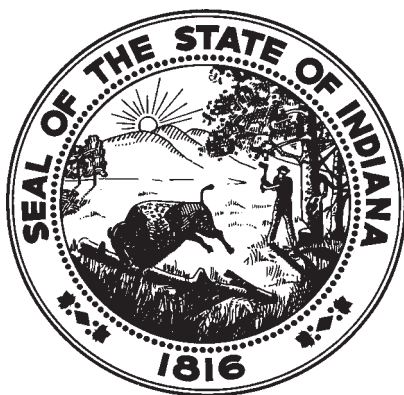


Indiana
Corporate
Adjusted
Gross
Income Tax
Booklet



Form
IT-20

For
Tax Year
2005
and
Fiscal Years
Ending in
2006

2005 Indiana Corporate Adjusted Gross Income Tax Booklet

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Departmental Web site reference locations

Indiana Code

www.in.gov/legislative/ic/code/title6/

Income Tax Information Bulletins

www.in.gov/dor/reference/bulletins/income/index.html

Commissioner's Directives

www.in.gov/dor/reference/comdir/index.html

Indiana Administrative Code

www.in.gov/legislative/iac/title45.html

Tax Policy Directives

www.in.gov/dor/reference/poldir/index.html

Departmental Notices

www.in.gov/dor/reference/notices/index.html

Indiana Department of Revenue

Legislative and Administrative Highlights for Corporate Income Tax

For a complete summary of new legislation regarding taxation, please see **2005 Synopsis of Legislation Affecting the Department of Revenue** at www.in.gov/dor/reference/legal/summary.html

Income Taxes

References to the Internal Revenue Code

Public Law (PL) 246-2005, SECTION 70 updates references to the Internal Revenue Code (IRC) in certain Indiana tax statutes. For tax year 2005, 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, 2005.

There are two exceptions in the update. IRC Section 179 expensing is capped at \$25,000 and the deduction allowed for domestic production activities under IRC Section 199 is not included for Indiana adjusted gross income. All other federal statute changes as a result of passage of The American Jobs Creation Act of 2004 and Working Families Tax Relief Act of 2004, except as noted below, are recognized for taxable years beginning on or after January 1, 2005. *Citations affected: IC 6-3-1-3.5, 6-3-1-11, 6-3-1-33 (HEA 1001-2005 SECTIONS 69, 70, 71, 248).*

Modifications to Adjusted Gross Income

- **Special (Bonus) Depreciation Allowance (line 7a of return)** - 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, including fifty (50) percent bonus depreciation, 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 subsequent depreciation allowance is to be calculated on the state's stepped up basis until the property is disposed.

Commissioner's Directive #19 explains this initial required modification which was formerly adopted by the Indiana General Assembly in 2003. *Citations affected: IC 6-3-1-3.5, 6-3-1-33. Effective January 1, 2005 (HEA 1001-2005 SECTIONS 69, 71).*

- **Excess First-Year Capital Investment (IRC Section 179) Deduction (line 7b of return)** - Add back or subtract 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 and has since specified an expensing cap of \$25,000.

This modification effects the basis of the property if a higher Section 179 limit is applied. 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.

The depreciation allowances in the year of purchase and in later years must be adjusted to reflect the additional first-year depreciation deduction, including the special depreciation allowance for fifty (50) percent bonus depreciation property, until the property is sold. *Citations affected: IC 6-3-1-3.5, 6-3-1-33. Effective January 1, 2005 (HEA 1001-2005 SECTIONS 69, 71).*

- **Deduction for Domestic Production Activities** (New Modification Disallows IRC Section 199) - Add back an amount equal to the amount claimed as a deduction for qualified domestic production activities for the taxable year under IRC Section 199 for federal income tax purposes. **(See line 6 of return.)** *Citation affected: IC 6-3-1-3.5(b)(8). Effective January 1, 2005 (HEA 1001-2005 SECTION 69).*

Also see instructions on page 9.

Reduced Tax Rate on Income from Qualified Military Base Enhancement Area

PL 81-2004 added IC 6-3-2-1.5 to provide a corporate adjusted gross income tax rate of five (5) percent for businesses that locate new operations in a completely or partially inactive or closed military base. The tax rate applies to the taxable year in which the corporation locates its operations in the qualified area and to the next succeeding four (4) taxable years. *Citation affected: IC 6-3-2-1.5. Effective January 1, 2005 (HEA 1365-2004, SECTION 2).*

PL 190-2005 amends IC 6-3-2-1.5 to provide that a business expanding its operations to an economic development area that is or formerly was a military base is entitled to a corporate income tax rate of five (5) percent instead of eight and one-half (8.5) percent for income attributable to business in the area. **See line 22 of return.** *Effective upon passage (HEA 1250-2005, SECTION 2).*

Qualified entities must complete and attach a copy of Schedule M, Alternative Adjusted Gross Income Tax Calculation. See instruction page 16.

Also, PL 203-2005 amends IC 6-3-2-1.5, effective January 1, 2006, to include a corporation located in a qualified military base enhancement area as a corporation eligible for the five (5) percent corporate adjusted gross income tax rate if they also meet one of the three criteria. For a business that locates all or part of its operations in a qualified base enhancement area, the business must satisfy at least one of the following criteria. The business is a participating business in the technology transfer program conducted by the qualified military base, the business is a United States Department of Defense contractor, or the business and the qualified military base have a mutually beneficial relationship. *Citation affected: IC 6-3-2-1.5. Effective January 1, 2006 (SEA 574-2005 SECTION 4).*

Tax Liability Credits

Credit for Assessments paid to Indiana Comprehensive Health Insurance Association

PL 51- 2004 repealed the former provision under IC 27-8-10-2.1 that allowed an income tax credit for assessments paid by insurance companies to the Indiana Comprehensive Health Insurance Association. New section 2.4 provides that for each tax year beginning after December 31, 2006, an insurance company may annually claim a credit against adjusted gross income tax and premiums tax equal to ten (10) percent of the amount of the assessments paid before January 1, 2005, against which a tax credit has not been taken before January 1, 2005. If maximum amount of credit exceeds the tax liability for the year, the unused portion of the credit year may carry forward. *Citations affected: IC 27-8-10-2.1, 27-8-10-2.4. Effective January 1, 2005 (HEA 1273-2004 SECTIONS 1, 4).*

Restrictions Limit Certain Tax Credits to One per Project

PL 199-2005 provides that a taxpayer may not be granted more than one tax credit for the same project. The credits that are included are the Enterprise Zone Investment Cost Credit, Industrial Recovery Tax Credit, Military Base Recovery Tax Credit, Military Base Investment Cost Credit, Capital Investment Tax Credit, Community Revitalization Enhancement District Tax Credit, Venture Capital Investment Tax Credit, and the Hoosier Business Investment Tax Credit. *Citations affected: IC 6-3.1-3. Effective January 1, 2005 (SEA 496-2005 SECTION 17).*

E Z Loan Interest Tax Credit and Termination of Enterprise Zones

PL 214-2005 requires the Department to report to the Indiana Economic Development Corporation the number and amount of Enterprise Zone Loan Interest Credits claimed per enterprise zone. These figures are reported annually based on the number of returns processed during the previous fiscal year.

PL 214 SECTION 87 (effective upon passage) provided that the legislative body of each unit that contains an enterprise zone to adopt before December 1, 2005, and forward to the Enterprise Zone Board a resolution containing the legislative body's recommendation as to whether the zone should continue in existence or be terminated effective December 31, 2005. If the legislative body fails to adopt a resolution, it shall be considered to be recommending the termination of the zone. *Citation affected: IC 6-3.1-7-7. Effective July 1, 2005 (HEA 1120-2005 SECTIONS 17, 87).*

Indiana Research Expense Tax Credit

PL 193-2005 amends IC 6-3.1-4-1, effective July 1, 2005, to redefine that the base amount for the research expense credit is Indiana qualified research expenses and gross receipts attributable to Indiana in the calculation of the taxpayer's fixed base percentage and average annual gross receipts.

IC 6-3.1-4-2 is amended to provide that for qualified research expenses incurred after December 31, 2007, the credit is equal to the taxpayer's qualified research expense for the taxable year minus the base period amount, multiplied by fifteen (15) percent or \$1,000,000 whichever is less, and plus ten (10) percent of the excess over \$1,000,000. *Citations affected: IC 6-3.1-4-1, 6-3.1-4-2. Effective July 1, 2005 (SEA 1-2005, SECTIONS 12 & 13).*

IC 6-3.1-4-3 is amended (effective January 1, 2006) to provide that the research expense credit carry forward is reduced from 15 years to 10 years (*SEA 1-2005 SECTION 14*).

IC 6-3.1-4-7 is amended (effective July 1, 2005) to add members of a limited liability company as eligible for pass-through treatment (*SEA 1-2005 SECTION 15*).

New: Military Base Investment Cost Tax Credit

PL 81-2004 added IC 6-3.1-11.6 to provide an income tax credit for a qualified investment in a business located in a military base, a military base reuse area, an economic development area, or a military base recovery site. The amount of the credit depends on the type of business, the number of jobs created, and the amount of the investment. The maximum amount of the credit may not exceed thirty (30) percent of the investment. *Citation affected: IC 6-3.1-11.6. Effective January 1, 2005 (HEA 1365-2004 SECTION 22).*

PL 190-2005 (effective upon passage) amends IC 6-3.1-11.6-2 to include a current or former military base in an economic development area as a qualified area (*HEA 1250 SECTION 4*).

Effective January 1, 2006 IC 6-3.1-11.6-2 is amended to include a qualified military base enhancement area as qualified for the military base investment cost credit (*PL 203-2005, SEA 571 SECTION 5*).

PL 203-2005 (effective January 1, 2006) amends IC 6-3.1-11.6-9 to provide that a taxpayer making a qualified investment in a business located in a qualified military base enhancement area must make the investment in a business that meets one of the following criteria: (1) the business must be a participant in the technology transfer program conducted by the qualified military base, (2) the business is a United States Department of Defense contractor, or (3) the business and the qualified military base have a mutually beneficial relationship (*SEA 571 SECTION 6*).

EDGE Program and Job Retention Credits

IC 6-3.1-13 allows the Economic Development for a Growing Economy (EDGE) program to include projects for job retention and job creation in Indiana. The job retention criteria require that the applicant employ at least 200 (75 effective July 1, 2005) 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. Effective July 1, 2005, the local match is determined by the Indiana Economic Development Corporation.

The aggregate amount of credits awarded for projects to retain existing jobs in Indiana is capped at \$5 million per year and is extended through June 30, 2007. An agreement for awarding job retention credits must be approved by the state budget agency.

A trust, limited liability company, and limited liability partnership are defined as eligible pass-through entity for purposes of the EDGE tax credit. Also pass-through entities that are wholly or partially owned by an electric cooperative may elect to claim a direct refundable EDGE credit.

A taxpayer must claim the credit with all information that the Department of Revenue determines necessary for the calculation of the credit on the annual state tax return or return(s) prescribed by the Department. *Citations affected: IC 6-3.1-13-15, 6-3.1-13-15.5, 6-3.1-13-18, 6-3.1-13-19 (PL 197-2005, SE 0414-2005 SECTIONS 4, 5, 7 & 8).*

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

Administrative Highlights

INtax - Online Method of Managing State Tax Accounts for Indiana Businesses Now Available

Intax is the Indiana Department of Revenue's new online, easy-to-use service center for business and industry. Hoosier businesses that elect to switch to **INtax** are able to register, file and pay **sales and withholding taxes** via the internet. Those businesses that sign up early enough in the year will receive no further coupons. Eliminating coupons makes the whole process easier and provides cost savings for both taxpayers and the State.

The voluntary, secure electronic program will offer businesses other advantages as well allowing them to:

1. confirm that their filings and payments are received in a timely manner;
2. view their tax payment history (as of their next online transaction), thereby enabling them to better oversee their State trust tax accounts; and
3. schedule automatic debits from their banking accounts.

To enroll in INtax, go to www.INTax.in.gov on the Web. For more information on INtax, as well as other state tax issues, visit the Department's Web site at www.in.gov/dor

Tax Amnesty Program

HEA 1004-2005 authorized the Department of Revenue to conduct a tax amnesty program for all outstanding tax liabilities that were due and payable before July 1, 2004. The tax amnesty program was conducted from September 15 through November 15, 2005, during which time a taxpayer could pay all outstanding tax liabilities. If the taxpayer paid the liability that was due for a tax period, the Department agreed to waive all penalties, interest, and costs that had been previously assessed. *Citations affected: IC 6-8.1-10-12, 6-8.1-3-17 (PL 236-2005 SECTIONS 1, 3).*

Annual Public Hearing

In accordance with the Indiana Taxpayer Bill of Rights, the Department will conduct an annual public hearing on Monday, June 12, 2006. 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 5, 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.

General Statement and Instructions for 2005 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 IRC 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 (15) 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.

Attach to return: Include copies of pages 1 through 4 of the completed U.S. Corporation Income Tax Return, Schedule M-3 and any extension of time to file form.

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-1 (Utility Receipts Tax Return) in addition to the annual Corporate Adjusted Gross Income Tax Return, Form IT-20. See Commissioner's Directive #18 for further information.

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.

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.

For an overview of corporate taxation, refer to Income Tax Information Bulletin #12.

Adjusted Gross Income

The Indiana adjusted gross income tax is calculated using federal taxable income from federal Form 1120 and making Indiana modifications as required by IC 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 IT-20 Schedule E. The adjusted gross income tax rate is to eight and one-half (8.5) percent.

Quarterly Estimated Payments

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

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 Tax.

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 when filing the annual income tax return. Your return should not indicate 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, IC 6-3-3-2(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. IT-20 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 IAC 3.1-1-153.

For non-unitary partners, taxable partnership distributions included in federal adjusted gross income are deducted on line 13 of the 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 IRC Section 704.

Extensions for Filing Return

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.** Check **box V1** on front of return. 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 using Form E-6 or 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, 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 2005 Form IT-20 return for a taxable year ending December 31, 2005, a short tax year beginning in 2005 and ending in 2005, or a fiscal year beginning in 2005 and ending in 2006. For a short or fiscal tax year, fill in at the top of the form the beginning month, day and year, and ending date of your 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. You must indicate if a federal extension of time to file form is attached.

For question K, check box #2 only if the corporation is dissolved, liquidated, or withdrew 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 (3) 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

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. Use the amount reportable to Indiana if filing as a consolidated group. See line 11 for Indiana treatment of any remaining foreign source dividends.

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. Enter an amount equal to the deduction claimed for qualified domestic production activities under IRC Section 199 for federal income tax purposes.

See legislative highlights on page 3.

Line 7(a). 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 (thirty (30) percent and fifty (50) percent 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 IRC Section 168(k) to apply bonus depreciation.

Attach a statement or complete Schedule H to explain the adjustment you are making.

Example: If IRC Section 179 deduction is elected on business equipment acquired during 2005 costing \$200,000, the capital expensing deduction is \$100,000 with a remaining basis of \$100,000. An additional fifty (50) percent bonus depreciation of \$50,000 is elected, leaving a basis of \$50,000 for a 5-year Modified Accelerated Cost Recovery System (MACRS) property (half-year convention) depreciation deduction of twenty (20) percent (\$10,000). Total amount of federal deduction is \$160,000.

For state purposes, the bonus depreciation of \$50,000, is not allowed, and must be added back on line 7a. The IRC Section 179 deduction is capped at \$25,000. The \$75,000 excess amount must be added back on line 7b. These adjustments result in a stepped-up basis of \$175,000 for the state return on which to figure allowable first-year MACRS property depreciation deduction of twenty (20) percent (\$35,000) for 2005. This is a total state deduction of \$25,000 more than already deducted under the General Depreciation System (GDS). The additional depreciation may be excluded in subsequent years from the amounts to be added back on line 7a, or 7b when excess IRC Section 179 deduction or bonus depreciation was elected.

See Commissioner's Directive #19 for information on the allowance of depreciation for state tax purposes.

Line 7(b). Enter your share of the IRC Section 179 adjustment claimed for federal tax purposes that exceeds the amount that is recognized for state tax purposes.

Add or subtract the amount necessary to make the adjusted gross income of the taxpayer that placed any IRC Section 179 property in service in the current taxable year or in an earlier taxable year equal to the amount of adjusted gross income that would have been computed had an election not been made for the year in which the property was placed in service to take deductions (as defined in IRC Section 179) in a total amount exceeding \$25,000. *Attach a statement or complete Schedule H to explain the adjustment.*

Note: If net amount determined for line 7a or 7b is negative figure, because of a higher depreciation basis in subsequent years, enter the amount in <brackets>. If taxable income is a loss, this adjustment when added back increases a loss.

Line 8. 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 9. 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 10: Enter the sum of income and modifications. Add lines 3 through 6, plus result on line 7a and 7b, less lines 8 and 9.

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. The proceeds of up to \$1,200 are deductible from each winning lottery game or ticket paid through Hoosier State Lottery Commission.

Explain deduction on Schedule H.

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

Additional Explanations IT-20 Schedule H

Explain on this schedule (form page 4) 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 IT-20 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 corporate partner and the partnership will control the classification. If a unitary relationship exists, the corporate partner will include its share of the partnerships factors in the computation of business income apportioned to Indiana.

Nonbusiness Income is defined as all income not properly classified as business income. 45 IAC 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 a 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 partnerships, 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.

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, add subtotals of all related nonbusiness expenses attributed to excluded income on lines (1) through (6).

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. Subtract line 13 from line 12.

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: 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. IT-20 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 IAC 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. Sales/Receipts Factor: The sales factor is a fraction. The numerator is the total receipts of the taxpayer in Indiana during the tax year. The denominator is the total receipts of the taxpayer 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 (to be reported on IT-20 Schedule F). 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 IC 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 [45 IAC 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 Sales/Receipts Value

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

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

line 4c and carry to line 15d, of Form IT-20 and check box 15a.

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

Part II - Business/ 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.

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 non-business 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. 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. A current Schedule IT-20NOL, as effective on 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 eight and one-half (8.5) percent if not otherwise qualified for a reduced rate of tax. Taxable income derived from a designated Indiana Military Base Enhancement Area (MBEA) is subject to tax at the rate of five (5) percent.

If you qualify as an MBEA taxpayer under IC 6-3-2-1.5, complete Schedule M on page 16 and check the alternate tax rate calculation box on line 22. Enter your total computed adjusted gross income tax. If the insurance gross premium tax was paid, enter zero (-0-).

Line 23. Sales/Use Tax - 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. Use tax is computed on an annual basis and should be reported on this line if not previously reported on Form ST-103. For more information regarding use tax, call (317) 233-4015.

Use worksheet on page 7 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.

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) \$1,000

Also see Income Tax Information Bulletin #14.

Note: Schedule CC-20, found on page 4 of Form IT-20, or a separate Schedule CC-40 (attachment sequence #8), must be completed and filed with the income tax return.

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**. Compute credit on former Schedule IT-20REC for increased Indiana research expenses incurred before July 1, 2005. Use revised form (R1/7-05) for qualified expenses beginning after July 1, 2005. Attach both schedules.

Line 27. Enter the available **Coal Combustion Product Tax Credit**. Attach credit calculation statement and supporting documentation. See information about this credit under Other Tax Credits on page 28.

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** beginning on page 28. 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 Economic Development for a Growing Economy (EDGE) credits. See information about this credit on instruction page 5.

Line 37. Add lines 33 through 36.

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

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

Line 40. If a payment is made after the original due date, interest must be included with the payment. Interest will be calculated from the original due date until the date the payment is made. Contact the Indiana Department of Revenue for the rate of interest charged on late payments.

Note: An extension of time to file does not extend the time to pay any tax due. 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 as provided 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**

Other Tax Credits

Nonrefundable Credits (and new 3-digit Code Numbers)

See instructions for line 36 for refundable credits.

Coal Combustion Product Tax Credit (805) - IC 6-3.1-25.2 provides for a coal combustion product credit against adjusted gross income tax. A coal combustion product is the byproduct resulting from the combustion of coal in a facility located in Indiana. 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 (3) years is also eligible for the credit.

The credit is equal to \$2 per ton of coal combustion products used by the manufacturer and applies to the additional amount of coal combustion products used by the manufacturer as approved by the Center for Coal Technology Research. 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. However, 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.

Use line 27 of return to claim a qualifying amount of the computed income tax credit. Attach Form CCP-100 to the return.

Guaranty Association Credit (817)- 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 IC 27-8-8-16).

Historic Rehabilitation Tax Credit (819) - 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.

Individual Development Account Tax Credit (823) - 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 Housing Finance Authority, 30 S. Meridian St., Suite 1000, Indianapolis, IN 46204.

Maternity Home Tax Credit (825) - An income tax 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) 233-1253 for the application and more information about this credit.

Prison Investment Tax Credit (829)- 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 (834) - (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 (833)- 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.

Other Tax Credits Continued

Voluntary Remediation Tax Credit (836) - IC 6-3.1-23 provides a credit for qualified investments involving the remediation of a brownfield. Effective: January 1, 2005, the credit is limited to the lesser of a taxpayer's state tax liability for all listed taxes, \$200,000, or one hundred (100) percent of the qualified investment up to \$100,000 and fifty (50) percent of the qualified investment that exceeds \$100,000. The Department of Environmental Management shall share administrative duties with the Indiana Development Finance Authority, which shall certify the project.

The total amount of credits that may be granted in each state fiscal year is limited to \$2 million and must be claimed in a taxable year that begins before December 31, 2007, excluding carry-forwards. Carryover of prior unused credit may be carried back only one (1) year **or** carry forward up to five (5) years. Pass-through entities are eligible for the credit.

Form VRTC-10/20 is used to file an application for approval and to claim this credit following certification of the project.

The following programs are administered by the Indiana Economic Development Corporation. To request additional information regarding the definitions, procedures, and qualifications for obtaining these credits, contact: Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, Indiana, 46204, or call (317) 232-8800. Web address: www.iedc.in.gov

Blended Biodiesel Tax Credits (803) - IC 6-3.1-27 provides a state tax credit for a taxpayer that produces biodiesel at a facility located in Indiana and is approved by Indiana Economic Development Corporation (IEDC). The credit is equal to \$1 per gallon of biodiesel produced in Indiana and used to produce blended biodiesel. Pass-through entities are eligible for the credit, and the credit can be applied against the sales tax, the adjusted gross income tax, the financial institutions tax, and the insurance premiums tax. The credit is limited to \$3 million for all taxpayers in all taxable years.

A second credit is provided for a producer of blended biodiesel at a facility located in Indiana certified by the IEDC. The credit is equal to \$.02 per gallon of blended biodiesel produced in Indiana. Pass-through entities are eligible for the credit, and the total credits for all taxpayers in all taxable years may not exceed \$3 million. Another tax credit is provided for a dealer that operates a service station and sells blended biodiesel distributed at retail or through a metered pump. The amount of the credit is \$.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 \$3 million. The credit may be applied against the taxpayer's sales tax, adjusted gross income tax, financial institutions tax, and the insurance premiums tax liability.

The unused amount of all three credits mentioned above can be carried forward up to six (6) taxable years. *See Income Tax Information Bulletin # 91 for further information.*

A copy of approved Form BD-100 must be attached to the return.

Capital Investment Tax Credit (804) - 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 Economic Development Corporation, is equal to fourteen (14) percent of the amount of the approved qualified investment and is ratable over a seven (7) year period.

Community Revitalization Enhancement District Credit (808) - 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 Economic Development Corporation 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.

Enterprise Zone Investment Cost Credit (813) - 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.

Ethanol Production Tax Credit (815) - IC 6-3.1-28 provides an ethanol production tax credit for a facility located in Indiana, with a capacity to produce 40 million gallons of ethanol per year, and the facility increases its capacity by at least 40 million gallons per year. A taxpayer wishing to claim the credit for ethanol production must be certified by the Indiana Economic Development Corporation as eligible for the credit.

A taxpayer is entitled to a credit of \$.125 per gallon of ethanol produced at the Indiana facility. Pass-through entities, if qualified under IC 5-28-6-3, are eligible for the credit. The credit may be applied against the sales tax, adjusted gross income tax, financial institutions tax, and the insurance

Other Tax Credits Continued

premiums tax. If the amount of the credit exceeds the taxpayer's liability, the excess may be carried forward. To receive the credit, the taxpayer must submit to the Department documentation for credit calculation and copy of Certificate of Qualified Facility issued by the IEDC.

The total amount of credits allowed for a taxpayer in all taxable years may not exceed \$3 million (\$5 million if approved for a pass-through entity), and the total amount of credits for all taxpayers may not exceed \$10 million in all taxable years.

See Income Tax Information Bulletin # 93 for further information. A copy of approved Form EP-100 must be attached to the return.

Hoosier Business Investment Tax Credit (820) - IC 6-3.1-26 provides for the Hoosier Business Investment Tax Credit administered by the Indiana Economic Development Corporation (IEDC) The state income tax credit is for qualified investments, which include the purchase of new telecommunications, production, manufacturing, fabrication, processing, refining, or finishing equipment. 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 shall only be granted for the amount of the qualified investment that is directly related to expanding the workforce in Indiana. The credit is the lesser of thirty (30) percent (ten (10) percent effective May 15, 2005) of the amount of the qualified investment made by the taxpayer in Indiana, or the taxpayer's state tax liability growth. The IEDC determines the unused credit forward period. Pass-through entities are eligible for the credit. PL 81-2004 extends the Hoosier Business Investment Tax Credit until December 31, 2007

The taxpayer is required to submit to the Department a copy of the certificate from the IEDC verifying the amount of tax credit for the taxable year.

Industrial Recovery Tax Credit (824) - 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.

Military Base Recovery Tax Credit (827) - 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 (830) - A taxpayer or a pass-through entity may be eligible as determined by the Indiana Economic Development Corporation, 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. See Income Tax Information Bulletin #94 for further information.

Venture Capital Investment Tax Credit (835) - IC 6-3.1-24 provides a Venture Capital Investment Tax Credit to a taxpayer that provides qualified investment capital to a qualified Indiana business. The credit may be applied against the taxpayer's total state tax liability for sales, use, adjusted gross income, financial institutions and insurance premium taxes.

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 \$12.5 million. The unused tax credit can be carried forward. Effective January 1, 2006, the carry forward provision is limited to the immediate five (5)-succeeding taxable years. The credit is limited to investments that occur before December 31, 2008. A pass-through entity is eligible for the tax credit.

A taxpayer desiring to receive the venture capital investment tax credit must apply to the Indiana Economic Development Corporation for a certification that the proposed investment would qualify for a credit. 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 Indiana Economic Development Corporation shall issue a qualified investment capital certification to the taxpayer eligible for the credit.

A copy of the certificate issued by the Indiana Economic Development Corporation for the capital investment tax credit must be submitted to the Department of Revenue when filing taxpayer's tax return.

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-1 (Utility Receipts Tax Return) 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. A net operating loss deduction 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 Tax, 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 that reflects 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. Attach copies of pages 1 through 4 of the federal Corporation Income Tax Return, Schedule M-3, and any extension form, or pro forma form to the Indiana corporation income tax return. This requirement is made under the authority of IC 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/

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

Tax Forms Order Line - (317) 615-2581

Schedule M for line 22 - Alternate Adjusted Gross Income Tax Calculation

Use this worksheet to attribute income subject to a reduced tax rate that is derived from sources both within and outside a Qualified Military Base Enhancement Area (MBEA) in Indiana. Calculate tax due on total Indiana taxable income.

To be eligible for the tax rate of five (5) percent, the corporation must locate all or part of its operations in a qualified military base enhancement area. A qualified area means:

- (1) a military base (as defined in IC 36-7-30-1(c));
- (2) a military base reuse area established under IC 36-7-30;
- (3) the part of an economic development area established under IC 36-7-14.5-12.5 that is or formerly was a military base (as defined in IC 36-7-30-1(c));
- (4) a military base recovery site designated under IC 6-3.1-11.5; or
- (5) a qualified military base enhancement area established under IC 36-7-34, located in Indiana.

First Tax Year of Application: a _____ (The alternate tax rate application applies to the taxable year in which the corporation locates or expands its operations in the qualified area and to the next succeeding four (4) taxable years.)

Indicate name of designated military base area(s) and the extent of qualifying business operations within each area:

b _____

Apply the following procedure to determine the part of a corporation's taxable adjusted gross income that was derived from sources within a qualified area(s):

Enter total value of operations for each column.

	Column A Activity from a qualified MBEA	Column B Activity within Indiana only	Column C Activity percent from MBEA
1. Property Factor - Enter total of: average real and tangible business property owned (at cost), inventories, and net rents paid (8x annual rental) <i>Divide line 1a by line 1b, enter the percent on line 1c.</i>	1a \$ _____	1b \$ _____	1c _____ %
2. Payroll Factor - Enter total payroll <i>Divide line 2a by line 2b, enter the percent on line 2c.</i>	2a \$ _____	2b \$ _____	2c _____ %
3. Sales Factor - Enter total gross receipts <i>Divide line 3a by line 3b, enter the percent on line 3c</i>	3a \$ _____	3b \$ _____	3c _____ %
4. Total percentages entered on lines 1c, 2c and 3c			4 _____ %
5. <i>Divide line 4 by three (3) if all factors are present, otherwise divide by number of remaining factors</i>			5 _____ %
6. Enter total taxable Indiana adjusted gross income from line 20 of Form IT-20			6 \$ _____
7. <i>Multiply line 6 by percent on line 5, enter here: 7a \$ _____ and multiply result by 5%</i>			7b \$ _____
8. <i>Subtract amount on 7a from line 6, enter here: 8a \$ _____ and multiply result by 8.5%</i>			8b \$ _____
9. Indiana adjusted gross income tax: Combine amount on lines 7b and 8b, enter here			9 \$ _____

Carry grand total from line 9 to line 22 of Form IT-20. Check box on line 22 for alternate tax rate calculation and attach complete copy of this schedule to return.

Caution: A taxpayer is not entitled to the alternate reduced tax rate if the taxpayer substantially reduces or ceases its operations at another location in Indiana in order to relocate its operations within the qualified area, unless the taxpayer had existing operations in the qualified area and the operations relocated to the qualified area are an expansion of the taxpayer's operations in the qualified area. A determination made by the Department of Revenue that a taxpayer is not entitled to the alternate reduced tax rate as a result of a reduction or cessation of operations applies to the taxable year in which the substantial reduction or cessation occurs and in all subsequent years.



Indiana Corporate Adjusted Gross Income Tax Return

Form IT-20

State Form 44275
(R4/8-05)

For Calendar Year Ending December 31, 2005 or Other Tax Year

(Do not write above)

Page 1

Name of Corporation B		Federal Identification Number A	
Number and Street C		Principal Business Activity Code H	
City E		Indiana Taxpayer Identification Number I	
State F	Zip Code G	Telephone Number J ()	

- K.** Check all boxes that apply to entity: ☐ 1 Initial Return ☐ 2 Final Return ☐ 3 In Bankruptcy ☐ 4 Insurance Co. ☐ 5 Farmer's Cooperative
- L.** Date of incorporation 1 in the State of 2
- M.** State of commercial domicile _____
- N.** Year of initial Indiana return _____
- O.** Location of records if different from above address: _____
- P.** Check box if the corporation paid any quarterly estimated tax using different Federal Identification Numbers. ☐ (List on Schedule H other Federal Identification Numbers used to make payments)
- Q.** Is 80% or more of your gross income derived from making, acquiring, selling or servicing loans or extensions of credit? ☐ 1 Yes ☐ 2 No
(If yes, do not file Form IT-20. You must file Form FIT-20.)
- R.** Is this a consolidated return for adjusted gross income tax? ☐ 1 Yes ☐ 2 No
(If yes, complete consolidated listing on Schedule 8-D.)
- S.** Is return filed on a combined unitary basis? ☐ 1 Yes ☐ 2 No
(If yes, include unitary apportionment addendum.)
- T.** Is this corporation filing unitary reports with other states? ☐ 1 Yes ☐ 2 No
- U.** If filing unitary, have there been any material changes in the factual circumstances since the last petition was filed? ☐ 1 Yes ☐ 2 No
(If Yes, a copy of the extension must be attached.)
- V.** Have you filed an extension of time to file the return? ☐ 1 Yes ☐ 2 No

Computation of Adjusted Gross Income Tax

Income

- | | | |
|--|---|--|
| 1. Federal taxable income (before federal net operating loss deduction and special deductions) | 1 | |
| 2. Net qualifying dividends deduction from federal Schedule C, Form 1120 | 2 | |
| 3. Subtract line 2 from line 1 | 3 | |

Modifications for Adjusted Gross Income

- | | | |
|--|----|--|
| 4. Add back: All state income taxes based on or measured by income | 4 | |
| 5. Add back: All charitable contributions(IRC Section 170) | 5 | |
| 6. Add back: Domestic production activities deduction (IRC Section 199) | 6 | |
| 7. Add or subtract: (Explain on Schedule H): | | |
| (a) Net bonus depreciation allowance | 7a | |
| (b) Excess IRC Section 179 deduction | 7b | |
| 8. Deduct: Interest on U.S. Government obligations less related expenses | 8 | |
| 9. Deduct: Foreign gross up (IRC Section 78). Attach federal Form 1118 | 9 | |
| 10. Subtotal (add lines 3 through 6, plus result from lines 7a and 7b, subtract lines 8 and 9) | 10 | |

2005
IT-20

Other Adjustments

- | | | |
|--|----|--|
| 11. Foreign Source Dividends (from worksheet on page 4) and other adjustments. Enter deductions in <brackets> .. | 11 | |
| 12. Subtotal of income with adjustments (add lines 10 and 11) | 12 | |
| 13. Deduct: All source nonbusiness income or (loss) and non-unitary partnership distributions from IT-20 Schedule F, column C, line (10) | 13 | |
| 14. Taxable business income: Subtract line 13 from line 12 | 14 | |

Apportionment of Income for Entity with Multi-state Activities

15. Check one of the following apportionment methods used, attach completed schedule and enter percentage on line 15d.

- | | |
|-----|--|
| 15a | Schedule E, from line 4c |
| 15b | Schedule E-7, from line 30 (for interstate transportation) |
| 15c | Other approved method (including domestic insurance companies) |

- | | | |
|--|-----|---------------|
| 15d. Enter Indiana apportionment percentage, if applicable (round percent to two decimals) | 15d | ____ . ____ % |
| 16. Indiana apportioned business income: Multiply line 14 by percent on line 15d | 16 | |
| If apportionment of income is not applicable, enter the total amount from line 14. | | |

Add Allocated and Previously Apportioned Income to Indiana

- | | | |
|---|----|--|
| 17. Enter Indiana non-business income or (loss) and Indiana non-unitary partnership income or (loss) from IT-20 Schedule F, column D, line (11) | 17 | |
| 18. Indiana adjusted gross income before net operating loss deduction: Add lines 16 and 17 | 18 | |

Deduct from Indiana Adjusted Gross Income

- | | | |
|--|----|--|
| 19. Indiana net operating loss deduction See instructions. Enter as a positive amount from column (4) of revised Schedule IT-20NOL(s) for each loss year. | 19 | |
| 20. Taxable adjusted gross income. Subtract line 19 from line 18. Enter here. Carry positive result to line 21 on page 2 of return | 20 | |

VN

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		
New: If using alternate tax rate calculation, attach completed Schedule M from page 16 and check box. 22b ☐			
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 (807)	24			
25. Neighborhood Assistance Tax Credit (NC-20) (828)	25			
26. Indiana Research Expense Tax Credit (IT-20REC) (822)	26			
27. Coal Combustion Product Tax Credit (See instructions) (805)	27			
28. Enterprise Zone Employment Expense Tax Credit (EZ 2) (812)	28			
29. Enterprise Zone Loan Interest Tax Credit (LIC) (814)	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 SectionI authorize the Department to discuss my return with my tax preparer. **CC** ☐ Yes

For Department Use

DD	
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 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	EE	
--------------------------	----	--

Signature of Corporate Officer 		Date		Print or Type Name of Corporate Officer		Title	
Print or Type Paid Preparer's Name FF		Preparer's FID, SSN, or PTIN Number LL		Preparer's Daytime Telephone Number PP		Check One: MM OO 1 ☐ Federal I.D. Number 2 ☐ Social Security Number 3 ☐ PTIN Number	
Street Address GG		City		State		Zip+4	
Preparer's Signature 		City		State		Zip+4	

Please mail forms to : **Indiana Department of Revenue, 100 N. Senate Avenue, Indianapolis, IN 46204-2253.**

Apportionment of Adjusted Gross Income for Corporations

For Tax Year Beginning AA _____/_____/ 2005 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
1. Property Factor - Average value of owned property from the beginning and the end of the tax year. (Value of and pro rata share of real and tangible personal property at original cost.)			
(a) Property reported on federal return (average value for tax year)			
(b) Fully depreciated assets still in use at cost (average value for tax year)			
(c) Inventories, including work in progress (average value for tax year)			
(d) Other tangible personal property (average value for tax year)			
(e) Rented property (8 times the annual net rental)			
Total Property Values: Add lines 1(a) through 1(e)	1A	1B	1C _____ . ____ %
2. Payroll Factor - Wages, salaries, commissions, and other compensation of employees and pro rata share of payroll reportable on the return.			
Total Payroll Value:	2A	2B	2C _____ . ____ %
3. Sales/Receipts Factor (less returns and allowances) - Include all non-exempt apportioned gross business income. Do not use non-unitary partnership income or previously apportioned income that must be separately reported as allocated income. Sales delivered or shipped to Indiana:			
(a) Shipped from within Indiana			
(b) Shipped from outside Indiana			
Sales shipped from Indiana to:			
(c) The United States Government			
(d) Purchasers in a state where the taxpayer is not subject to income tax (under P.L. 86-272)			
(e) Interest and other receipts from extending credit attributed to Indiana			
(f) Other gross business receipts not previously apportioned			
Total Receipts: Add column A receipts lines 3(a) through 3(f) and enter in line 3A. Enter all receipts in line 3B, of column B	3A	3B	
4. Summary - Apportionment of Income for Indiana			
(a) Receipts Percentage for factor 3 above: Divide 3A by 3B, enter result here: _____ X 200% (2.0) double-weighted adjustment			4a _____ . ____ %
(b) Total Percents: Add percentages entered in boxes 1C, 2C and 4a of column C. Enter sum			4b _____ . ____ %
(c) Indiana Apportionment Percentage: Divide line 4b by 4 if all three factors are present. Enter here and carry to apportionment line on the tax return			4c _____ . ____ %

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

Part II - Business/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 Reference to line number	Column B Explanation	Column C 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 Owned	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% owned:	\$	50%	(	)
Foreign Source Dividends Deduction from Adjusted Gross Income				
Add column C and carry to Form IT-20, line 11			(	)

Sales/Use Tax Worksheet for Line 23, Form IT-20			
List all purchases made during 2005 from out-of-state companies.			
Column A	Column B	Column C	
Description of tangible 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	1		
2. Sales/use tax: Multiply line 1 by .06 (6%)	2		
3. Sales tax previously paid on the above items (up to 6% per item) plus other tax credits that offset use tax, attach explanation	3		
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	4		

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)			

Allocation of Non-business Income and Indiana Non-unitary Partnership Income

For Tax Year Beginning **AA**____/____/____ 2005 and Ending **BB**____/____/____

Complete all applicable sections. See separate instructions for IT-20 Schedule F in income tax booklet. Attach additional sheets if necessary. Identify each item of income. Indicate amount of related non-business 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.

Column AA (1) Dividends (not from DISC or FSC's) Excess after federal and state foreign source dividends deduction: Source		Column BB Percent Owned (if foreign)	Column A Total Amount	Column B Related Expenses	Column C Net Amount All Sources		Column D Net Amount Indiana Source	
Carryforward subtotals from additional sheets								
Total Dividends, Expenses, and Net Amounts...					1C		1D	
(2) Interest (Do not include interest from U.S. Government obligations)								
Source and Type		Short/Long Term						
Carryforward subtotals from additional sheets								
Total Interest, Expenses, and Net Amounts					2C		2D	
(3) Net Capital Gains (Losses) from Sale or Exchange of Personal Property and Real Estate (Indicate if tangible or intangible property)								
Source and Type		Gross Proceeds						
Carryforward subtotals from additional sheets								
Total Net Gains, Expenses, and Net Amounts					3C		3D	

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



**Schedule
IT-2220**

State Form 440(R4/8-05)

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

Part II - How to Figure Exception to Underpayment Penalty

4. Multiply line 3 by 80% and enter result here	4		
5. Enter the 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		

Quarterly Estimated Tax Paid for Taxable Year

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

Part III - How to Figure Penalty

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

Instructions for Schedule IT-2220

Who Should File?

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

What is the Required Amount?

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

Quarterly payments are due whenever the adjusted gross income tax liability exceeds \$1,000 for a taxable year.

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

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

PART I - How to Figure Underpayment of Corporate Taxes

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

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

2. Enter your total tax reduction (nonrefundable) credits (college credit, neighborhood assistance credit, etc.) reported on Form IT-20 or Form IT-20NP. **Do not** enter estimated tax payments, extension payments, or prior year's overpayment credit. In no case may the total of tax reduction credits exceed the total tax on line 1.

3. Subtract line 2 from line 1. This is your current year's tax liability. If zero, STOP. You do not owe any underpayment penalty.

PART II - How to Figure Exception to Underpayment Penalty

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

Special Note for Final Short/Fiscal Year Filers: If the previous year was for a period of less than twelve (12) months, the exception may be met by demonstrating what the liability would have been if a twelve-month return had been filed. For example, if the previous year was for six (6) months, double the total tax for that year and enter twenty-five (25) percent of this total. If last year's tax was zero, enter zero on line 9.

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

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

If filing on a calendar year basis, the installment due dates for corporate income tax payments are April 20, June 20, September 20 and December 20 of the taxable year. Fiscal year and short tax year filers must remit by the twentieth day of the fourth, sixth, ninth, and twelfth months of your taxable year. Short period filers see note following line 18 instructions.

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

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

11. Divide line 6 by the 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
(R4/8-05)

Indiana Department of Revenue Corporate Income Tax Indiana Net Operating Loss Deduction

Page attachment sequence #9

Name of Corporation or Organization

Federal Identification Number

B

A

PART 1 — Computation of Indiana Net Operating Loss (NOL)

Complete Schedule IT-20NOL for each loss year.

Loss Year Ending: aa _____ / _____ / _____

Taxable Income or Loss

1. Enter federal taxable income (loss), including special deductions but excluding any federal net operating loss deduction (Form IT-20 line 3; IT-20NP line 1) 1. _____

IRC Section 172(d) Modifications for Loss Year

2. Enter an amount, to the extent required under IRC Section 172, which reflects all other federal adjustments for an NOL pursuant to IRC Section 172(d) (See Federal Form 1139, attach computation) 2. _____

Adjusted Gross Income Modifications for Loss Year

3. Add back: All state income taxes based on or measured by income (includes property taxes before 1999) 3. _____
4. Add back: All charitable contributions (IRC Section 170) 4. _____
5. Add back: Domestic production activities deduction (IRC Section 199) 5. _____
6. Add or subtract: Net bonus depreciation allowance plus excess IRC Section 179 deduction 6. _____
7. Deduct: Interest on U.S. Government obligations less related expenses 7. _____
8. Deduct: Foreign gross up (IRC Section 78) as determined on federal Form 1118 8. _____
9. Deduct: All source non-business income or (loss) and non-unitary partnership distributions (from IT-20 Schedule F line 10C) 9. _____
10. Total modified income (Add lines 1 through 5, plus line 6; subtract lines 7, 8 and 9) 10. _____

Indiana Business Income or Loss

11. Enter Indiana apportionment percentage of loss year (Form IT-20 line 15d; IT-20NP line 8) 11. _____ %
If apportionment of income is not applicable, enter the total amount from line 10 on line 12
12. Indiana apportioned business income or (loss) (Multiply line 10 amount by percent on line 11) 12. _____

Previously Allocated and Apportioned Income or Loss Attributed to Indiana

13. Add Indiana non-business income or loss and Indiana non-unitary partnership income or loss (from IT-20 Schedule F line 11D) 13. _____
14. Indiana modified adjusted gross income or net operating (loss) (Add lines 12 and 13) 14. _____

If line 14 is a negative figure, this is the NOL available to carry back or carry forward against modified Indiana adjusted gross income. To claim this deduction, you must apply the same carryback/carryover treatment as used for federal income tax purposes. Continue by entering line 14 loss figure in Part 2, column (4) for the taxable period the NOL deduction is initially applied.

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: ☐ **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).** If result is a loss, also enter loss in column (4) for the next carryover year.

Carryover: Update this schedule for each tax year. Claim the remaining NOL from column (4) as a deduction to your return.

Note: The carry back application to the third through the fifth preceding tax year was eliminated, except for certain farm losses and losses incurred in 2001 and 2002 or for loss years beginning before August 16, 1997.

(1) List Tax Period Ending	(2) Taxable Income as last Determined (if zero or less, enter -0-)	(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)
Carried to the preceding:				
5th Year _____			()	
4th year _____			()	
3rd year _____			()	
2nd year _____			()	
1st year _____			()	
Carried to the following:				
1st year _____			()	
2nd year _____			()	
3rd year _____			()	
4th year _____			()	
5th year _____			()	
6th year _____			()	
7th year _____			()	
8th year _____			()	
9th year _____			()	
10th year _____			()	

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

Instructions for Schedule IT-20NOL

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 may not be used to compute available net operating loss.

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. A corporation cannot increase its current year NOL by carry backs or carryovers from other years. Capital losses are limited to net capital gains.
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 9.

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

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

Line 5. Enter qualified domestic production activities deduction claimed under IRC Section 199 on the federal return.

Instructions for Schedule IT-20NOL continued

Line 6. Add back or subtract an amount equal to net bonus depreciation allowed under IRC Section 168(k) as reported for the taxable year. Also, add back on this line, an amount equal to the IRC Section 179 deduction taken for qualified property that exceeds the \$25,000 cap amount recognized for state purposes.

Line 7. Deduct net interest that is exempt from state taxation that is included in federal taxable income.

Line 8. Deduct foreign gross up allowable under IRC Section 78 to the extent not eliminated on line 2.

Line 9. 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 13 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 11. 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 12. 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 14. 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 you 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 2003-2005 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 2005 Form IT-20; line 10 of 2005 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



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

Corporate Taxpayer Assistance
(317) 615-2662
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