for redevelopment or rehabilitation of property within a community revitalization enhancement district. The expenditure must be approved by the Indiana Department of Commerce before it is made. The credit is equal to twenty-five (25) percent of the qualified investment made by the taxpayer during the taxable year.

The taxpayer can assign the credit to a lessee who remains subject to the same requirements. 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 income tax return for the year of assignment.

The Indiana Department of Revenue has the authority to disallow any credit if the taxpayer ceases existing operations or substantially reduces its operations within the district or elsewhere in Indiana, or reduces other Indiana operations to relocate them into the district.

Effective January 1, 2003, pass-through entities are eligible for the credit.

Individual Development Account Tax Credit - A tax credit is available equal to fifty (50) percent of the contribution, if not less than \$100 and not more than \$50,000, which is made to a community development corporation participating in an Individual Development Account program.

The amount of total credits allowed per fiscal year is limited to \$200,000. Applications for the credit are filed through the community development corporation using Form IDA-10/20. The organization must have an approved program number from the Indiana Department of Commerce before a contribution qualifies for pre-approval.

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." 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.

Investment Cost Credit - 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.

Military Base Recovery Tax Credit - A state tax credit is available for rehabilitation of real property located in military base facilities designated by the state Enterprise Zone Board. A maximum credit of twenty-five (25) percent of the qualified investment in the facility depends on when the property was initially placed in service. Pass through entities are eligible for the credit. The taxpayer must carry forward any excess credit to the immediately following tax year(s).

A claimant may also be a lessee of property in a military base recovery site and assigned part of the tax credit based upon the owner's or developer's qualified investment within a military 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 income 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 be carried forward to the immediately following tax year(s).

A taxpayer that would be entitled to this credit is not entitled to the credit if the taxpayer ceases or drastically reduces operations at the military base recovery site.

Rerefined Lubricated Oil Facility Tax Credit - A taxpayer or a pass through entity may be eligible as determined by the Indiana Department of Commerce, for a state tax credit against its income and sales and use tax liabilities. The credit is based on a percentage of the real and personal property taxes paid by an entity that processes rerefined lubrication oil as defined in I.C. 6-3.1-22.2. Contact: Economic Development Division,



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

Corporate Taxpayer Assistance
(317) 615-2662

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State of Indiana Form IT-20 Corporate Adjusted Gross Income Tax Booklet for Tax Year 2003 & Fiscal Years Ending in 2004

Special Reminders

1. Effective for tax years beginning after December 31, 2002, a corporation formerly qualifying to file as an Indiana Special Corporation must file Form IT-20.
2. A corporation filing on a fiscal or short year basis must enter its tax year beginning and ending dates on the return.
3. Net operating loss deductions must be supported by completing IT-20 Schedule IT-20NOL .
4. Nonbusiness income deductions must be supported by completing IT-20 Schedule F, Allocation of Nonbusiness Income and Indiana Non-Unitary Partnership Income.
5. The Penalty for Underpayment of Corporate Income Tax, IT-20 Schedule IT-2220, must be completed and attached to the return to reflect the applicable penalty and/or exceptions.
6. If an extension of time to file exists, the corporation must prepay at least ninety (90) percent of the tax due by the original due date. Failure to do so will result in a ten (10) percent penalty on the amount paid after the original due date. Interest will be due on any payment made after the original due date.
7. Corporations filing consolidated returns must attach Schedule 8-D to list the affiliated Indiana group. In addition, a schedule to reflect the net federal taxable income, inter-company receipts and Indiana modifications of each corporation must accompany the return to support the adjusted gross income calculation.
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 the return in full. Failure to do so will cause delays in processing.
9. Paper copies of pages 1 through 4 of the federal U.S. Corporation Income Tax Return or pro forma form must be attached to the Indiana corporation income tax return if it is not otherwise filed electronically. This requirement is made under the authority of I.C. 6-8.1-5-4(d).
10. File Form FIT-20, Indiana Financial Institution Income Tax Return, instead of IT-20, when eighty (80) percent of gross income is derived from activities which constitute the business of a financial institution. See Filing Requirements on page 5.
11. If you have more than \$1,000 in gross retail receipts from the sale of utility services, you might be required to file Form URT (Utility Receipts Tax) in addition to Form IT-20.

If you have any questions you may call the Corporate Income Tax Section: (317) 615-2662.