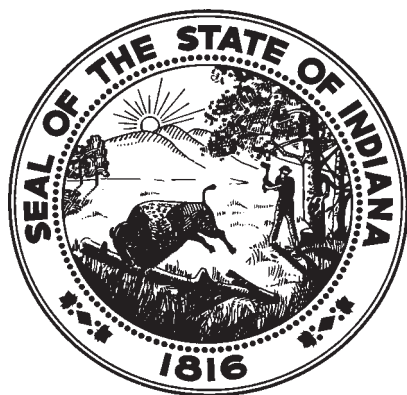


Indiana  
Corporate  
Adjusted  
Gross  
Income Tax  
Booklet

Form  
IT-20



For  
Tax Year  
2004  
and  
Fiscal Years  
Ending in  
2005

# 2004 Indiana Corporate Adjusted Gross Income Tax Booklet

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### About the Cover: "Putting the Financial Reporting Pieces Together"

Established in 1909 and originally created in response to widespread public corruption throughout the State of Indiana at that time, the State Board of Accounts has become the institution for financial and compliance auditing and financial reporting for state and local governments. As a governmental agency of the executive branch of state government it audits the financial statements of all governmental units including, but not limited to, cities, towns, utilities, schools, counties, townships, hospitals, conservancy districts, airports, license branches, state agencies and universities.

In conducting the audits and ensuring generally accepted accounting standards are met, as well as federal compliance standards for reporting federal financial assistance, the State Board of Accounts recognizes a number of standard-setting bodies for governmental financial reporting. The boards and organizations listed on the cover significantly impact financial reporting and audits of state and local governments and their rules and regulations must be considered. The dynamic environment of governmental financial accounting, reporting and auditing dictates that the State Board of Accounts work diligently in **"Putting the Financial Reporting Pieces Together."**

The State Board of Accounts has conscientiously made changes to address the many revisions and new standards in governmental financial reporting and auditing. It has increased training in these areas both for its auditors and state and local officials. It has also increased its utilization of information technology to become more efficient in delivering services.

The agency's vision is *to impart to the citizens of the State of Indiana complete confidence in the integrity and financial accountability of state and local governments; to ensure that these institutions are operating efficiency in compliance with applicable statutes.*

For additional information regarding the State Board of Accounts, to review or download one of our publications, or to request an audit report of a governmental entity, please visit our website at [www.in.gov/sboa](http://www.in.gov/sboa).

**2003 & 2004 Legislative Highlights for Corporate Income Tax**

**Income Taxes (IC 6-3)**

**References to the Internal Revenue Code**

At time of this booklet's publication, the Indiana statute reference that coincides with the Internal Revenue Code (IRC) is PL 105-2003. For tax year 2004, any reference to the Internal Revenue Code and subsequent regulations means the Internal Revenue Code of 1986, as amended, and in effect on January 1, 2003. *Citation affected: IC 6-3-1-11. Effective: January 1, 2003 (retroactive). HE 1728, SECTION 2.*

Not included in the above reference to the Internal Revenue Code is any provision regarding allowances of depreciation as a result of Public Law 108-27, The Jobs and Growth Tax Relief Reconciliation Act, which was signed by the President on May 28, 2003.

**Continuation of Modification to Eliminate Bonus Depreciation and Excess IRC Section 179 Deduction**

- **Special (Bonus) Depreciation Allowance** - Add or subtract the amount attributable to bonus depreciation in excess of any regular depreciation that would be allowed had not an election under IRC Section 168(k) been made as applied to property in the year that it was placed into service. Taxpayers that own property for which additional first-year special depreciation for qualified property was allowed in the current taxable year or in an earlier taxable year, must add or subtract an amount necessary to make their adjusted gross income equal to the amount computed without applying any bonus depreciation. The depreciation deduction is to be calculated in the same manner as calculated prior to 2001. Commissioner's Directive #19 explains this required modification that is not dependent on updating to the Internal Revenue Code (*HE 1728-2003 SECTIONS 4 and 5*).

- **Additional First-Year Capital Investment (Section 179) Deduction** - Add back your share of the IRC Section 179 deduction claimed for federal tax purposes that exceeds the amount that is allowed for state purposes. Indiana adopted the former expensing limit provided by The Jobs Creation and Workers Assistance Act of 2002.

This Act increased the federal Section 179 deduction amount to \$25,000 (up from \$24,000) beginning with a \$200,000 write-off phase out limit. For businesses in an Enterprise Zone, renewal community, or New York Liberty Zone, up to \$35,000 may be expensed. The basis of the property and the depreciation allowances in the year of purchase and in later years must be adjusted to reflect the additional first-year depreciation deduction until the property is sold.

**Caution:** The increase to \$100,000 deduction and a beginning \$400,000 phase-out limitation allowed by 2003 federal legislation is not allowed for purposes of calculating Indiana adjusted gross income. Off-the-shelf computer software may not be expensed for state tax purposes by applying new Section 179 rules.

- **Reporting Adjustments to Adjusted Gross Income** – On 2004 Form IT-20, use the modification line 6 to reflect

certain federal provisions that may not be used to arrive at Indiana adjusted gross income. Explanation of adjustments can be made on Schedule H, page 4 of the return. Refer to line 6 instructions on page 9.

Please complete Schedule H, or attach a statement to the return to explain your bonus depreciation and IRC Section 179 adjustments. Identify any other changes affecting your Indiana tax liability for 2004 if you are applying other provisions of The Jobs and Growth Tax Relief Reconciliation Act that effect adjusted gross income. These deductions must be added back on the Indiana return if deducted on the federal return. To the extent certain federal allowances mentioned above are not added back on a filed Indiana return and the state remains nonconforming in those provisions, the Indiana return must be corrected by filing an amended return.

**Computation of Indiana's Net Operating Loss Deduction**

PL 81-2004 amends the definition of adjusted gross income to provide that individuals, corporations, nonresidents, and insurance companies are required to add back any deduction taken under Section 172 of the Internal Revenue Code for a net operating loss. It revises the calculation of the net operating loss deduction for regular corporations, insurance companies, nonprofit organizations and Indiana nonresident individuals effective for tax years ending in 2004.

The Indiana loss is equal to the amount of federal net operating loss for the taxable year derived from sources within Indiana and adjusted for the modifications required under IC 6-3-1-3.5. *Citations affected: IC 6-3-1-3.5 and 6-3-2-2.6. Effective: January 1, 2004 (retroactive), HE 1365 SECTIONS 9, 11, 62.*

*See details on revised Schedule IT-20NOL (8-04), included in this booklet.*

**INdebt – Posted Tax Warrants on the Web**

PL 81-2004 amends IC 6-8.1-3-16 to authorize the Department to publish on the Internet a list of taxpayers that are subject to tax warrants issued at least twenty-four months before the date of the publication of the list. The amount of the warrant must be more than one thousand dollars (\$1,000). The list is to be updated and published on a monthly basis. It requires the Department to send a notice to the taxpayer at least two weeks before the posting to inform them of the posting. The authority to publish the list expires on June 30, 2006. *Effective: July 1, 2004, HE 1365-2004 SECTION 41.*

**Passive Investment Income**

PL 81-2004 establishes a legislative interim study committee on corporate taxation to study the utilization of passive investment corporations by companies doing business in Indiana. *Effective: July 1, 2004, HE 1365-2004 SECTION 64.*

**Income Tax Credits (IC 6-3.1)**

**New: Blended Biodiesel Tax Credits (Form BD-100)**

PL 224-2003 created a tax credit for a taxpayer that produces biodiesel at a facility located in Indiana. The credit is equal to one dollar (\$1) per gallon of biodiesel produced in Indiana and used to

## Income Tax Credits continued

produce blended biodiesel. Any subsidy or credit that the taxpayer is entitled to receive from the federal government will reduce the credit. Pass-through entities are eligible for the credit. The credit can be applied against sales tax, adjusted gross income tax, financial institutions tax, and insurance premium tax. The credit is limited to one million dollars (\$1,000,000) for all taxpayers in all taxable years.

A second credit is provided for a producer of blended biodiesel at a facility located in Indiana. The credit is equal to two cents (\$.02) per gallon of blended biodiesel produced in Indiana. The credit shall be reduced by the amount of any federal subsidy or credit that the taxpayer receives from the federal government. Pass through entities are eligible for the credit. The total credits for all taxpayers in all taxable years may not exceed one million dollars (\$1,000,000). The tax credit may be applied against liabilities for sales tax, adjusted gross income tax, financial institutions tax, and insurance premium tax.

A tax credit is also provided for a dealer that operates a service station and sells blended biodiesel through a metered pump. The amount of the credit is one cent (\$.01) per gallon of blended biodiesel sold through the metered pumps. The credit must be computed separately for each service station operated by the taxpayer. The total amount of credits for all taxpayers for all taxable years may not exceed one million dollars (\$1,000,000). The credit may be applied against liabilities for sales tax, adjusted gross income tax, financial institutions tax, and insurance premium tax.

The amount of all three credits mentioned above can be carried forward to subsequent taxable years. The credit cannot be carried back or refunded. *Citations affected: IC 6-3.1-27. Effective: January 1, 2004, HE 1001-2003 SECTIONS 199.*

### **New: Coal Combustion Product Tax Credit**

PL 215-2003 created the Coal Combustion Product Tax Credit. A coal combustion product is the byproduct resulting from the combustion of coal in a facility located in Indiana. The term includes boiler slag, bottom ash, fly ash, and scrubber sludge.

A manufacturer that obtains and uses coal combustion products for the manufacturing of recycled components and is a new business is eligible for the credit. An existing business that manufactures recycled components, and increases the acquisitions of coal combustion products by ten (10) percent over the average amount obtained in the previous three years is also eligible for the credit. Recycled components include aggregates, fillers, cementitious materials, or any combination thereof that are used in the manufacture of masonry construction products, concrete blocks, bricks, pavers, pipes, prestressed concrete products and other products approved by the Center for Coal Technology Research.

The credit is equal to two dollars (\$2) per ton of coal combustion products used by the manufacturer if the manufacturer is a new manufacturer. The credit for an existing manufacturer only applies to the additional amount of coal combustion products used by the manufacturer. The maximum credit for all taxpayers in a fiscal year may not exceed two million dollars (\$2,000,000). The credit cannot be carried forward to subsequent years, nor can it be carried back or refunded. Pass-through entities are eligible for the credit.

To obtain the credit, the taxpayer must file with the Department information that the Department determines is necessary for the calculation of the credit. The Department is required to keep a list that includes the name of each manufacturer that receives a credit and the amount of each credit for the taxpayer in the taxable year. The list will be provided annually to the Center for Coal Technology Research.

*Use line 27 of return to claim a qualifying amount of the computed income tax credit. A taxpayer that obtains a property tax deduction for investment property purchased by a manufacturer of coal combustion products is not eligible for the income tax credit. Citations affected: IC 6-3.1-25.2. Effective: January 1, 2004, SE 417-2003 SECTION 2.*

### **Community Revitalization Enhancement District (CRED)**

IC 6-3.1-19-3 is amended to provide a taxpayer that is entitled to the Community Revitalization Enhancement District Tax Credit may claim the credit regardless of whether any incremental income or sales taxes have been deposited in the incremental tax financing fund, effective for taxable years beginning after December 31, 2004.

Effective July 1, 2004, IC 6-3.1-19-5 is amended to provide that a district must terminate no later than fifteen (15) years after incremental income or sales taxes are first allocated to the district.

If the budget agency fails to take action on an ordinance designating a district within 120 days of when the ordinance is submitted to the budget agency, the designation of the ordinance is considered approved.

Also, procedures and criteria are established to appeal a decision by the Department that a taxpayer is not eligible for the CRED credit because the taxpayer relocated its business into the district from another location in Indiana. The Department must issue a proposed order to the taxpayer that it is subject to disqualification for the credit. A hearing panel, composed of one representative of the Department, the State Budget Agency and the Department of Commerce, shall hear any appeal on the denial of the application for the credit. The taxpayer may appeal the decision of the hearing panel to the tax court. *Citations affected: IC 6-3.1-19-3, 6-3.1-19-5 IC 36-7-13. Effective: July 1, 2004, HE 1055-2004 SECTIONS 1, 2, 17 and HE 1365-2004 SECTIONS 29, 30.*

### **Expansion of EDGE Program as a Job Retention Credit**

PL 178-2002 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 fiscal years 2004 and 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. HE 1196, SECTIONS 41-50.*



## **Income Tax Credits continued**

PL 81-2004 adds a trust, limited liability company, and limited liability partnership in the definition of a pass-through entity for purposes of the EDGE tax credit. It also provides for pass-through entities that are wholly or partially owned by an electric cooperative to claim a refundable EDGE credit. *Citations affected: IC 6-3.1-13-7, 6-3.1-13-21. Effective: January 1, 2004 (retroactive). HE 1365, SECTIONS 13, 14.*

*Approved EDGE credit is claimed as a refundable credit on line 36.*

### **New: Ethanol Production Tax Credit**

PL 224-2003 created an Ethanol Production Tax Credit for a facility located in Indiana, with a capacity to produce forty million (40,000,000) gallons of ethanol per year, and the facility increases its capacity by at least forty million (40,000,000) gallons per year.

A taxpayer is entitled to a credit of twelve and one-half cents (\$.125) per gallon of ethanol produced at the Indiana facility. Pass through entities are eligible for the credit, and the credit may be applied against the sales tax, adjusted gross income tax, financial institutions tax, and the insurance premiums tax.

If the amount of the credit exceeds the taxpayer's liability, the excess may be carried forward. The taxpayer is not entitled to a carry back or refund of any unused credit. To receive the credit, the taxpayer must submit to the Department proof of information for credit calculation and a copy of Certificate of Qualified Facility issued by the Indiana Recycling and Energy Development Board under IC 4-23-5.5-17. Use the other credits line 30 of return, if applying this credit against income tax.

The total amount of credits allowed for a taxpayer in all taxable years may not exceed five million dollars (\$5,000,000), and the total amount of credits for all taxpayers may not exceed ten million dollars (\$10,000,000) in all taxable years. *Citations affected: IC 6-3.1-28. Effective: January 1, 2004, HE 1001-2003 SECTION 200.*

### **New: Hoosier Business Investment Tax Credit**

PL 105-2003 created the Hoosier Business Investment Tax Credit administered by the EDGE Board. The credit is for qualified investments, which include the purchase of new telecommunications, production, manufacturing, fabrication, processing, refining, or finishing equipment for taxable years beginning after December 31, 2003. It also includes costs associated with the modernization of the above equipment. Qualified investments include onsite infrastructure improvements, construction costs, retooling existing machinery and equipment, and costs associated with special purpose buildings and foundations. The term does not include property that can be readily moved out of Indiana.

The credit is the lesser of thirty (30) percent of the amount of the qualified investment made by the taxpayer in Indiana, or the taxpayer's state tax liability growth. The taxpayer must carry a credit forward for nine (9) years. Pass-through entities are eligible for the credit.

The board may enter into an agreement with a taxpayer if the taxpayer meets all of the following conditions: The applicant has been in business for at least one year, the project will raise the total earnings of the applicant's employees, and be economically sound.

The awarding of a tax credit will result in an overall positive fiscal impact to the state, and the average hourly wage will be one hundred fifty (150) percent of the hourly minimum wage.

The credit shall only be granted for the amount of the qualified investment that is directly related to expanding the workforce in Indiana. The Board is required to enter into an agreement with the taxpayer before the taxpayer is eligible for any credits. The agreement must include a detailed description of the project, the first year in which the credit can be claimed and the maximum tax credit amount that will be allowed for each taxable year. The taxpayer shall annually report to the Board the number of new employees. The taxpayer is required to submit to the Department a copy of the certificate verifying the amount of tax credit for the taxable year. If a taxpayer is not in compliance with the agreement, an assessment may be made to recover the amount of tax credits that have previously been granted. *Citations affected IC 6-3.1-26. Effective July 1, 2003, HE 1001-2003, SECTION 197.*

Use the other credits line 30 of return, if applying this credit against income tax. PL 81-2004 extends the Hoosier Business Investment Tax Credit until December 31, 2007. It was originally scheduled to expire, excluding unused carryover credits, on December 31, 2005. *Citations affected IC 6-3.1-26-26. Effective January 1, 2004, HE 1365-2004, SECTION 16.*

### **Indiana Research Expense Tax Credit**

PL 81-2004 amends existing statute to make the Indiana Research Expense Credit permanent. The credit, which is claimed on line 26 of the return, was scheduled to expire on December 31, 2013. *Citations affected: IC 6-3.1-4-6. Effective: July 1, 2004, HE 1024 SECTION 12.*

### **Industrial Recovery Tax Credit**

PL 26-2004 amends existing statute to reduce the square footage requirement from 300,000 to 250,000 for a vacant industrial building to qualify for the industrial recovery tax credit. *Citations affected: IC 6-3.1-11-15. Effective: July 1, 2004, HE 1024 SECTION 1.*

### **New: Venture Capital Investment Tax Credit Effective for 2004 through 2008**

PL 192-2002(ss), SECTION 119, created a Venture Capital Investment Tax Credit, effective for taxable years beginning after December 31, 2003. A taxpayer that provides qualified investment capital to a qualified Indiana business is entitled to a credit. The Department of Commerce must 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 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)-2002.*

## Income Tax Credits continued

PL 192-2002(ss) was amended by PL 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.

The amendment clarifies that a taxpayer is not eligible for a refund of any unused credit. It eliminates the requirement that a qualified business must be a high growth company that is entering a new product area, that requires jobs requiring a post-secondary education, and has a substantial number of employees who earn at least one hundred fifty (150) percent of Indiana per capita personal income. It further prohibits the Department of Commerce from certifying an investment if the total amount of tax credits would exceed ten million dollars (\$10,000,000) in a calendar year.

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 qualified investment capital certification to the taxpayer eligible for the credit.

Use the other credits line 30 of return, if applying this credit against income tax. A copy of the certificate issued by the Department of Commerce for the Venture Capital Investment Tax Credit must be submitted to the Department of Revenue when filing taxpayer's tax return. Citations affected IC 6-3.1-24. Effective January 1, 2003 (retroactive), SB 386-2003, SECTIONS 1-8.

## Voluntary Remediation Tax Credit Extended

PL 109-2001 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 ten (10) percent of the qualified investment per project. The local legislative

body is required to approve the credit. The Department of Environmental Management shares administrative duties with the Indiana Development Finance Authority.

The total amount of credits that may be granted in each fiscal year is limited to \$1,000,000. Pass-through entities are eligible for the credit. Citations affected: IC 6-3.1-23. Effective: January 1, 2002, SB 273 SECTION 1.

PL 245-2003 extends the Voluntary Remediation Tax Credit until December 31, 2005 and repeals, effective January 1, 2004, IC 6-3.1-23-7; IC 6-3.1-23-8; IC 6-3.1-23-9; and IC 6-3.1-23-10. These concerned local authority to approve a voluntary remediation tax credit, and the public hearing process that is involved in granting local approval.

A new section is added that defines a legislative body as the city council if a voluntary remediation property is located in a city, and the county council if the property is located in the county and not in a city. (Another section amends the provision to the term qualified investment so that costs incurred in the remediation of a brownfield will result in taxable income to another Indiana taxpayer.) IC 6-3.1-23-3 is amended to extend the five (5) year carry forward of any unused Voluntary Remediation Tax Credit to allow a taxpayer to carry a credit back to the immediately preceding taxable year before the credit is initially claimed. Citations affected: IC 6-3.1-23. Effective: January 1, 2004, HE 1714-2003 SECTIONS 26-33, 35.

Form VRTC-10/20 is used to file an application for approval of this credit following certification of the project by the Indiana Department of Environmental Management. Use the other credits line 30 of return, if applying this credit against income tax.

### New Form Revisions

**Form BD-100 (R1/4-04) Biodiesel Credit Application** is available at <http://www.in.gov/dor/taxforms/fuel-pdf/bd-100.pdf>.

**Schedule IT-20NOL (8-04) Indiana Net Operating Loss Deduction for corporations** is included within this booklet.

**Form VRTC 10/20 (08-04) Voluntary Remediation Tax Credit Application** is available at our Internet address [www.in.gov/dor/taxforms](http://www.in.gov/dor/taxforms).

## General Statement and Instructions for 2004 Form IT-20

### Filing Requirements for Calendar 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. A political organization and homeowner's association are allowed a \$100 specific deduction from taxable income. A foreign insurance company (organized under the laws of a state other than Indiana) is required by IC 27-1-18-2 to pay the insurance premium tax to the Indiana Department of Insurance. Paying the premium tax exempts a foreign corporation from the adjusted gross income tax. A domestic insurance company is exempt from the adjusted gross income tax if it elects to pay the insurance premium tax.

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.

**Due Date: The corporation's tax return is due the fifteenth (15) day of the fourth (4) 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 (10) month following the end of its taxable year to file its annual Indiana Adjusted Gross Income Return.

If an overpayment of tax is not refunded within ninety (90) days of: (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.

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

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**

IC 6-5.5-2-1 imposes an eight and one-half (8.5) percent 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 IC 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 one and four-tenth (1.4) percent 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 (IC 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 (IC 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 (EFT) 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 twentieth (20) day of the fourth (4), sixth (6), ninth (9) and twelfth (12) month of their tax period. For further instructions, refer to *Income Tax Information Bulletin #11*.

#### **Penalty for Underpayment of Estimated Taxes (IC 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 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 2004 Form IT-20 return for a taxable year ending December 31, 2004, a short tax year beginning in 2004 and ending in 2004, or a fiscal year beginning in 2004 and ending in 2005. 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 ten (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 link to a list of these codes is available through the Department's Internet address: [www.in.gov/dor/business/forms.html](http://www.in.gov/dor/business/forms.html)

## 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 IRC 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.

For certain organizations, enter federal taxable income after the \$100 specific deduction.

**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 based on or measured by income levied at any state level by any state of the United States, 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 under IC 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 in addition to the limits imposed on the amount of IRC Section 179 deduction and any bonus depreciation that affects adjusted gross income. See Legislative Highlights on page 3.

- 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.*

- Add back your share of the IRC Section 179 deduction claimed for federal tax purposes that exceeds the amount that is recognized for state tax purposes. *Attach a statement or complete Schedule H explaining 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 - IC 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 page 4 of return.*

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 \$1,200 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 for Insurance Companies:** 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 (Box 3A of IT-20 Schedule E), divided by premiums and annuity considerations everywhere (Box 3B of IT-20 Schedule E), 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 Corporations

#### Use of apportionment 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. Certain insurance companies must use a single (receipts) factor formula based on premiums written in Indiana divided by premiums written everywhere.

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 - Indiana 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 IRC 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. The denominator is the total receipts of the taxpayer everywhere during the tax year. The receipts factor is double-weighted in the apportionment of income formula. 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. Do not include the portion of dividends excluded for federal taxable business income, or the percentage of foreign source dividends deducted (under IC 6-3-2-12). Sales between members of an affiliated group filing a consolidated return under IC 6-3-4-14 shall be excluded.

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 IC 6-3-2-2.2.

Total receipts include gross sales of real and tangible personal property less returns and allowances. Sales of tangible personal property are in Indiana if the property is delivered or shipped to a purchaser within Indiana regardless of the f.o.b. point or other conditions of sale, or 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 the apportionment entry line on 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

- 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.
- Add entries on lines 1C, 2C, and 4a of column C. Enter the sum of the percentages on line 4b.
- 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/ Other 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, including 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. **Note:** Use Schedule IT-20NOL to determine if you are entitled to carry an Indiana net operating loss deduction.

**Line 19.** Enter, as a positive figure, the full amount of your available Indiana net operating loss carryover deduction as calculated on revised Schedule IT-20NOL. Schedule IT-20NOL, effective January 1, 2004, MUST be attached to support the entry from each loss year. *Please review revised Schedule IT-20NOL and instructions before entering an amount on line 19.*

**Line 20.** Subtract line 19 from line 18. Enter here and if result is a positive figure, also enter this amount on line 21.

**Line 21.** Enter the amount of 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. 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.

IC 6-2.5-3-2 imposes a use tax at the rate of six (6) percent, 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. Effective July 1, 2004, a credit against the use tax is extended to the purchases of vehicles, watercraft, and aircraft brought into Indiana if sales tax was paid in another state.

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. For more information regarding use tax, call (317) 233-4015.

Use worksheet on page 4 of return to compute any sales/use tax liability. 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 up to 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**. This tax credit is equal to ten (10) percent of the remainder of the corporation's Indiana qualified research expense for the tax year minus the federal base period amount. Compute credit on and attach Schedule IT-20REC to return .

**Line 27. ICHIA 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 (ICHIA). Enter the allowable amount of your available credit (through 2004) pursuant to IC 27-8-10-2.1. Please attach your computation for the credit.

Also use this line to claim any available **Coal Combustion Product Tax Credit**. Attach credit calculation statement and supporting documentation. See announcement on this new credit on page 4.

**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 26. 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 taxes 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. Tax due must be paid by the original due date. Interest and penalty are 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 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 applied to other liabilities under IC 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 46207-7231**

All other prepared returns must be mailed to:

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



Indiana Corporate Adjusted Gross Income Tax Return

Form IT-20

State Form 44275 (8-04)

For Calendar Year Ending December 31, 2004 or Other Tax Year

(Do not write above)

Beginning AA / 2004 and Ending BB /

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

- Check all boxes that apply to entity: 1 Initial Return, 2 Final Return, 3 In Bankruptcy, 4 Insurance Co., 5 Farmer's Cooperative. Questions Q-V regarding income derivation, consolidated returns, unitary basis, etc.

Computation of Adjusted Gross Income Tax All corporations must complete this section. Round entries to nearest whole dollar.

Income

Table with 3 rows: 1. Federal taxable income, 2. Net qualifying dividends deduction, 3. Subtract line 2 from line 1.

Modifications for Adjusted Gross Income

Table with 10 rows for modifications (4-9) and subtotal (10). Includes a large '2004 IT-20' watermark.

Other Adjustments

Table with 4 rows (11-14) for other adjustments and taxable business income.

Apportionment of Income for Entity with Multi-state Activities

Table with 3 rows (15-16) for apportionment methods and calculation of Indiana apportioned business income.

Add Allocated and Previously Apportioned Income to Indiana

Table with 2 rows (17-18) for adding allocated and previously apportioned income.

Deduct from Indiana Adjusted Gross Income

Table with 2 rows (19-20) for deducting net operating loss and calculating taxable adjusted gross income.

Tax Calculation

21. Enter amount of Indiana adjusted gross Income subject to tax 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 page 4 of return .....	23		

Tax Liability Reduction Credits (Attach all supporting documentation)

24. College and University Contribution Credit (CC-20) page 4 of return .....	24			
25. Neighborhood Assistance Tax Credit (NC-20) .....	25			
26. Indiana Research Expense Tax Credit (IT-20REC) .....	26			
27. ICHIA Credit or Coal Combustion Product Tax Credit (See instructions) .....	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 26) .....	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 Payments/EDGE credit (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 Type 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 Corporations**

For Tax Year Beginning AA \_\_\_\_/\_\_\_\_/2004 and Ending BB \_\_\_\_/\_\_\_\_/\_\_\_\_

Name as shown on return B	Federal Identification Number A
------------------------------	------------------------------------

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 receipts 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 - Indiana Apportionment of Adjusted Gross Income**

	Column A TOTAL WITHIN INDIANA	Column B TOTAL WITHIN and OUTSIDE INDIANA	Column C INDIANA PERCENTAGE
<b>1. Property Factor</b> - 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) .....			
<b>Total Property Values:</b> Add lines 1(a) through 1(e) .....	<b>1A</b>	<b>1B</b>	<b>1C</b> ____ . ____ %
<b>2. Payroll Factor</b> - Wages, salaries, commissions, and other compensation of employees and pro rata share of payroll reportable on the return.			
<b>Total Payroll Value:</b> .....	<b>2A</b>	<b>2B</b>	<b>2C</b> ____ . ____ %
<b>3. Receipts Factor</b> (less returns and allowances) -			
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 .....			
<b>Total Receipts:</b> Add column A receipts lines 3(a) through 3(f) and enter in line 3A. Enter all receipts in line 3B, of column B	<b>3A</b>	<b>3B</b>	
<b>4. Summary - Apportionment of Income for Indiana</b>			
(a) <b>Receipts Percentage</b> for factor 3 above: Divide 3A by 3B, enter result here: <span style="border: 1px solid black; padding: 2px;">4(a)1 ____ . ____ %</span> X 200% (2.0) double-weighted adjustment			<b>4a</b> ____ . ____ %
(b) <b>Total Percents:</b> Add percentages entered in boxes 1C, 2C and 4a of column C. Enter sum .....			<b>4b</b> ____ . ____ %
(c) <b>Indiana Apportionment Percentage:</b> Divide line 4b by 4 if all three factors are present. Enter here and carry to apportionment line on the tax return .....			<b>4c</b> ____ . ____ %

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/Other 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? 1  Yes 2  No If no, please explain:

(a)

6. List 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%:	\$	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 2004 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 for Line 24			
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 \$1,000, 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) .....			

IT-20 Schedule F

State Form 49104  
(8-04)

Allocation of Nonbusiness Income and  
Indiana Non-Unitary Partnership Income

For Tax Year Beginning AA /    /    2004 and Ending BB /    /     
                                     
                                   

Name as shown on return B Federal Identification Number A

Complete all applicable sections. See separate instructions for Schedule F in income tax booklet. Attach additional sheets if necessary.

Identify each item of income. Indicate amount of related nonbusiness expenses (other than state income taxes) for each income source. For every line with entry, subtract column B from column A; and enter net amount in column C. Also enter the net amount in column D if the income is attributable to Indiana. **Omit Cents.**

Table with 6 main columns: (1) Dividends, (2) Interest, (3) Net Capital Gains, and sub-totals. Columns include: Column AA (Excess after federal and state foreign source dividends deduction), Column BB (Percent Owned (If Foreign)), Column A Total Amount, Column B Related Expenses, Column C Net Amount All Sources, and Column D Net Amount Indiana Source. Rows include source descriptions, carryforward subtotals, and total amounts for each category.

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

(Omit Cents)

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

For Period Ending BB \_\_\_\_ / \_\_\_\_ / \_\_\_\_

Page attachment sequence #7.

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 <b>adjusted gross income tax</b> (if less than \$1,000, enter -0-) .....	1		
2. Enter total <b>tax reduction credits</b> 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 <i>Short period filers see note on reverse following line 18 instructions</i>	6		

		(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, <b>from the preceding column</b> 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 <b>not</b> met any exception to the penalty for the quarter .....	12				

**Part III - How to Figure Penalty**

13. Enter the overpayment, if any, <b>from the preceding column</b> 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. <b>Otherwise, compute 10% penalty on the &lt;underpayment&gt; shown on line 16 for each column.</b> 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 <b>underpayment penalty</b> . 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 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.



Schedule IT-20NOL

State Form 439 (8-04)

Indiana Department of Revenue Corporate Income Tax Indiana Net Operating Loss Deduction Effective January 1, 2004

Page attachment sequence #9

Name of Corporation or Organization Federal Identification Number

PART 1 - Computation of Indiana Net Operating Loss (NOL) Complete Schedule IT-20NOL for each loss year. Taxable Income or Loss IRC Section 172(d) Modifications for Loss Year Adjusted Gross Income Modifications for Loss Year Indiana Business Income or Loss Previously Allocated and Apportioned Income or Loss Attributed to Indiana

If an Indiana net operating loss is computed and there is no attending federal NOL, check this box to relinquish the two, three, or five year NOL carry back provision for Indiana income tax purposes: bb [ ] Election to Waive Carry Back of the Indiana Net Operating Loss Deduction

PART 2 - Computation of Indiana Net Operating Loss Deduction and Carryover Make required entries, as specified to compute the amount of Indiana modified adjusted gross income used. Add all entries across columns (2), (3) & (4) for each tax year; enter result in column (5). Carryover: Update this schedule for each tax year. Note: The carry back application to the third through the fifth preceding tax year was eliminated...

Table with 5 columns: (1) List Tax Period Ending, (2) Taxable Income as last Determined, (3) Add Back other Deductions from Indiana Adjusted Gross Income in the Taxable Year, (4) Indiana Net Operating Loss Deduction for the Taxable Year, (5) Indiana Adjusted Gross Income or Remaining Unused Net Operating (Loss). Rows include 'Carried to the preceding' and 'Carried to the following' for years 1st through 10th.

Attach additional sheets to show carry forward application up to the 15th or 20th following tax year.

## Instructions for Schedule IT-20NOL Effective January 1, 2004 (Revised 8-04)

### Indiana Net Operating Loss Deduction

Public Law 81-2004 amends IC 6-3-2-2.6 to provide a net operating loss (NOL) deduction from Indiana adjusted gross income after adding back any other NOL deductions taken pursuant to IRC Section 172. If a separately recalculated net operating loss remains, following state modifications and federal carry back and carry forward guidelines, the Indiana NOL is deductible in full. The amount of the unused Indiana balance will be available for the following year.

All loss years ending after January 1, 2004 and pre-existing NOL(s) carried over to a taxable year after this date must be recomputed by applying the amended provisions of this Act.

Deductions for net operating losses that were incurred in taxable years ending before January 1, 2004 and carried back or forward and deducted in taxable years ending before January 1, 2004 are calculated under the law in effect for the year the net operating loss was incurred.

### Who Should File Schedule IT-20NOL?

Corporate taxpayers and nonprofit organizations subject to the adjusted gross income tax and having a net operating loss 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 much of the Indiana net operating loss deduction is applied and available to carryover.

Corporations doing business as a financial institution may not use this schedule. Schedule FIT-20NOL should be completed.

### When to File?

A refund initiated by a net operating loss carry back must be claimed by the taxpayer within three (3) years from the original due date of the loss year's return (including extensions). An amended carry back claim, if not refunded within ninety (90) days from the date filed, the date the tax payment was due, or the date the tax was paid, whichever is latest, accrues interest from the initial due date of the return in which the loss was incurred. Net operating loss carry forward deductions fall within regular statutory requirements.

Attach completed Schedule IT-20NOL, Part 1, to loss year return.

Check Part 1 box titled "**Election to Waive Carry Back of the Indiana Net Operating Loss Deduction**" if the loss is being carried forward for both federal and state tax purposes, or if no federal election is otherwise in effect.

Whenever a net operating loss deduction is claimed, attach a separately completed and recomputed NOL schedule of each loss year. Use revised Schedule IT-20NOL (8-04), update Part 2 as needed and attach copy to your return(s).

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

PL 81-2004, effective January 1, 2004, provides for an NOL deduction from total Indiana Adjusted Gross Income equal to the amount of a federal NOL, computed under IRC Section 172, for the taxable year, that is derived from sources within Indiana and adjusted for modifications required under IC 6-3-1-3.5. 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 foreign gross up. Other state deductions (i.e., foreign source dividends) from adjusted gross income are eliminated.

Use combined amounts if filing a consolidated return. 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.

### Carry Back and Carry Forward Years

To claim the Indiana net operating loss deduction, you must apply the same carry back / carryover treatment as used for federal purposes under IRC Section 172(b).

**For loss years beginning before August 6, 1997** - the net operating loss deduction remaining after a three (3) year carry back (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.

**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 carry forward 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 back was waived.

**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 (5) years, following federal provisions.

**Specified Liability Losses** - A ten (10) year carry back for product liability losses (or portion thereof) may be recognized to the extent allowed following IRC Section 172 rules.

### PART 1 - Computation of Indiana Net Operating Loss

Enter the tax year ending date of the loss year.

**Line 1.** Enter amount of federal taxable income (loss), excluding any net operating loss deduction as defined in Internal Revenue Code (IRC) Sections 63, 511, 801, or 832. This is comparable to the amount, as last determined, that is reportable on line 3 of 2003-2004 Form IT-20; or line 1 of Form IT-20NP (without specific deduction).

*Line references from prior years - use line 23 of Form IT-20; line 3 of Form IT-20SC; and, line 55 of Form IT-20NP.*

If amount was previously adjusted because of an audit or amended return, an explanation should be attached explaining how the income figure was calculated.

**Note:** A domestic insurance company may compute and carryover a net operating loss incurred from a loss year in which it was not subject to Indiana adjusted gross income tax.

**Line 2.** You must apply any applicable modifications for a net operating loss as calculated under provisions of IRC Section 172(d) that effect adjusted gross income.

Some of these federal adjustments related to a net operating loss include but are not limited to:

1. The NOL cannot increase its current year NOL by carry backs of carryovers from other years.
2. The dividends-received deductions for dividends received from domestic and foreign corporations and for dividend received on certain preferred stock of a public utility are computed without regard to the aggregate limits (based on federal taxable income) that normally apply under IRC Section 246(b).
3. The deduction for dividends paid on certain preferred stock of public utilities may be figured without limiting it to the federal taxable income for the year under IRC Section 247(a)(1)(B).

**State Modifications and Adjustments** Enter figures from loss year's return. Enter only the items enumerated on lines 3 through 8.

**Line 3.** Enter all state income taxes deductible on federal return.

**Line 4.** Enter charitable contributions to the extent deducted on the federal return.



## Instructions for Schedule IT-20NOL continued

**Line 5.** Effective for tax year 2003, add back or subtract an amount equal to bonus depreciation allowed under I.R.C. Section 168(k).

*Also, add back on this line, an amount equal to the IRC Section 179 deduction taken that exceeds the amount recognized for state purposes for the loss year under provisions of The Jobs Creation and Workers Assistance Act of 2002.*

**Line 6.** Deduct net interest that is exempt from state taxation that is included in federal taxable income.

**Line 7.** Deduct foreign gross up allowable under IRC Section 78 to the extent not eliminated on line 2.

**Line 8.** Deduct all income or loss classified as non-business plus previously apportioned or allocable partnership income that is included as part of federal adjusted gross income. The portion attributed to Indiana will be added back on line 12 to arrive at Indiana modified adjusted gross income or net operating loss.

Please note that other state adjustments from Indiana income, such as the foreign source dividends deduction (IC 6-3-2-12) cannot be used to create, increase or decrease an Indiana net operating loss deduction.

**Line 10.** If apportionment of income applies in the loss year, enter the Indiana apportionment percentage from line 15d of 2003-2004 Form IT-20 or the appropriate line from the Indiana apportionment schedule used.

**Line 11.** Enter amount from completed IT-20 Schedule F, line 11D, Indiana non-business income or loss and Indiana non-unitary partnership income or loss.

**Line 13.** If result is a loss figure, this is the initial amount available as the Indiana net operating loss. Carry this amount to Part 2, Column (4) for the first period your are eligible to claim a net operating loss deduction.

If result is a positive amount, STOP. You do not have an Indiana net operating loss.

### Election to Waive the Carry back 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 carry back 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.

In the absence of net operating loss on the federal return, the taxpayer may make an election to waive the carry back of its Indiana net operating loss. This election is reflected on Indiana Schedule IT-20NOL by checking the box titled "Election to Waive Carry Back of the Indiana Net Operating Loss Deduction."

By making this election, you must timely file the Indiana loss year return and attach schedule. Attach an updated schedule to the return filed for taxable years listed in Part 2 (Forms IT-20X, IT-20 or IT-20NP).

### PART 2 - Computation of Indiana Net Operating Loss Deduction and Carryover

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 NOL from different loss years is available, a separate Schedule IT-20NOL must be completed for each NOL deduction applied.

**Note:** Any net operating loss carried forward and deducted in a taxable year beginning after December 31, 2003, shall be reduced by the amount of the net operating loss previously deducted in an earlier year.

**Column (1)** - Fill-in the range of tax years to which the NOL is to be applied according to the tax period 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 carry forward, the year should still be included.

**Column (2)** - Enter the Indiana adjusted gross income, from the taxable year of the Indiana return as last determined. Use net taxable income amount as previously adjusted because of an amendment, or as reduced by an NOLD carried over from another loss year and before applying the unused NOLD from Part 1. However, if this taxable year is also a loss, enter zero -0-.

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)** - Add back Indiana portion of any other deductions taken from computed adjusted gross income for the taxable year that is not a loss year. Currently, other deductions appear as line 11 on the 2003-2004 Form IT-20.

You must further calculate the actual amount deducted if income was subject to apportionment. Multiply the other deduction amount by the percent used on line 15d (or comparable line) of your return in the taxable year.

Since this amount is a subtraction from adjusted gross income, enter figure as a positive amount.

**Column (4)** - If this is the first year to which the NOLD is applied, enter the deductible amount of NOL from Part 1, line 13. Otherwise, enter the remaining unused amount carried over from column (5) for the taxable year.

**Net Operating Loss Deduction** - For reporting purposes of the taxable year return, claim this full amount as a **positive deduction** on line 19 of 2004 Form IT-20; line 10 of 2004 Form IT-20NP; or on line 2B of Indiana Amended Form IT-20X.

**Column (5)** - Add amounts entered on row under column (2), (3) and (4) for the taxable year. If any Indiana adjusted gross income remains (the NOL is used in full), continue by completing the rest of your income tax return.

**Net Operating Loss Carryover** - If result is a loss, enter (the remaining unused net operating loss) in column (4) for the next carryover year. This amount will be available to offset modified income reported in Columns (2) and (3) of the following taxable year.

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 IC 27-6-8-15 and I.C. 27-8-8-16).

**Historic Rehabilitation Tax Credit** - IC 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 IC 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** - (IC 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** - IC 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. Certification from the Professional Standards Board 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](http://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 IC 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** - IC 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 IC 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 IC 6-3.1-22.2. Contact: Economic Development Division, (317) 232-5297.

## 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. 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 6.
3. 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.
4. A corporation filing on a fiscal or short year basis must enter its tax year beginning and ending dates on the return.
5. All net operating loss deductions must be recalculated by completing revised Schedule IT-20NOL (effective January 1, 2004).
6. Nonbusiness income deductions must be supported by completing IT-20 Schedule F, Allocation of Nonbusiness Income and Indiana Non-Unitary Partnership Income.
7. The Penalty for Underpayment of Corporate Income Taxes, Schedule IT-2220, must be completed and attached to the return to reflect the applicable penalty and/or exceptions.
8. 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.
9. 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.
10. 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.
11. 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 filing electronically. This requirement is made under the authority of I.C. 6-8.1-5-4(d).

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

### For Other Indiana Department of Revenue Forms:

**Internet Address** - [www.in.gov/dor/](http://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 7, 2005. Please come and share your ideas on how the Department of Revenue can better administer Indiana tax laws. The hearing will be held at 9 a.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.



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

Corporate Taxpayer Assistance  
(317) 615-2662

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