INDIANA
IT-20 Corporate
Income Tax Booklet Year 2006 & Fiscal Years Ending in 2007

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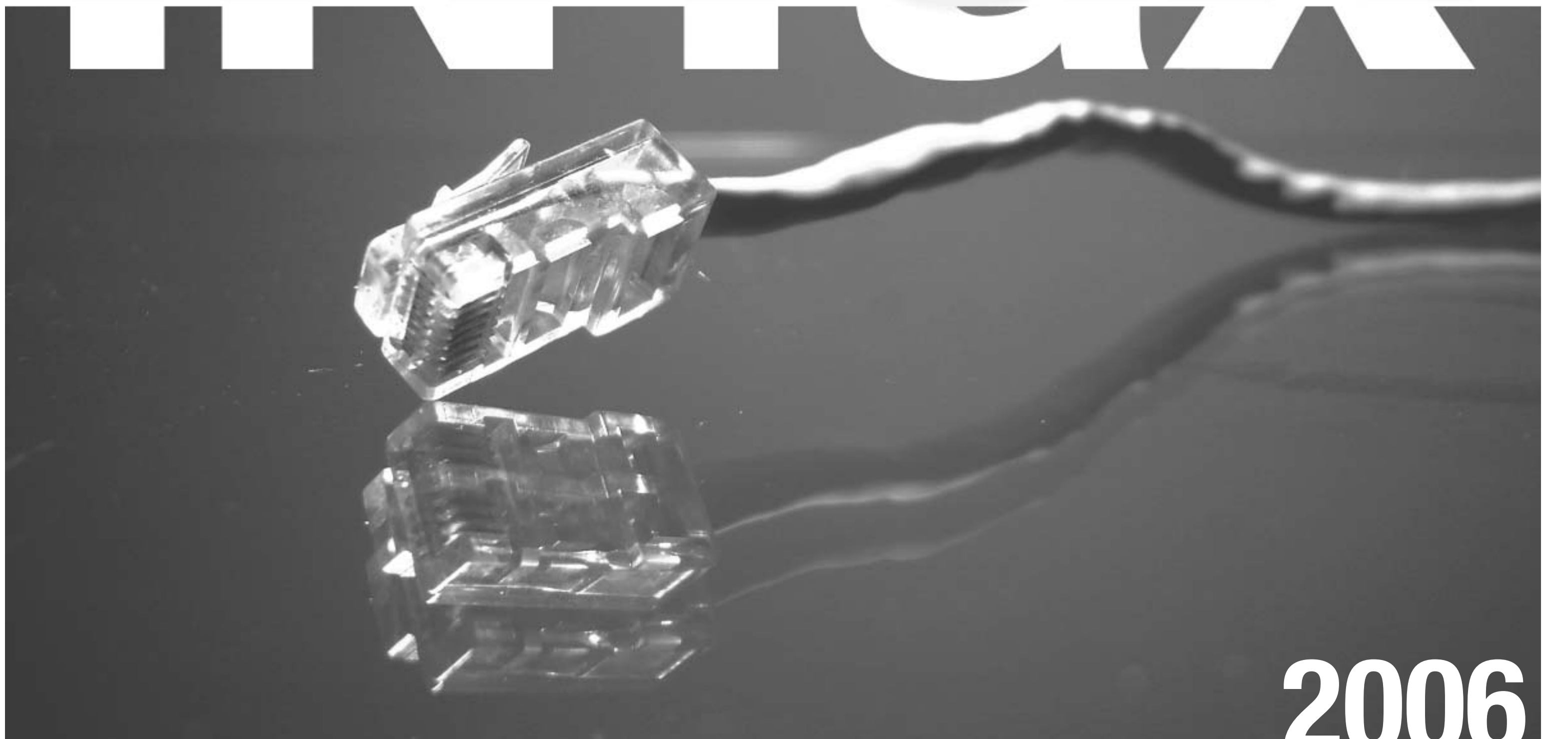

2006 Indiana Corporate Adjusted Gross Income Tax Booklet

State Legislative and Administrative Highlights for Corporate Income Tax .... Page 3

General Instructions .... Page 6

Instructions for Completing Form IT-20 .... Page 9

Sales/Use Tax Worksheet .... Page 19

Schedule M - Alternate Adjusted Gross Income Tax Calculation .... Page 20

Form IT-20 - Indiana Corporate Adjusted Gross Income Tax Return .... (return Page 1)

IT-20 Schedule E - Apportionment of Adjusted Gross Income for Indiana .... (return Page 3)

IT-20 Schedule PIC - Disclosure of Intangible Expense and Directly Related Intangible Interest Expense .... (return Page 4)

Schedule H - Additional Explanation .... (return Page 4)

Foreign Source Dividends Deduction Worksheet .... (return Page 4)

IT-20 Schedule CC-20 - College and University Contribution Credit .... (return Page 4)

IT-20 Schedule F - Allocation of Non-business Income and Indiana Non-unitary Partnership Income .... (return Pages 5, 6)

Schedule IT-2220 - Penalty for Underpayment of Corporate Income Tax

Schedule IT-20NOL - Corporate Income Tax - Indiana Net Operating Loss Deduction

Other Tax Credits .... Page 32

Special Reminders .... Page 36

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Indiana Department of Revenue

State Legislative and Administrative Highlights for Corporate Income Tax

For a complete summary of new legislation regarding taxation, please see **2006 Summary of State Legislation Affecting the Department of Revenue** at www.in.gov/dor/reference/legal/summary.html

Adjusted Gross Income Tax for 2006

References to the Internal Revenue Code

Public Law (PL) 184-2006, SEC. 4 updates references to the Internal Revenue Code (IRC) in certain Indiana tax statutes. For tax year 2006, any reference to the Internal Revenue Code and subsequent regulations means the Internal Revenue Code of 1986, as amended and in effect on Jan. 1, 2006. Citation affected: IC 6-3-1-11. Effective Jan. 1, 2006 (HEA 1327-2006 SEC. 4).

New Modifications to Add Back Deduction for Adjusted Gross Income

PL 162-2006 amended IC 6-3-1-3.5 to provide for the add back of intangible expenses and any directly related intangible interest expenses that reduced the corporation's taxable income for federal income tax purposes. The provisions apply to taxable years beginning after June 30, 2006. This affects short-year filers and fiscal-year filers having any taxable years beginning on or after July 1, 2006. It is applicable to all filers starting in 2007.

IC 6-3-2-20 is added to establish the guidelines and requirements for a taxpayer to add back the amount of any intangible expenses or directly related intangible interest expenses paid, accrued or incurred with one or more members of the same affiliated group or with one or more foreign corporations. An affiliated group has the meaning set forth in Section 1504 of the Internal Revenue Code, except that the ownership percentage is determined by using 50 percent instead of 80 percent.

These provisions to require the add back of intangible expenses and any directly related intangible interest expenses do not affect the legitimacy or illegitimacy of deductions claimed by the taxpayer for taxable years beginning before July 1, 2006. The Department has adopted temporary rules to implement the intangible expense add back provisions.

Those regulations are posted on the Indiana Register Web site at: www.in.gov/legislative/register/20060726-IR-045060244ERA.xml.html Citations affected: IC 6-3-1-3.5, IC 6-3-2-20 Effective July 1, 2006 (HEA 1001-2006 SEC. 24, 25, 53).

Refer to line 6b of the return and instructions on page 10. Complete IT-20 Schedule PIC, Disclosure of Intangible Expense and Directly Related Intangible Interest Expense, to report intangible expenses and any directly related intangible interest expenses deducted in arriving at federal taxable income. You must use IT-20 Schedule PIC on page **4** of return to compute the sum to add back less those amounts that may meet any of the exceptions for entry on line 6b.

Reduced Tax Rate on Income from Qualified Military Base Enhancement Area

IC 6-3-2-1.5 provides a corporate adjusted gross income tax rate of five percent instead of eight and one-half percent (8.5%) for businesses that locate new operations in a completely or partially inactive or closed military base. This includes businesses expanding operations to an economic development area that is or formerly was a military base on income attributable to business in the area. 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 taxable years.

PL 203-2005 amended IC 6-3-2-1.5, effective Jan. 1, 2006, to include a corporation located in a qualified military base enhancement area as a corporation eligible for the five 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 three 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 Jan. 1, 2006 (SEA 574-2005 SEC. 4).

PL 180-2006 amended IC 6-3-2-1.5, effective July 1, 2006, to provide that a corporation located in a county where the Crane military base is located is to be taxed on its income at a rate of five percent instead of eight and one-half percent (8.5%). Citation affected: IC 6-3-2-1.5, Effective July 1, 2006 (HEA 1259-2006 SEC. 4).

Refer to line 22 of return. Only qualifying entities need complete Schedule M, Alternative Adjusted Gross Income Tax Calculation and check box 22b. See instructions for line 22 on page 16.

Changes to Tax Liability Credits

Biodiesel and Ethanol Tax Credits

PL 122-2006 amended IC 6-3.1-27-8 and IC 6-3.1-27-9 to imply that the credit awarded by the Indiana Economic Development Corporation for biodiesel production and the credit for blending biodiesel can be awarded at an amount that is less than the statutory limit.

IC 6-3.1-27-9.5 is amended, effective retroactively to Jan. 1, 2005, to increase the total amount of credits that may be awarded for biodiesel production, biodiesel blending and ethanol production from $20 million to $50 million.

IC 6-3.1-27-10 is amended to provide that the $0.01 per gallon credit available for selling blended biodiesel at retail is extended until Dec. 31, 2010.

IC 6-3.1-28-11 is amended to imply that the credit awarded by the Indiana Economic Development Corporation for ethanol production can be awarded at an amount that is less than the statutory limit. Increases the maximum amount of credits allowed for an ethanol production plant from $3 million to $2 million if the production is less than 60 million gallons in a taxable year or $3 million if the production is greater than 60 million gallons in a taxable year. Citations affected: IC 6-3-3.1-27-8, IC 6-3-3.1-27-9, IC 6-3-3.1-27-9.5, IC 6-3-3.1-27-10, and IC 6-3-3.1-27-11. Effective Jan. 1, 2006 (SEA 353-2006 SEC. 5-9).

Claim the biodiesel and ethanol tax credits under Other Tax Reduction Credits starting on line 28 of the return. Use credit ID code numbers 803 and/or 815. For more information, refer to Income Tax Information Bulletins #91 and #93 at: www.in.gov/dor/reference/bulletins/income/index.html

New - Coal Gasification Technology Investment Tax Credit

PL 191-2005 SECTION 15, effective Jan. 1, 2006, created the coal gasification technology investment tax credit. The act provides that the credit is 10 percent of the taxpayer's qualified investment for the first $500 million invested and five percent for the amount that exceeds $500 million in an integrated coal gasification power plant. The credit must be taken in ten equal installments beginning with the year that the facility is placed in service. The annual credit is the lesser of the amount determined above divided by ten, or the greatest of 25 percent of the adjusted gross income tax liability or the utility receipts tax liability. This amount is to be multiplied by the amount of Indiana coal used in the taxpayer's power plant in the taxable year. Citation affected: IC 6-3.1-29. Effective Jan. 1, 2006 (SEA 378-2005 SEC. 15).

PL 122-2006 amended IC 6-3.1-29 to expand the coal gasification income tax credit to include fluidized bed combustion technology.

IC 6-3.1-29-15 is amended to provide that an entity is qualified for the coal gasification technology investment tax credit if the facility is dedicated to primarily serving Indiana retail electric utility consumers. This section also provides that the fluidized bed combustion technology tax credit is seven percent of the taxpayer's qualified investment for the first $500 million invested, and three percent of the qualified taxpayer's investment that exceeds $500 million.

IC 6-3.1-29-19 is amended to provide that 75 percent of the coal used in a fluidized bed combustion unit must be Indiana coal if the unit is not dedicated primarily to serving Indiana retail electric utility consumers. Citation affected: IC 6-3.1-29, IC 6-3.1-29-15, and IC 6-3.1-29-19. Effective Jan. 1, 2006 (SEA 353-2006 SEC. 10-17).

Claim the coal gasification technology investment tax credit(s) under Other Tax Reduction Credits starting on line 28 of the return. Use credit ID code number 806. A copy of taxpayer's certificate of compliance issued by the Indiana Economic Development Corporation must be attached.

New - Headquarters Relocation Tax Credit

PL 193-2005 added IC 6-3.1-30 to provide a headquarters relocation tax credit. The act provides that a business that relocates its corporate headquarters to Indiana is entitled to a credit equal to 50 percent of the costs incurred in relocating the headquarters. The credit claimed in a taxable year cannot reduce the taxpayer's tax liability to less than the liability incurred in the taxable year immediately proceeding the taxable year in which the taxpayer incurred relocation costs. The credit can be carried forward for nine years and is not refundable and cannot be carried back to previous years. Citation affected: IC 6-3.1-30. Effective Jan. 1, 2007 (SEA 001-2005 SEC. 21).

PL 176-2006 amended IC 6-3.1-30, effective Jan. 1, 2006 (retroactive), to provide that the entire chapter concerning the headquarters relocation tax credit takes effect on Jan. 1, 2006 instead of Jan. 1, 2007.

IC 6-3.1-30-2 is amended to provide that for a business to qualify for the headquarters relocation tax credit, the annual worldwide revenues had to be at least $100 million (prior provision was $500 million).

IC 6-3.1-30-8 is amended to provide that a business must have at least 75 employees in Indiana to qualify for the headquarters relocation tax credit. Citations affected: IC 6-3.1-30. Effective Jan. 1, 2006 (HEA 1380-2006 SEC. 8, 9, 17).

Claim the headquarters relocation tax credit under Other Tax Reduction Credits starting on line 28 of the return. Use credit ID code number 818. For more information, refer to Income Tax Information Bulletin 97 at: www.in.gov/dor/reference/bulletins/income/pdf/ib97.pdf

Hoosier Business Investment Tax Credit

PL 137-2006 amended IC 6-3.1-26-8 is amended to remove the Jan. 1, 2008 deadline for equipment used in motion pictures and audio productions to qualify for the Hoosier business investment tax credit.

IC 6-3.1-26-26 is amended to extend the Hoosier business investment tax credit until Dec. 31, 2011. Citations affected: IC 6-3.1-26-8, IC 6-3.1-26-26. Effective July 1, 2006 (HEA 1380-2006 SEC. 6, 7),

Claim the Hoosier business investment tax credit under Other Tax Reduction Credits starting on line 28 of the return. Use credit ID code number 820. For more information, refer to Income Tax Information Bulletin 95 at: www.in.gov/dor/reference/bulletins/income/pdf/ib95.pdf

Indiana Research Expense Tax Credit

PL 193-2005 amended the Indiana Research Expense Tax Credit to provide that for qualified research expenses incurred after Dec. 31, 2007, the credit is equal to the taxpayer's qualified research expense for the taxable year minus the base period amount, multiplied by 15 percent or $1 million whichever is less and plus 10 percent of the excess over $1 million. Citation affected: IC 6-3.1-4-2. Effective July 1, 2005 (SEA 1-2005 SEC. 13).

PL 197-2005 added IC 6-3.1-4-2.5, effective Jan. 1, 2006, to provide that a business engaged in the production of civilian and military jet propulsion systems, is a United States Department of Defense contractor, employs at least 3,000 people in Indiana, and pays more than 400 percent of the hourly minimum wage, may elect an alternative method of calculating the research expense credit. The taxpayer may elect to calculate the credit in the following manner. The credit will equal a

percentage determined by the Indiana Economic Development Corporation not to exceed 10 percent multiplied by the taxpayer's Indiana qualified research expenses for the taxable year minus 50 percent of the taxpayer's average Indiana qualified research expenses for the three preceding taxable years. Citations affected: IC 6-3.1-4-2.5. Effective Jan. 1, 2006 (SEA 414 SEC. 1).

PL 193-2005 amended IC 6-3.1-4-3, effective on Jan. 1, 2006, to provide that the research expense credit carry forward is reduced from 15 years to 10 years. Citations affected: IC 6-3.1-4-3. Effective July 1, 2005 (SEA 1-2005 SEC. 14).

Claim the Indiana research expense tax credit as a nonrefundable credit on line 25 of the return (credit ID code number 822).

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 30 percent of the investment. Citation affected: IC 6-3.1-11.6. Effective Jan. 1, 2005 (HEA 1365-2004 SEC. 22).

PL 190-2005 amended provisions of this credit to include a current or former military base in an economic development area as a qualified area. Citation affected: IC 6-3.1-6-2. Effective May 7, 2005 (HEA 1250-2005 SECTION 4).

PL 203-2005 amended IC 6-3.1-11.6-2, effective Jan. 1, 2006, to include a military base enhancement area as a qualified for the military base investment cost credit. Also, amended 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 Citations affected: IC 6-3.1-11.6-2, IC 6-3.1-11.6-9. Effective Jan. 1, 2006 (SEA 571-2005 SEC. 5, 6).

PL 180-2006 amended provisions of this credit to provide that a business located in a county where the Crane military base is located is eligible for the military base investment cost tax credit. The tax military base enhancement area is extended to comprise portions of three counties: Greene, Lawrence and Martin that are outside of the certified technology park adjoining the crane military base. The taxpayer's qualified investment must be 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, or (2) the business and the qualified military base have a mutual beneficial relationship evidence by a memorandum of understanding.

Citations affected: IC 6-3.1-11.6-9. Effective July 1, 2006 (HEA 1259-2006 SEC. 5).

Claim the military base investment cost tax credit under Other Tax Reduction Credits starting on line 28 of the return. Use credit ID code number 826.

EDGE for Retention Tax Credit

PL 137-2006 amended the Economic Development for a Growing Economy (EDGE) program which provides credits for job retention and job creation in Indiana.

IC 6-3.1-13-15.5 is amended, effective April 1, 2006, to provide that an employer must have at least 35 employees to qualify for the EDGE for retention tax credit. Formerly, the job retention criteria effective since July 1, 2005 required that the applicant employ at least 75 employees. IC 6-3.1-13-18 is amended to provide that the total amount of EDGE credits awarded in a year for projects to retain existing jobs in Indiana cannot exceed $10 million. Citations affected: IC 6-3.1-13-15.5, IC 6-3.1-13-18. Effective April 1, 2006 (HEA 1380-2006 SEC. 4, 5, 16).

A taxpayer must claim the credit and include 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. Claim the EDGE credit as a refundable credit on line 36 of the return.

Administrative Highlights

Termination of Three Enterprise Zones

PL 214-2005, SEC. 87 (effective upon passage) provided that the legislative body of each unit that contains an enterprise zone to adopt before Dec. 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 Dec. 31, 2005. If the legislative body did not adopt a continuing resolution, it shall be considered to be recommending the termination of the zone.

The following enterprise zones have terminated: Gary (Sept. 8, 2005), Portage and Terre Haute (Dec. 31, 2005). The Indiana Army Ammo EZ changed its name to River Ridge Development.

The following enterprise zones remain active:

Bedford	Kokomo
Bloomington	Lafayette
Connersville	La Porte
East Chicago	Marion
Elkhart	Michigan City
Evansville	Mitchell
Frankfort	New Albany
Ft. Harrison (Indianapolis)	Richmond
Ft. Wayne	River Ridge Dev.
Grissom Aeroplex (Peru)	(Jeffersonville)
Hammond	Salem
Indianapolis	South Bend
Jeffersonville	Vincennes

Annual Public Hearing

In accordance with the Indiana Taxpayer Bill of Rights, the Department will conduct an annual public hearing on Monday, June 11,

2007. Please come and share your ideas on how the Department of Revenue can better administer Indiana tax laws. The hearing will be held from 9 to 10 a.m. in the Indiana Government Center South, Conference Center Room 6, 402 W. Washington St., Indianapolis, Indiana. If you can't attend, please submit your concerns in writing to: Indiana Department of Revenue, Commissioner's Office, 100 N. Senate Ave., Indianapolis, IN 46204.

Revised Forms for 2006

- Form IT-20 is revised to add new IT-20 Schedule PIC and entry lines for claiming other tax liability credits. The Nonrefundable Tax Liability Credits section is reorganized with a specific identifying 3-digit code number for each credit.

Other Changes to Adjusted Gross Income Tax Starting in 2007

Phase-in of Single Factor Sales Formula for Apportionment of Income

PL 162-2006 amends IC 6-3-2-2 to transition to a single factor formula based on sales for apportioning business income of corporations and nonresident persons for taxable years beginning in 2007. The total value of the property and payroll factors shall gradually be diminished in each of the succeeding three taxable years.

In the first year of the phase-in, the apportionment formula will be the sum of the property factor plus the payroll factor plus 300 percent of the sales factor divided by five. The single factor formula will be fully implemented for taxable years beginning after Dec. 31, 2010.

Also changing is the definition of the sales factor. It is clarified to provide that regardless of the f.o.b. point or other conditions of the sale, sales of tangible personal property are in this state if the property is delivered or shipped to a purchaser that is within Indiana. Citation affected: IC 6-3-2-2. Effective Jan. 1, 2007 (HEA 1001-2006 SEC. 25, 56).

Petition to Discontinue Filing Combined Return

PL 162-2006 also amends IC 6-3-2-2 to provide that a taxpayer filing a combined income tax return must petition the Department within 30 days after the end of the taxpayer's taxable year to discontinue filing a combined income tax return. This provision is effective for taxable years beginning after Dec. 31, 2006. Citation affected: IC 6-3-2-2. Effective Jan. 1, 2007 (HEA 1001-2006 SEC. 25, 56).

Interest on Refunds Accrues from the Filing Date of the Claim

PL 111-2006 amends IC 6-8.1-9-2 to provide that the Department will pay accrued interest on an excess tax payment (that is not refunded or credited against a current or future tax liability) on a claim for refund or an amended return if the Department does not issue the refund within 90 days of the date that the refund claim is filed. Interest accrues from the date the refund claim is filed at the rate provided under IC 6-8.1-10-1 until a date, determined by Department, that does not precede by more than 30 days the date on which the refund or credits is made.

Current law provides that interest will be paid from the date the tax was paid or the date the return is due, whichever is later. Citation affected: IC 6-8.1-9-2. Effective Jan. 1, 2007 (SEA 362-2006 SEC. 10).

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 Dec. 31, 2006, an insurance company may annually claim a credit against adjusted gross income tax and premiums tax equal to ten percent of the amount of the assessments paid before Jan. 1, 2005, against which a tax credit has not been taken before Jan. 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, IC 27-8-10-2.4. Effective Jan. 1, 2005 (HEA 1273-2004 SEC. 1, 4).

General Statement and Instructions for 2006 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 is 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 15th day of the fourth month following the close of the tax year. A farmer's cooperative described in Section 1381 of the Internal Revenue Code has until the 15th day of the 10th 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 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 Jan. 1, 2003, a utility receipts tax is imposed at the rate of one and four-tenths (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. 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. Refer to Commissioner's Directive #18 for further information.

Utility Services Use Tax

Effective July 1, 2006, an excise tax known as the utility services use tax is imposed on the retail consumption of utility services in Indiana at the rate of one and four-tenths (1.4) percent where the utility receipts tax is not paid by the utility providing the service.

You may be liable for this tax if you purchase utility services from outside Indiana (or anywhere if for resale) and become the end user in Indiana of any part of the purchase. The person who consumes the utility service is liable for the utility services use tax based on the price of the purchase. Unless the seller of the utility service is registered with the Department to collect the utility services use tax on your behalf, you are required to remit this tax on Form USU-103. For more information, refer to Commissioner's Directive 32 available at www.in.gov/dor/reference/comdir/pdfs/cd32.pdf

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 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, Sept. 20 and Dec. 20 of the taxable year. Fiscal year and short tax year corporate filers must remit by the 20th day of the fourth, sixth, ninth and 12th month of their tax period.

For further instructions, refer to Income Tax Information Bulletin 11.

Penalty for Underpayment of Estimated Taxes

Corporations estimating their income taxes will be subject to a 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 20 percent of the total income tax liability for the current taxable year or 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 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 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) 232-5500.

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 spread sheet 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 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 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, Combined Profit and Loss Statement of Indiana Unitary Group, 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.

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) and, if

received, the electronic confirmation of the extension.

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. Also enter your federal electronic confirmation number on the return. Returns postmarked within 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 Ave., Indianapolis, IN 46204-2253**.

Penalty for late payment will not be imposed if at least 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 an extension 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 IC 6-3-4-6, which requires a taxpayer to notify the Department of any modifications (federal adjustment, RAR, etc.) made to a federal income tax return within 120 days of such change. Federal waivers should be attached, if applicable.

To claim a refund of an overpayment, the return must be filed within three years from the latter of the date of overpayment or the due date of the return. For carry back of a net operating loss deduction, Indiana generally follows federal regulations.

IC 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 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 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 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 refund claim is filed 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 2006 Form IT-20 return for a taxable year ending Dec. 31, 2006, a short tax year beginning in 2006 and ending in 2006, or a fiscal year beginning in 2006 and ending in 2007. 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 J to V. Please use the full legal name of the corporation and present mailing address.

For name change, check box at top of return. Attach to return copies of amended Articles of Incorporation or Amended Certificate of Authority filed with the Indiana Secretary of State. or question J, check box #2 only if the corporation is dissolved, liquidated, or withdrew from the state. Domestic insurance companies must check box J4 in question J. Farmer's cooperatives must check box J5.

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.

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

You must indicate if a federal extension of time to file form is attached. Check box V1 on front of return. Also enter your federal electronic confirmation number on the return.

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.

Income
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.

Modifications for Adjusted Gross Income

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

New – Add Back of Deduction

Line 6(b). This line of the return is effective for taxable years that begin after June 30, 2006. Enter the net result from IT-20 Schedule PIC Part 3(b).

A corporation subject to the adjusted gross income tax is required to add to its taxable income any intangible expenses and directly related intangible interest expenses paid, accrued, or incurred with one or more members of the same affiliated group or foreign corporation. A corporation answering yes to question (U) on the front of the return, relating to deduction of intangible expenses for federal taxable income, is directed to complete IT-20 Schedule PIC, Disclosure of Intangible Expense and Directly Related Intangible Interest Expense on page 4 of the return. The form and instructions are prescribed according to Emergency Rule LSA Document 2006 0726-IR-045060244ERA.

The following definitions apply to corporations for the purpose of disclosing activities and amounts involving transactions of intangible property to the extent required under IC 6-3-2-20.

Affiliated group has the meaning set forth in IRC Section 1504, except that the ownership percentage is determined by using 50 percent instead of 80 percent.

Directly related intangible interest expenses means interest expenses that are paid to, or accrued or incurred as a liability to, a recipient if the amounts represent income from making loans, and the funds loaned were originally received by the recipient from the payment of intangible expenses by the taxpayer, a member of the same affiliated group or a foreign corporation.

Foreign corporation means a corporation that is organized under the laws of a country other than the United States and would be a member of the same affiliated group as the taxpayer if the corporation were organized under the laws of the United States.

Intangible expense means the following amounts to the extent the amounts are allowed as deductions in determining taxable income under IRC Section 63: expenses, losses, and costs directly for, related to or in connection with the acquisition, use, maintenance, management, ownership, sale, exchange, or any other disposition of intangible property. Also included in the term are royalty, patent, technical, copyright fees, licensing fees, and other substantially similar expenses and costs.

Interest expenses means amounts that are allowed as deductions under IRC Section 163.

Makes a disclosure means a taxpayer provides the following information regarding a transaction of a member of the same affiliated group or a foreign corporation involving an intangible expense and any directly related intangible interest expense: the name of the recipient, the state of commercial domicile and the amount paid the recipient, a copy of federal Form 851, Affiliation Schedule, and the information needed to determine the taxpayer's status under the exceptions that are allowed.

Recipient means a member of the same affiliated group as the taxpayer to which is paid an item of income that corresponds to an intangible expense or any directly related intangible interest expense.

Unrelated party means a person that is not a member of the same affiliated group.

Valid business purpose means one (1) or more transactions that have sufficient economic substance, other than the avoidance or reduction of taxes, that alone or in combination

(a) Constitute the primary motivation for a business activity, or
(b) Change in a meaningful way, the taxpayer's economic position.

A meaningful change in the taxpayer's economic position includes, but is not limited to, an increase in market share, its entry into new business markets or its compliance with a regulatory requirement of federal, state or local government.

Disclosure of Intangible Expense and Directly Related Intangible Interest Expense

Line Instructions for IT-20 Schedule PIC on Page 4 of the Return.

Complete all information requested. Report transations with member(s) of the same affiliated group (50 percent ownership threshold) or foreign corporation(s) involving an intangible expense and any directly related intangible interest expense paid, accrued, or incurred within one or more members of the same affiliated group or one or more foreign corporations. Attach additional sheets as necessary. Explain on Schedule H on page 4 of the return or by addendum each allowable deduction that meets an exception to add back requirements for disclosures included in the transactions listed for Part 2. You must provide documentation that meets one or more of the allowable exceptions to support your deduction. For purposes of completing this report, you must attach Form 851, Affiliations Schedule, if filing a consolidated federal return.

Part 1 - Exceptions to the Add Back of the Deduction under IC 6-3-2-20(c)

Check the box if any of these conditions applies:

a) The taxpayer and all intangible income recipients, for the purposes of the add back requirement for line 6b of return, are included in the same consolidated or combined Indiana return;

b) An agreement is on file with the Department allowing an alternative method of allocation or apportionment under the adjusted gross income tax statute; or

c) The Department has determined following taxpayer's petition that the adjustment of Part 3 (a) and (b) is unnecessary.

By checking a box, you declare that the corporation is not required to finish this schedule beyond completing Part 2 and attaching federal Form 851 to the return.

Part 2 - Related Transactions of Intangible Property

Provide the following information on all related transactions made with a recipient member of the same affiliated group or a foreign corporation involving an intangible expense and any directly related intangible interest expense.

Add additional sheets as necessary to complete this part.

a) List name of recipient and federal identification number of each member of the same affiliated group or a foreign corporation regarding transactions involving an intangible expense and any directly related intangible interest expense.

b) Indicate the recipient's state or country of commercial domicile.

c) Indicate the relationship or exception status with taxpayer and type of intangible expense deducted.

d) List total amount paid as an item of income that corresponds to an intangible expense or any directly related intangible interest expense to each recipient for all related transactions made with each of the member(s) of the same affiliated group or a foreign corporation(s).

Total the amounts paid to all recipients listed on Part 2 deducted from federal taxable income as intangible expenses and directly related intangible interest expenses.

Attach a copy of federal Form 851, Affiliation Schedule, if filing a consolidated federal return, and any other information needed to determine the taxpayer's status under the exceptions listed in Part 3 that are allowed.

Part 3 - Amount of Deduction to Add Back

You must attach to the return specific supporting documentation for the transaction that relates to one or more of the designated exceptions.

The taxpayer shall make a disclosure, and can establish by a preponderance of the evidence for the transactions listed in Part 2, and certified as excludable on Part 3(a), have a valid business purposes that substantially sustains the transactions. The exceptions to the add back also require that the transaction giving rise to the expenses was made at a commercially reasonable rate or at terms comparable to an arm's length transaction if the expenses meet the arm's length standards of United States Treasury Regulation 1.482-1(b).

If the expense is determined not to be at a commercially reasonable rate or at terms comparable to an arm's length transaction, the add back required shall be made only to the extent necessary to cause the expenses to be at a commercially reasonable rate or at terms comparable to an arm's length transaction.

The addition of intangible expenses or any directly related intangible interest expenses otherwise required in a taxable year for line 6b is not required if one or more of the following apply to transactions made with a member of an affiliated group or foreign corporation:

1. The recipient regularly engages in transactions involving intangible property with one or more unrelated parties on terms substantially similar to those of the subject transaction.
2. The payment was received from a person or entity that is an unrelated party, and on behalf of that unrelated party, paid that amount to the recipient in an arm's length transaction.
3. The recipient paid, accrued, or incurred a liability to an unrelated party during the taxable year for an equal or greater amount that was directly for, related to, or in connection with the same intangible property giving rise to the intangible expense.
4. The items of income corresponding to the intangible expenses and any directly related intangible interest expenses were in cluded within the recipient's income that is subject to tax in another state or a country other than the United States that is the recipient's commercial domicile and that imposes a net income tax, a franchise tax measured by income, or a value added tax.
5. The recipient is engaged in substantial business activities from the acquisition, use, licensing, maintenance, management, ownership, sale, exchange, or any other disposition of intangible property, or other substantial business activities separate and apart from the business activities described above as evidenced by the maintenance of a permanent office space and an adequate number of fulltime, experienced employees.

(a) **Amount of exceptions:** Enter an amount equal to all of the amounts that qualify under one or more of the above exceptions.

(b) **Net amount to add back:** Subtract 3(a) from Part 2 total. Enter the net amount. Carry this amount to line 6b of return.

You must attach to the return specific supporting documentation for the transaction that relates to one or more of the designated exceptions.

FORM IT-20 Continued

Line 7(a). Add or subtract an 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 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. Attach a statement or complete Schedule H to explain the adjustment you are making.

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

For state purposes, the bonus depreciation of $50,000, was not allowed, and must be added back on line 7a. The IRC Section 179 deduction was 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 20 percent ($35,000) for 2005. This was 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.

Commissioner's Directive #19 explains this initial required modification 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.

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 affects the basis of the property if a higher Section 179 limit was applied. The increase to $100,000 deduction and a beginning $400,000 phase-out limitation was 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 50 percent bonus depreciation property, until the property is sold

Add or subtract the amount necessary to make the adjusted gross income of the corporation 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 on page 4 of the return 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 6b, plus result on line 7a and 7b, minus lines 8 and 9.

Other Adjustments

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 100 percent if the corporation including the foreign source dividend in its adjusted gross income owns stock, possessing at least 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 85 percent if the corporation including the foreign source dividend in its adjusted gross income owns stock, possessing at least 50 percent but less than 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 50 percent if the corporation including the foreign source dividend in its adjusted gross income owns stock, possessing less than 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 the 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 non-business 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 Non-business Income and Indiana Non-unitary Partnership Income

The critical element in determining whether income is "business income" or "non-business 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 partnership's factors in the computation of business income apportioned to Indiana.

Non-business Income is defined as all income not properly classified as business income. 45 IAC 3-1-1-31. Some examples of non-business 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 apportioned 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 non-business 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 non-business sources is allocated to Indiana if the commercial domicile is in Indiana. Generally, interest earned from long-term investments is considered non-business 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 non-business intangible personal property are allocated to Indiana.

Net capital gains or losses from the sale or exchange of non-business 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 non-business income) are allocated to Indiana if the real property is located in Indiana.
Rents and royalties from non-business 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 Non-business Income: Enter other non-business income not provided for in lines (1) through (5) and line (9).

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

Line (8) Total Related Expenses from Column B, add subtotals of all related non-business 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 Non-business 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 Non-business 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.

Apportionment of Income for Entity with Multi-state Activities

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

FORM IT-20 Continued

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

Add Allocated and Previously Apportioned Income to Indiana
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.

Deduct from Indiana Adjusted Gross Income
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 or after Jan. 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.

Tax Calculation
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 percent.

If you qualify as an MBEA taxpayer under IC 6-3-2-1.5, complete Schedule M on page 20 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 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.

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 the worksheet on page 19 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.

Nonrefundable Tax Liability Credits

The total of all credits is limited to the amount of tax due on line 22 unless otherwise noted. If your claims exceed the tax liability you must adjust the entries by recalculating the credits to the amounts that you can apply.

Also, there is an additional restriction on the grouping of credits. Credit may not be granted for more than one (1) of the following eight credits for the same project: The capital investment credit, community revitalization enhancement district credit, enterprise zone investment cost credit, Hoosier business investment credit, industrial recovery credit, military base recovery credit, military base investment cost credit and the venture capital investment credit.

Line 24. College and University Contribution Credit (807) - Enter the amount of credit for charitable contributions during the year to eligible colleges and universities located within Indiana. Refer to Income Tax Information Bulletin #14 for listing of eligible institutions.

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 on page 4 of the return.

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

(1) Ten 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.

Claim college and university contribution credit on line 24b.

Note: Schedule CC-20 must be completed or attach College Credit, Schedule CC-40 (attachment sequence #8) to the return.

Line 25. Indiana Research Expense Tax Credit (822)

Compute credit using Schedule IT-20REC for increased Indiana research expenses that are very similar to the federal credit for research and experimental expenses paid in carrying on a trade or business in Indiana. Use the schedule revised July 1, 2005 or after, for qualified expenses.

Claim Indiana research expense tax credit on line 25b. Attach Schedule IT-20REC to the return. This form is available from the Department at www.in.gov/dor/taxforms/corp05.html

Line 26. Enterprise Zone Employment Expense Tax Credit (812) – This credit is available for employers based on qualified investments made within Indiana. It is the lesser of 10 percent of qualifying wages, or $1,500 per qualified employee, up to the amount of tax liability on income derived from an active enterprise zone. Contact the Department to get Income Tax Information Bulletin #66 and Indiana Schedule EZ, Parts 1, 2 and 3 for information on how to calculate this credit and other enterprise zone tax benefits.

Claim enterprise zone employment expense tax credit on line 26b. Attach Schedule EZ 2 to the return.

Line 27. Enterprise Zone Loan Interest Tax Credit (814) - This credit can be for up to five percent of the interest received from all qualified loans made during a tax year for use in an active Indiana enterprise zone. Obtain Income Tax Information Bulletin #66 at www.in.gov/dor/reference/bulletins/income/pdf/ib66.pdf and Indiana Schedule LIC for more information and how to calculate this credit.

Claim enterprise zone loan interest tax credit on line 27b. Attach Schedule LIC to the return.

Other Tax Liability Credits

See list of Other Tax Credits beginning on page 32. Claim other allowable tax liability reduction credit(s) not listed above by entering name, credit ID code number and amount separately onto one of the next three lines available for fill-in. Refer to Income Tax Information Bulletin #59 for more information about Indiana tax credits available to taxpayers who file income tax returns.

Line 28. Enter the name of credit on space provided. Enter the three-digit credit ID code on line a, and the amount of applied credit on line 28b.

Line 29. If claiming another credit, enter the name of credit on space provided. Enter the three-digit credit ID code on line a, and the amount of applied credit on line 29b.

Line 30. If claiming another credit, enter the name of credit on space provided. Enter the three-digit credit ID code on line a, and the amount of applied credit on line 30b.

Line 31. Enter total of nonrefundable tax liability credits reported on lines 24b through 30b.

Line 32. Total the amount of taxes due: Subtract line 31 from the total of lines 22 and 23. Result may not be less than zero (0). ***Caution:*** The total of all credits is limited to the amount of tax due on line 22 unless otherwise noted. If your credits exceed the tax li-

ability you must adjust the amount of applied credit(s) that you claim on lines 24 through 30. Also see lines 35 and 36 regarding specific refundable state tax liability credits.

Credit for Estimated Tax and Other Payments

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, if any, carried over to or made for this taxable year. Specify the tax year(s) of the overpayment.

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

Line 36. Enter other payments attributed to the taxable year. Also claim on this line the amount of refundable tax liability credit that you are allowed for the taxable year. Attach a complete explanation for any entry made on this line.

Refundable Tax Liability Credits - The Economic Development for a Growing Economy (EDGE) credit for job retention is a state refundable tax liability credit. This credit is for businesses who conduct certain activities which are designed to foster job creation or job retention in Indiana. The job retention criteria require that the applicant employ at least 75 (35 effective April 1, 2006) employees. The aggregate amount of credits awarded for projects to retain existing jobs in Indiana is capped at $10 million per year.

A taxpayer claiming this credit must include all information that the Department determines necessary for the calculation of the credit on the annual state tax return. The credit agreement letter from the IEDC must be attached or this credit will not be allowed.

Contact the Indiana Economic Development Corporation (IEDC), One North Capitol, Suite 700, Indianapolis, IN 46204, for eligibility requirements, or visit www.in.gov/iedc/incentives/edge.html for additional information.

Line 37. Add lines 33 through 36.

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

Balance of Tax Due or Overpayment

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 Department at (317) 232-2165 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 filed after the original due date, a penalty which is the greater of $5 or 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 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

Sales/Use Tax Worksheet for Line 23, Form IT-20

List all purchases made during 2006 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:			

	Line	Amount	
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 M for line 22 - Alternate Adjusted Gross Income Tax Calculation

Use this schedule 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 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(s) 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 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) .... *Divide line 1a by line 1b, enter the percent on line 1c.*	1a $__________	1b $__________	1c______%
2. **Payroll Factor** - Enter total payroll .... *Divide line 2a by line 2b, enter the percent on line 2c.*	2a $__________	2b $__________	2c______%
3. **Sales Factor** - Enter total gross receipts .... *Divide line 3a by line 3b, enter the percent on line 3c*	3a $__________	3b $__________	3c______%

4. Total percentages entered on lines 1c, 2c and 3c .... 4 ______%

5. *Divide line 4 by three if all factors are present, otherwise divide by number of remaining factors* .... 5 ______%

6. **Enter total taxable Indiana adjusted gross income from line 20 of Form IT-20** .... 6 $______________

7. *Multiply line 6 by percent on line 5, enter here:* **7a** $ _____________ *and multiply result by 5%*............ **7b** $______________

8. *Subtract amount on 7a from line 6, enter here:* **8a** $ _____________ *and multiply result by 8.5%*.......... **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.

Form IT-20
State Form 44275
(R5/ 8-06)

Indiana Department of Revenue

Indiana Corporate Adjusted Gross Income Tax Return

For Calendar Year Ending December 31, 2006 or Other Tax Year
Beginning AA _______/ _______ 2006 and Ending BB _______/_______/_______

(Do not write above) **Page 1**

Check box if name changed. B1 ☐

Name of Corporation B			Federal Identification Number A
Number and Street C		Indiana County or O.O.S. D	Principal Business Activity Code H
City E	State F	ZIP code G	Telephone Number I ( )

J. *Check all boxes that apply:* 1 ☐ Initial Return 2 ☐ Final Return 3 ☐ In Bankruptcy 4 ☐ Insurance Co. 5 ☐ Farmer's Cooperative

K. Date of incorporation 1 __________ in the state of 2 ______________

L. State of commercial domicile ________________

M. Year of initial Indiana return ________________

N. Location of records if different from above address:

____

O. Check box if the corporation paid any quarterly estimated tax using different Federal Identification numbers ☐ *(List on Schedule H any other Federal Identification numbers used to make payments.)*

P. Check box if you file federal Form 1120 on a consoildated basis. ☐

Q. If filing on a unitary basis, are there any material changes in circumstances since the last petition was filed?............ 1 Yes 2 No

R. 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.)

S. Is this a consolidated return for adjusted gross income tax? 1 Yes 2 No
(If yes, complete consolidated listing on Sch. 8-D.)

T. Is this return filed on a combined unitary basis?................. 1 Yes 2 No
(If yes, include unitary apportionment addendum.)

U. In determining taxable income did you deduct any intangible expenses or directly related intangible interest expenses paid to 50% owned affiliates?... 1 Yes 2 No

V. Indicate if a federal extension of time to file return was filed. *(If yes, attach extension to return.)* .... 1 Yes 2 No
Enter federal electronic confirmation number: 3 ____________________

Computation of Adjusted Gross Income Tax

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** ______

6a. Add back: Domestic production activities deduction (IRC Section 199) .... **6a** ______

The following adjustment applies to short tax years and fiscal years that begin on or after July 1, 2006.

6b. Add back: Intangible expenses and any directly related intangible interest expenses used to reduce IRC Section 63 taxable income to the extent that the deduction is not allowed under IC 6-3-2-20(b), from Part 3(b) of Schedule PIC. *(Complete Schedule PIC on page 4 to make a declaration if you meet any of the exceptions to the requirement to add back deductions for intangible expenses.)* .... **6b** ______

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** ______

2006
IT-20

10. Subtotal (Add lines 3 through 6b, plus result from lines 7a and 7b, subtract lines 8 and 9).................................. **10** ______

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 nonbusiness 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
    Note: If using alternate tax rate calculation, attach completed Schedule M from page 20 and check box. 22b ☐
23. Sales/use tax due from worksheet on page 19 23

Nonrefundable Tax Liability Credits (Attach all supporting documentation)

24. College and University Contribution Credit (CC-20) page 4 of return.... a.(807) 24b
25. Indiana Research Expense Tax Credit (IT-20REC)........ a.(822) 25b
26. Enterprise Zone Employment Expense Tax Credit (EZ 2) .... a.(812) 26b
27. Enterprise Zone Loan Interest Tax Credit (LIC) .... a.(814) 27b

Other Tax Liability Credits

28. Enter name of credit ____________________________ Code No. a. __ __ __ 28b
29. Enter name of credit ____________________________ Code No. a. __ __ __ 29b
30. Enter name of credit ____________________________ Code No. a. __ __ __ 30b
31. Total of nonrefundable tax liability credits (Add lines 24b through 30b. 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 overpayment credit from tax year ending a ______________ 34
35. Enter this year's extension payment 35
36. Other Payments/EDGE credit (Attach supporting evidence.)........ 36
37. Total payments and credits: Add lines 33 through 36........ **37**

Balance of Tax Due or Overpayment

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

Certification of Signatures and Authorization Section

I authorize the Department to discuss my return with my tax preparer. CC ☐ Yes

DD — For Department Use

▶ *Under penalties of perjury, I declare I have examined this return, including all accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct and complete.*

Company's e-mail address EE

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

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

IT-20 Schedule E
State Form 49105
(R5/ 8-06)

Indiana Department of Revenue

Apportionment of Adjusted Gross Income for Corporations

For Tax Year Beginning _________/_______/ 2006 and Ending _________/______/_________
AA 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.

	Column A	Column B	Column C
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: 4(a)1 __ __ __ . __ __% X 200% (2.0) double-weighted adjustment — 4a __ __ __ . __ __ %

(b) **Total Percents:** Add percentages entered in boxes 1C, 2C and 4a of column C. Enter sum .... 4b __ __ __ . __ __ %

(c) **Indiana Apportionment Percentage:** Divide line 4b by 4 if all three factors are present. Enter here and carry to 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? Yes	No	(d) Registered to do Business? Yes	No	(e) Files Returns in State? Yes	No	Property in State (f) Leased? Yes	No	(g) Owned? 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 PIC - Disclosure of Intangible Expense and Directly Related Intangible Interest Expense

State Form 53126 R/ 7-06

(Effective for taxable years beginning after June 30, 2006)

Beginning _______/_______2006 and Ending ________/________/_______

Enter name of corporation as shown on return

Part 1 - Exception to the Add Back of the Deduction

Check applicable box if any of these conditions apply:

a. ☐ The taxpayer and all intangible income resipients, for the purpose of the add back requirement for line 6b of return, are included in the same consolidated or combined Indiana return.

b. ☐ An agreement is on file with the Department allowing an alternative method of allocation or apportionment under the adjusted gross income tax statute.

c. ☐ The Department has determined following taxpayer's petition that the adjustment of Part 3 (a) and (b) is unnecessary.

If a box is checked, you declare that the corporation is not required to finish this schedule beyond completing Part 2 and attaching federal Form 851 to the return.

Part 2 - Related Transactions of Intangible Property

List transactions made with every recipient. Add additional sheets as necessary.

Name of Recipient	Federal ID Number	State or Country of Domicile	Relationship or Exception Status with Taxpayer and Type of Intangible Expense Deducted	Amount Paid to Recipient
1.				
2.				
3.				
4.				

Total of Part 2 - Add amounts paid to all recipients ....

Part 3 - Amount of Deduction to Add Back - *See instructions for list of exceptions*

(a) **Total Amount of Exceptions -** Enter an amount equal to all of the amounts that qualify under one or more of the above exceptions. *You must attach to the return specific supporting documentation for each transaction that relates to one or more of the designated exceptions* .... 3(a)

(b) **Net Amount to Add Back -** Subtract 3(a) from Part 2 total. Enter net amount here. *Carry this amount to line 6b of return* .... 3(b)

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 .... ( )

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 24b on Form IT-20)..........

Indiana Department of Revenue

IT-20 Schedule F
State Form 49104
(R5/ 8-06)

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

For Tax Year Beginning AA_________/_________ **2006 and Ending** BB_________/_________/_________

Name as shown on return	Federal Identification Number
B	A

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

Indiana Department of Revenue

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

Column AA **(4) Rents and Royalties from Tangible Personal Property and Real Estate** Source	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**
Carryforward subtotals from additional sheets					
Total Rents/Royalties, Expenses, and Net Amounts				4C	4D

(5) Patents, Copyrights, and Royalties from Intangible Property Source	Column A	Column B	Column C	Column D
Carryforward subtotals from additional sheets				
Total Patents/Royalties, Expenses, and Net Amounts .			5C	5D

(6) Other (non-business income) Source and Type	Column A	Column B	Column C	Column D
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

(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	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)
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(R5/8-06)

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	Federal Identification Number
B	A

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 *Short period filers see note on reverse following line 18 instructions.*	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 25 percent of the total income tax due for the year. To avoid the penalty, the quarterly estimate must equal at least 20 percent of the total income tax liability for the current taxable year or 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 20 percent of the total income tax liability for the taxable year or 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 12 months, the exception may be met by demonstrating what the liability would have been if a 12 month return had been filed. For example, if the previous year was for six months, double the total tax for that year and enter 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, Sept. 20 and Dec. 20 of the taxable year. Fiscal year and short tax year filers must remit by the 20 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 recalculate 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 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 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 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
(R5/8-06)

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

Page attachment sequence #9

Name of Corporation or Organization B	Federal Identification Number 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) and IT-20 Schedule PIC Part 3(b) amount ...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: bb ☐ **Election to Waive Carry Back of the Indiana Net Operating Loss Deduction**

PART 2 — Computation of Indiana Net Operating Loss Deduction and Carryover

Make required entries, as specified to compute the amount of Indiana modified adjusted gross income used. **Add all entries across columns (2), (3) & (4) for each tax year; enter result in column (5).** 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 years from the original due date of the loss year's return (including extensions). An amended carry back claim, if not refunded within 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 year carry back (if not timely waived) may be carried forward to the 15 tax years following the loss year. (See Part II instructions.) Certain losses may be carried up to 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 to two tax years, while the carry forward period increased from 15 to 20 years. For tax years ending in 2001 and 2002, the carry back period is extended to five 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 years, following federal provisions.

Specified Liability Losses – A 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. Also include add back amount from IT-20 Schedule PIC, Part 3(b), for intangible expenses and directly related intangible interest expenses used to reduce IRC Section 63 taxable income effective July 1, 2006.

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 your are eligible to claim a net operating loss deduction.
If result is a positive amount, STOP. You do not have an Indiana net operating loss.

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

In the absence of net operating loss on the federal return, the taxpayer may make an election to waive the carry back of its Indiana net operating loss. This election is reflected on Indiana Schedule IT-20NOL by checking the box titled "Election to Waive Carry Back of the Indiana Net Operating Loss Deduction."
By making this election, you must timely file the Indiana loss year return and attach schedule. Attach an updated schedule to the return filed for taxable years listed in Part 2 (Forms IT-20X, IT-20 or IT-20NP).

PART 2 - Computation of Indiana Net Operating Loss Deduction and Carryover
Schedule IT-20NOL must be completed for each year a loss occurs. Copies of the schedule should be attached to returns for all years a NOL deduction is claimed. If more than one NOL from different loss years is available, a separate Schedule IT-20NOL must be completed for each NOL deduction applied.
Note: Any net operating loss carried forward and deducted in a taxable year beginning after Dec. 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 Ave.
Indianapolis, IN 46204
Telephone Number (317) 615-2662

Other Tax Credits

Nonrefundable Tax Liability Credits Continued

Each of the following credits has been assigned a three-digit code number. When claiming the credit on line 28 through line 30, enter the name of the credit, the three-digit code number and the amount claimed.

Within a certain group of credits a taxpayer may not be granted more than one credit for the same project. The credits that are included for this group are the capital investment credit, community revitalization enhancement district credit, enterprise zone investment cost credit, Hoosier business investment credit, industrial recovery credit, military base recovery credit, military base investment cost credit and the venture capital investment credit. Apply this restriction first when figuring your credits.

Attach supporting schedules and documentation for each credit claimed.

See instructions for line 36 for refundable tax liability credits. Refer Income Tax Information Bulletin 59 for more information about Indiana tax credits available to taxpayers who file income tax returns.

Coal Combustion Product Tax Credit (805)

A manufacturer who uses coal combustion products (byproduct resulting from the combustion of coal in an Indiana facility) for the manufacturing of recycled components and is a new business may be eligible for this credit. An existing business that manufactures recycled components, and increases the acquisitions of coal combustion products by 10 percent over the average amount obtained in the previous three years is also eligible for the credit. ***Note:*** A taxpayer that obtains a property tax deduction for investment property purchased by the manufacturer of coal combustion products is not eligible for this 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. An approved Form CCP-100 must be attached to verify the claimed credit.

Claim the combustion product credit under other Tax Liability Credits starting on line 28 of the return. Use credit ID code number 805. For more information, contact the Indiana Department of Revenue, Coal Combustion Credit, Room N203, 100 N. Senate Ave., Indianapolis, IN 46204.

Guaranty Association Credit (817)

An insurance company may claim a tax credit up to 20 percent of an assessment paid to either the Indiana Insurance Guaranty Association or the Indiana Life and Health Insurance Guaranty Association (refer to IC 27-6-8-15 and IC 27-8-8-16).

Claim the guaranty association credit under other Tax Liability Credits starting on line 28 of the return. Use credit ID code number 817.

Historic Building Rehabilitation Tax Credit (819)

A historic building rehabilitation tax credit is available for the rehabilitation and preservation of historic properties. The credit is 20 percent of the total cost of certified rehabilitation expenses of at least $10,000 made to a registered Indiana historic site or structure that is at least 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 may be carried forward for up to 15 tax years.

To qualify for the credit, you must obtain certification from the Division of Historic Preservation and Archaeology, Indiana Department of Natural Resources. Refer to Income Tax Information Bulletin 87. For additional information, you may call the Department of Natural Resources at (317) 232-1646, or visit online at www.in.gov/dnr/historic

Claim the historic building rehabilitation tax credit under other Tax Liability Credits starting on line 28 of the return. Use credit ID code number 819.

Individual Development Account Tax Credit (823)

A tax credit is available for contributions made to a community development corporation participating in an Individual Development Account (IDA) program. The IDA program is designed to assist qualifying low-income residents to accumulate savings and build personal finance skills. The organization must have an approved program number from the Indiana Housing Finance Authority before a contribution qualifies for pre-approval.

Applications for the credit are filed through the Community Development Corporation using Form IDA-10/20. The credit is equal to 50 percent of the contribution, which must not be less than $100 and not more than $50,000.

An approved Form IDA 20 must be attached to the return if claiming this credit. To request additional information about the definitions, procedures, and qualifications for obtaining this credit, contact: Housing Finance Authority, 30 S. Meridian St., Suite 1000, Indianapolis, IN 46204, telephone number (317) 232-7777.

Claim the Indiana development account tax credit under other Tax Liability Credits starting on line 28 of the return. Use credit ID code number 823.

Maternity Home Tax Credit (825)

A credit is allowed for maternity home owners who provide a temporary residence to at least one unrelated pregnant woman for at least 60 consecutive days during her 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 file annually an application with the State Department of Health in order to be eligible to claim this credit.

A copy of the approved application must be attached to the return. Contact the Maternal and Child Health Division at (317) 233-1253 to obtain an application and more information about this credit.

Claim the maternity home tax credit under other Tax Liability Credits starting on line 28 of the return. Use credit ID code number 825.

Neighborhood Assistance Tax Credit (828)
If you made a contribution to the Neighborhood Assistance Program (NAP) or engaged in activities to upgrade areas in Indiana, you may be able to claim a credit for this assistance. Contact the Indiana Housing & Community Development Authority. Neighborhood Assistance Program, 30 S. Meridian, Suite 1000, Indianapolis, IN 46204, telephone number (317) 232-7777, for more information.

Form NC-20 must be attached to the return to claim this credit. For more information about this credit, contact the Department at and request Form NC-10/20 and Income Tax Information Bulletin #22 or visit our Web site at www.dor.in.gov

Claim the neighborhood assistance tax credit under other Tax Liability Credits starting on line 28 of the return. Use credit ID code number 828.

Prison Investment Tax Credit (829)
A credit is allowed for amounts invested in Indiana prisons to create jobs for prisoners. The amount is limited to 50 percent of the investment in a qualified project approved by the Department of Corrections, plus 25 percent of the wages paid to inmates. The maximum credit a taxpayer may claim is $100,000 per year. Contact the Indiana Department of Correction, Office of the Commissioner, Indiana Government Center South, Room E334, Indianapolis, IN 46204, for additional information.

Claim the prison investment tax credit under other Tax Liability Credits starting on line 28 of the return. Use credit ID code number 829.

Twenty-First Century Scholars Program Support Fund (834)
A credit is allowed for contributions made to this Twenty-First Century Scholars Program Support Fund. The credit is equal to 50 percent of the contributions made during the year, limited to the lesser of 10 percent of the corporation's total adjusted gross income tax (as determined without regard to any credits against the tax); or $1,000.

To claim this credit you must complete and attach Schedule TCSP-40. Contact the Department to get a Schedule TCSP-40. 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 to the return.

Claim credit for the twenty-first century scholars program support fund under other Tax Liability Credits starting on line 28 of the return. Use credit ID code number 834.

Teacher Summer Employment Credit (833)
If you hire designated shortage certified teachers during school summer vacation you may be able to take a tax credit. The credit for each teacher hired is the lesser of either $2,500 or 50 percent of the compensation paid.

The qualified positions are certified by the Department of Education, and the certificate must be attached to the employer's tax return. Contact the Department of Education at (317) 232-6676 for information about this credit. For additional information visit the Department of Education's Web site at www.doe.state.in.us/legal
Claim the teacher summer employment credit under other Tax Liability Credits starting on line 28 of the return. Use credit ID code number 833.

Voluntary Remediation Tax Credit (836)
A voluntary remediation state tax credit is available for qualified investments involving the redevelopment of a brownfield and environmental remediation. The Indiana Department of Environmental Management and the Indiana Development Finance Authority must determine and certify that the costs incurred in a voluntary remediation are qualified investments.

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 Dec. 31, 2007, excluding carry-forwards. Carryover of prior unused credit may be carried back only one year or carry forward up to five years. Contact the Indiana Department of Environmental Management, Indiana Government Center North, Room N1101, Indianapolis, IN 46204, or visit their Web site at www.in.gov/idem for additional information.

Claim voluntary remediation tax credit under other Tax Liability Credits starting on line 28 of the return. Use credit ID code number 836.

Other Tax Credits under the Purview of the Indiana Economic Development Corporation
The following programs are administered by the Indiana Economic Development Corporation (IEDC). 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, IN 46204, or call (317) 232-8800. Web address: www.in.gov/iedc/

Airport Development Zone Tax Credits
Certain areas within Indiana have been designated as airport development zones (ADZ). These zones are established to encourage investment and job growth in distressed urban areas. Airport development zone tax credits are based on the same tax credits benefits that are available within designated Indiana enterprise zones. Currently, an airport development zone is established within areas Allen County.

Obtain Income Tax Information Bulletin 66 at www.in.gov/dor/reference/bulletins/income/pdf/ib66.pdf for more information and how to calculate credit. Following are the three available airport development zone tax credits:

Airport Development Zone Employment Expense Credit (800)
This credit is based on qualified investments made within Indiana. It is the lesser of 10 percent of qualifying wages, or $1,500 per qualified employee, up to the amount of tax liability on income derived from the airport development zone.

Claim the airport development zone employment expense tax credit under other Tax Liability Credits starting on line 28 of the return. Use

Airport Development Zone Investment Cost Credit (801)

This credit is based on qualified investments made within Indiana. It can be up to a maximum of 30 percent of the investment, depending on the number of employees, the type of business and the amount of investment in an airport development zone.

Claim the airport development zone investment cost credit under other Tax Liability Credits starting on line 28 of the return. Use credit ID code number 801.

Airport Development Zone Loan Interest Credit (802)

This credit can be for up to five percent of the interest received from all qualified loans made during a tax year for use in an Indiana airport development zone.

Claim the airport development zone loan interest credit under other Tax Liability Credits starting on line 28 of the return. Use credit ID code number 802 and attach ADZ substitute Schedule LIC.

Blended Biodiesel Tax Credits (803)

Credits are available for taxpayers who produce biodiesel and/or blended biodiesel at an Indiana facility (certified by the IEDC) and for dealers who sell at retail to end users blended biodiesel. Refer to Income Tax Information Bulletin 91 for further information.

An approved Department of Revenue Form BD-100 must be attached to verify the claimed credit. Contact the Indiana Economic Development Corporation, Biodiesel Credit

Certification, One North Capitol, Suite 700, Indianapolis, IN 46204, or visit their Web site at www.in.gov/iedc for more information.

Claim the blended biodiesel credits under other Tax Liability Credits starting on line 28 of the return. Use credit ID code number 803.

Capital Investment Credit (804)

A capital investment cost credit is available for on certain qualified capital investments made in Shelby County. The credit must be certified by the Indiana Economic Development Corporation. It is equal to 14 percent of the amount of the approved qualified investment and is ratable over a seven year period. For information regarding the definitions, procedures and qualifications for obtaining this credit, contact the Indiana Economic Development Corporation, Enterprise Zone Board, One North Capitol, Suite 700, Indianapolis, IN, 46204, or visit their Web site at www.in.gov/iedc

Claim the capital investment credit under other Tax Liability Credits starting on line 28 of the return. Use credit ID code number 804.

Coal Gasification Technology Investment Tax Credit (806)

A credit is available for a qualified investment in an integrated coal gasification power plant or a fluidized bed combustion technology. For more information, contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN 46204, or visit their Web site at www.in.gov/iedc

Claim the coal gasification technology investment tax credit(s) under other Tax Liability Credits starting on line 28 of the return. Use credit ID code number 806. A copy of taxpayer's certificate of compliance issued by the Indiana Economic Development Corporation must be attached.

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 25 percent of the qualified investment made by the taxpayer during the taxable year. 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.

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.

Claim the community revitalization enhancement district credit under other Tax Liability Credits starting on line 28 of the return. Use credit ID code number 808.

Enterprise Zone Investment Cost Credit (813)

A limited liability company was entitled to an enterprise zone investment cost credit provided under IC 6-3.1-10-4 for a qualified investment made in a designated zone located in Vigo County, Indiana. The Terra Haute enterprise zone in Vigo County terminated on Dec. 31, 2005. Provisions of this credit allow for an indefinite carry forward of the unused excess credit to succeeding taxable years.

Claim the applied unused carryover of enterprise zone investment cost credit under other Tax Liability Credits starting on line 28 of the return. Use credit ID code number 813.

Ethanol Production Tax Credit (815)

An ethanol production tax credit may be available to a taxpayer having an Indiana facility with a capacity to produce forty million gallons of ethanol per year. Proof of information for the credit calculation plus a copy of the Certificate of Qualified Facility issued by the Indiana Recycling and Energy Development Board must be attached to the return to verify this credit. Refer to Income Tax Information Bulletin 93 for further information.

File Application for Ethanol Credit Certification, State Form 52302, with the Indiana Economic Development Corporation, Ethanol Credit Certification, One North Capitol, Suite 700, Indianapolis, IN 46204, or

visit their Web site at www.in.gov/iedc/ for additional information. Claim the ethanol production tax credit under other Tax Liability

Credits starting on line 28 of the return. Use credit ID code number 815.

Headquarters Relocation Tax Credit (818)

A business with annual worldwide revenue of $100 million and at least 75 employees that relocates its corporate headquarters to Indiana may be eligible for a credit. The credit may be as much as 50 percent of the cost incurred in relocating the headquarters. For more information, refer to Income Tax Information Bulletin 97 at: www.in.gov/dor/reference/bulletins/income/pdf/ib97.pdf

Claim the headquarters relocation tax credit under other Tax Liability Credits starting on line 28 of the return. Use credit ID code number 818.

Hoosier Business Investment Tax Credit (820)

A state income tax credit is available for qualified investments, which include the purchase of new telecommunications, production, manufacturing, fabrication, processing, refining or finishing equipment that is directly related to expanding the workforce in Indiana. Qualified investments include onsite infrastructure improvements, construction costs, retooling existing machinery and equipment, and costs associated with special purpose buildings and foundations. It does not property that can be readily moved out of Indiana.

This credit is administered by the Indiana Economic Development Corporation. Visit their Web site at www.in.gov/iedc/incentives/hbitc.html for additional information. Also, refer to Income Tax Information Bulletin 95 at: www.in.gov/dor/reference/bulletins/income/pdf/ib95.pdf for more information. 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.

Claim the Hoosier business investment tax credit under other Tax Liability Credits starting on line 28 of the return. Use credit ID code number 820.

Industrial Recovery Tax Credit (824)

A state tax liability credit is available based upon a taxpayer's qualified investment in a vacant industrial facility located in 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.

Request additional information regarding procedures for obtaining this credit from the Indiana Economic Development Corporation, telephone number (317) 232-8800, or visit their Web site at www.in.gov/iedc/incentives/dinosaur.html

Claim the industrial recovery tax credit under other Tax Liability Credits starting on line 28 of the return. Use credit ID code number 824.

Military Base Investment Cost Tax Credit (826)

An income tax credit is available to taxpayers for a qualified investment in a business located in a current or former military base, a military base reuse area, an economic development area, a military base recovery site or a military base enhancement area. The amount of the credit depends on the type of business, the number of jobs created, and the amount of the investment.

A taxpayer making a qualified investment in a business located in a county where the Crane military base is located is also eligible for the military base investment cost tax credit. The tax military base enhancement area is extended to comprise portions of three counties: Greene, Lawrence and Martin that are outside of the certified technology park adjoining the crane military base. The taxpayer's qualified investment must be 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, or (2) the business and the qualified military base have a mutual beneficial relationship evidence by a memorandum of understanding.

To receive credit, the taxpayer must submit to the Department documentation of qualified investment and certification of the percentage credit allowed by the Indiana Economic Development Corporation. Claim the military base investment cost tax credit under other Tax Liability Credits starting on line 28 of the return. Use credit ID code number 826.

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 25 percent of the qualified investment in the facility depends on when the property was initially placed in service.

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.

Claim the military base recovery tax credit under other Tax Liability Credits starting on line 28 of the return. Use credit ID code number 827.

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. Refer to Income Tax Information Bulletin 94 for further information.

Claim the rerefined lubricated oil facility tax credit under Other Tax Liability Credits starting on line 28 of the return. Use credit ID code number 830.

Riverboat Building Credit (832)

A state tax liability credit has been established for a taxpayer that builds or refurbishes a riverboat licensed to conduct legal gambling in Indiana. This credit is equal to 15 percent of the qualified investment and can be carried forward to subsequent tax years. The Indiana Economic Development Corporation must approve the costs of the qualified investment before the costs are incurred.

Claim the riverboat building tax credit under Other Tax Liability Credits starting on line 28 of the return. Use credit ID code number 832.

Venture Capital Investment Tax Credit (835)

A taxpayer that provides qualified investment capital to a qualified Indiana business may be eligible for this credit. The maximum amount of credit is equal to the lesser of 20 percent of the qualified investment or $500,000. The credit is limited to investments that occur before Dec. 31, 2008. The carry forward provision is limited to the immediate five-succeeding taxable years.

Certification for this credit is to be obtained from the Indiana Economic Development Corporation Development Finance Office, VCI Credit Program, One North Capitol, Suite 700, Indianapolis, IN 46204, telephone number (317) 232-8800, or visit their Web site at www.in.gov/iedc/incentives/venture.html A copy of the certificate and proof of that the investment capital was provided to the qualified business within two years after the certification of the investment plan must be submitted to the Department of Revenue when filing taxpayer's tax return.

Claim the venture capital investment tax credit under Other Tax Liability Credits starting on line 28 of the return. Use credit ID code number 835.

Special Reminders

1. Effective for tax years beginning after Dec. 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 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 (as effective Jan. 1, 2004 or after).
6. Non-business income deductions must be supported by completing IT-20 Schedule F, Allocation of Non-business 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 90 percent of the tax due by the original due date. Failure to do so will result in a 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).
12. If name change box is checked attach to return copies of amended Articles of Incorporation or Amended Certificate of Authority filed with the Indiana Secretary of State.

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

Departmental Web Reference Library

Internet Address - www.in.gov/dor/reference

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

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

Corporate Taxpayer Assistance
(317) 615-2662
www.in.gov/dor/

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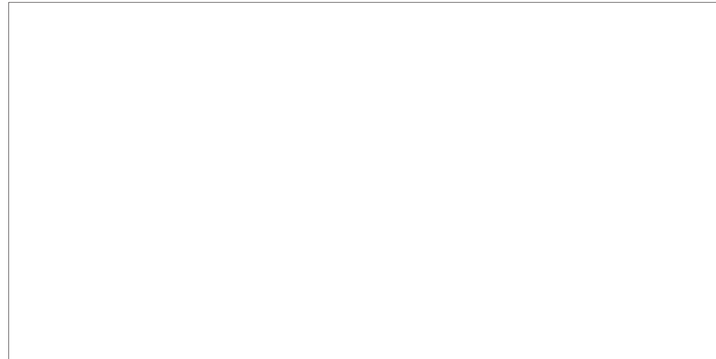

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Form IT-20
Corporate Adjusted Gross Income Tax Booklet for Tax Year 2006 & Fiscal Years Ending in 2007