Indiana Special Corporation Income Tax Booklet

For Year 2002 and Short Tax & Fiscal Years Beginning in 2002 through December 31, 2002

Final Form IT-20SC

STATE OF INDIANA

DEPARTMENT OF REVENUE

INDIANA GOVERNMENT CENTER NORTH

INDIANAPOLIS, IN 46204-2253

Dear Corporate Taxpayer:

The 2002 Special Session of the Indiana General Assembly enacted extensive tax restructuring for the State of Indiana. This includes simplification of the tax structure through the repeal of the Gross Income Tax and the Supplemental Net Income Tax. Also, the Utility Receipts Tax which imposes a 1.4% tax on total receipts from the sale of utility services to retail customers, was enacted.

While these changes are effective January 1, 2003, the same changes dramatically impact the preparation and submission of 2002 tax forms. The 2002 reporting forms will reflect the final calculations for the Gross Income and Supplemental Net Income Taxes as of December 31, 2002. This filing requirement has an immediate impact on all corporate taxpayers, since the return's due date is April 15, 2003. This applies to both calendar year and fiscal year filers. Also, special rules apply for claiming estimated tax payments made during 2002 and thereafter.

Another change is the elimination of the Indiana Special Corporation Return (IT-20SC) after December 31, 2002. A temporary form, IT-20FY, must be filed by all fiscal year filers to complete their annual filing requirement for the Adjusted Gross Income Tax with a prorated tax rate to accommodate the change in the adjusted gross income tax rates.

Please read the instructions carefully and be sure to refer to the corporate tax highlight section in this book for more detailed information.

Sincerely,

Kenneth L. Miller
Commissioner, Indiana Department of Revenue

Annual Public Hearing

In accordance with the Indiana Taxpayer Bill of Rights, the Department will conduct an annual public hearing on Tuesday, June 17, 2003. Please come and share your ideas on how the Department of Revenue can better administer Indiana tax laws. The hearing will be held at 9:00 a.m. in the Indiana Government Center South, Conference Center Room 1, 402 West Washington Street, Indianapolis, Indiana. If you can't attend, please submit your concerns in writing to: Indiana Department of Revenue, Commissioner's Office, 100 North Senate Avenue, Indianapolis, Indiana 46204.

Specific Reminders for IT-20SC Filers

1. Corporations that do not meet the qualifications to file as an Indiana "special" corporation cannot use this form. General or regular corporations are subject to gross income tax and must file on Form IT-20 through December 31, 2002.
2. **A Corporation filing on a fiscal or short-year basis must enter its tax year beginning date on Form IT-20SC. The ending date on the final return for the short year will be 12-31-2002. Due date is April 15, 2003.**
3. Net operating loss deductions must be supported by completing the Schedule IT-20NOL.
4. Nonbusiness income deductions must be supported by completing Schedule F, Allocation of Nonbusiness Income and Indiana Non-Unitary Partnership Income.
5. The Penalty for Underpayment of Corporate Income Taxes, Schedule IT-2220 must be completed and attached to the return to reflect the applicable penalty and/or exceptions. See instruction page 13.
6. If an extension of time to file exists, the corporation must prepay at least 90% of the tax due by the original due date. Failure to do so will result in a 10% penalty on the amount paid after the original due date. Interest will be due on any payment made after the original due date.
7. A penalty will be assessed if a return, showing no tax liability on line 29, is filed after the due date.
8. Questions K through Z on the front of the return must be answered.
9. Paper copies of pages 1 through 4 of the federal U.S. corporation income tax return or pro forma schedule must be attached to the Indiana Special Corporation Income Tax Return if it is not otherwise filed electronically. This requirement is made under the Authority of I.C. 6-8.1-5-4(d).
10. **Fiscal year corporations filing final 2002 IT-20SC must also file Form IT-20 FY at their tax year end to report their annual adjusted gross income tax liability.**

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

Administrative and Legislative Highlights for Corporate Income Tax

Internal Revenue Code References

Public Law 177-2002 updates references to the Internal Revenue Code in certain Indiana income tax statutes. For tax year 2002, any reference to the Internal Revenue Code means the Internal Revenue Code of 1986, as amended, and in effect on January 1, 2002. *Citations affected: IC 6-3-1-11. Effective: January 1, 2002 (retroactive).* HEA 1195, SECTION 11.

Not included in the above reference to the Internal Revenue Code are two acts passed by Congress: **The Victims of Terrorism Tax Relief Act of 2001, HR 2884** and **The Job Creation and Workers Assistance Act of 2002, HR 3090** which contain certain provisions with retroactive effective dates. Since these bills were signed *after January 1, 2002,* neither of the Acts was adopted into Indiana law.

Caution: This distinction becomes important because the congressional legislation that is incorporated into the federal return for tax years beginning in 2002 may not be applicable to the state return being filed for the same period.

Special Procedure for Tax Year 2002: On Form IT-20SC use the adjustment line 9 of Schedule A to reflect certain federal legislative provisions in effect for 2002 that may not be used to arrive at Indiana adjusted gross income. Explain any adjustments on Schedule H of Form IT-20SC.

Job Creation Workers Assistance Act of 2002 - Items of change that are **not** recognized for Indiana adjusted gross income tax purposes:

1. Bonus depreciation-Business taxpayers are allowed an additional deduction for certain qualified property acquired after September 10, 2001 and before September 11, 2004.
2. Net Operating Losses - The current 2 year NOL and 3 year casualty loss carry back provisions are extended to 5 years for losses incurred in taxable years ending after Dec. 31, 2000 and before Jan. 1, 2003.
3. New York Liberty Zone Benefits - Benefits are provided for those businesses located in New York City and affected by the events of Sept. 11, 2001.
4. Miscellaneous Provision-
   a) Cancellation of S corporation indebtedness.
   b) Changes to methods of accounting.
   c) School teacher business expense deduction.
   d) Extension of Certain Expiring Provisions and Technical Corrections.

Barring special Indiana legislative action, the provisions of HR 3090 are not currently allowable for Indiana tax years ending in the period Jan. 1, 2001 to Dec. 31, 2002. These deductions must be added back on the Indiana return, if deducted on the federal return, and if not added back on a filed Indiana tax return, must be corrected by filing an amended return.

Repeal of Gross Income Tax and Supplemental Net Income Tax Effective 1-1-2003

P.L. 123-2002 repeals the gross income tax, and repeals the supplemental net income tax. The bank tax, the savings and loan tax, and the production credit association tax are also repealed, as well as the credit for property taxes paid on inventory. *Citations affected:* IC 6-2.1 *Effective: January 1, 2003.* HB 1001ss, SECTION 191.

P.L. 123-2002, SECTION 199 provides that fiscal year taxpayers subject to the gross income tax will file a final return based on gross income tax due from the start of the fiscal year through December 31, 2002. *Effective: July 1, 2002.* HB 1001ss.

P.L. 123-2002, SECTION 197 requires that fiscal year taxpayers subject to the supplemental net income tax will file a final return based on income tax due for the period beginning with the taxpayer's taxable year starting in 2002 and ending in December 31, 2002. The taxpayer is required to remit any estimated payments that were due to be paid before December 31, 2002. *Effective: July 1, 2002.* HB 1001ss.

Adjusted Gross Income Tax Rate Increase Effective 1-1-2003

P.L.123-2002 increases the corporate adjusted gross income tax from 3.4% to 8.5%. *Citations affected:* IC 6-3-2-1. *Effective: January 1, 2003.* HB 1001ss, SECTION 70.

P.L. 123-2002, SECTION 200 provides that corporate fiscal year taxpayers subject to the adjusted gross income tax shall calculate the adjusted gross income tax liability based on the number of days that the income is subject to the 3.4% rate, and the number of days that the income is subject to the 8.5% rate. *Citations affected:* IC 6-3-2-1. *Effective: July 1, 2002.* HB 1001ss.

Lottery Prize Money: P.L. 123-2002, SECTION 78 provides that the first $1,200 of prize money received from a winning lottery ticket is exempt from tax. The excess over $1,200 is subject to tax. *Citations affected:* IC 6-3-2-14. *Effective: July 1, 2002.*HB 1001ss.

Adjusted Gross Income Defined: P.L. 123-2002, SECTION 67 defines adjusted gross income for domestic life insurance companies to be the same as federal taxable income as defined in Section 801 of the Internal Revenue Code adjusted as follows: add Section 170 deductions and add back state and local income taxes. Subtract income that is exempt under statutes of the United States and income included in taxable income under Section 78 of the Internal Revenue Code.

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

Insurance Companies: P.L. 123-2002, SECTION 68 provides that life insurance companies and other insurance companies are a corporation for purposes of the adjusted gross income tax statute. *Citations affected:* IC 6-3-1-10. Effective: January 1, 2003. HB 1001ss.

Factor Apportionment for Insurance Company: P.L. 123-2002, SECTION 71 provides that insurance companies are subject to a one-factor apportionment formula based on premiums written in Indiana divided by premiums written everywhere. *Citations affected:* IC 6-3-2-2. *Effective: January 1, 2003.* HB 1001ss.

Insurance Company's Net Operating Loss Deduction: P.L. 123-2002, SECTION 73 provides that insurance companies subject to the adjusted gross income tax are allowed a net operating loss deduction even if the taxpayer was not subject to tax at the time of the loss. *Citations affected:* IC 6-3-2-2.6. *Effective: January 1, 2003.* HB 1001ss.

Exemption for Insurance Company Paying Premium Tax: P.L. 123-2002, SECTION 74 provides that foreign insurance companies are exempt from the adjusted gross income tax, and domestic insurance companies are exempt if they elect to pay the insurance

Highlights continued on page 4

premium tax. *Citations affected:* IC 6-3-2-2.8. *Effective: January 1, 2003.* HB 1001ss.

Fares Exempt from Tax: P.L. 123-2002, SECTION 76 provides an exemption for public transportation fares from the adjusted gross income tax statute. *Citation affected:* IC 6-3-2-3.5. *Effective: January 1, 2003.* HB 1001ss.

Payment of Estimated Tax: P.L. 123-2002, SECTION 80 specifies estimated payment dates for the adjusted gross income tax, which were previously specified in the gross income tax statute. Provides that no estimated payment penalty will be imposed if the taxpayer has paid 20% of the final liability for the taxable year, or 25% of the final liability for the taxpayer's prior taxable year. This provision applies to the adjusted gross and utility receipts tax as a combined payment. *Citations affected:* IC 6-3-4-4.1. Effective: January 1, 2003. *HB 1001ss.*

New Utility Receipts Tax is Effective 1-1-2003

P.L. 123-2002, SECTION 47 creates a utility receipts tax that is imposed at the rate of 1.4% of the taxable gross receipts of a utility. Gross receipts are defined as the value received for the retail sale of utility services. Pass through entities are subject to the utility receipts tax at the entity level. The utility services subject to tax include: electrical energy, natural gas, water, steam, sewage, and telecommunications.

There is transition language for the utility receipts tax for a fiscal year taxpayer. The taxpayer's first taxable year will be from January 1, 2003 until the end of their normal taxable year. *New Citations:* IC 6-2.3-1 *to* 8. *Effective: July 1, 2002 and January 1, 2003.* HB 1001ss, SECTIONS 47, 196, 201.

Prison Investment Credit Available to Pass-Through Entities Starting 2002

IC 6-3.1-6-1 is amended to define a taxpayer as a pass-through entity for purposes of the prison investment credit. IC 6-3.1-6-6 is added to provide that members of a pass-through entity are entitled to their distributive share of the prison investment credit if not used by the entity. *P.L. 129-2001. Citations affected:* IC 6-3.1-6-1; IC 6-3.1-6-6. *Effective: January 1, 2002.* HB 1578, SECTIONS 5 & 6.

Indiana Research Tax Credit Increases in 2003 and is Extended through December 31, 2004

P.L. 123-2002, SECTION 90, provides that the research expense credit against the adjusted gross income tax be extended through December 31, 2004. *Citations affected:* IC 6-3.1-4-6. *Effective: July 1, 2002.* HB 1001ss.

P.L. 123-2002, SECTION 87, increases the research expense credit from 5% to 10% of the qualified expenditures, and eliminates the apportionment of the credit, so that 100% of all research conducted in Indiana will be eligible for the credit. This SECTION applies to taxable years beginning after December 31, 2002. *Citations affected:* IC 6-3.1-4-2. *Effective: January 1, 2003.* HB 1001ss.

Voluntary Remediation Tax Credit for 2002 & 2003

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

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

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

P.L. 178-2002, SECTIONS 41-50, provide that the Economic Development for a Growing Economy (EDGE) program includes projects that are for job retention and not just job creation in Indiana. The job retention criteria require that the applicant employ at least 200 employees. The average compensation must exceed the county average by 5%, and the local communities affected must contribute $1.50 of incentives for every $3.00 of tax credit provided. The job retention credit is capped at $5,000,000 per year in state FY 2004 and in FY 2005. An agreement for awarding job retention credits must be approved by the state budget agency.

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

Venture Capital Investment Tax Credit Effective for 2004 through 2008

P.L. 123-2002 , SECTION 119, creates a Venture Capital Investment Credit. Provides that a taxpayer that provides qualified investment capital to a qualified Indiana business is entitled to a credit. Requires the Department of Commerce to certify that the Indiana business is qualified to receive the investment based on six different criteria established in the statute. The Department of Commerce shall provide a copy of Commerce's certification to the investors for inclusion with their tax filing. The Department of Commerce may impose an application fee of $200.

The maximum amount of credit is equal to the lesser of 20% of the qualified investment or $500,000. The total amount of credits that may be allowed in a calendar year may not exceed $10,000,000. The taxpayer must submit proof to the Department that the taxpayer is eligible for the credit. The Department shall keep track of all filing of credits being claimed and grant the credit in the chronological order that they are received. The credit can be carried forward but there is no carry back or refund of an unused credit. The credit is limited to investments that occur before December 31, 2008.

Effective for taxable years beginning after December 31, 2003. *Citations affected:* IC 6-3.1-24. *Effective: July 1, 2002 and January 1, 2003.* HB 1001ss.

Two New Enterprise Zones Established

The Indiana State Enterprise Board designated areas in the cities of **LaPorte** and **Vincennes** as two new enterprise zones. The designation is effective for January 1, 2002 through December 31, 2011, and applies to taxable years beginning after December 31, 2001.

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

General Statement and Instructions for 2002 Final Form IT-20SC

Final Filing Requirements for Special Corporations through December 31, 2002: *All fiscal year taxpayers filing 2002 Form IT-20SC (due April 15, 2003) must also subsequently file 2002 Form IT-20FY. The IT-20FY is filed at the end of the taxpayer's fiscal year.*

Who May File Form IT-20SC

Any corporation doing business and having gross income in Indiana is required to file an Indiana corporation income tax return. Indiana law requires corporations to adopt their federal tax year for reporting adjusted gross income to Indiana.

I.C. 6-2.1-3-24.5 exempts certain corporations from gross income tax. These entities are referred to as Indiana "Special Corporations." To be considered a special corporation, certain requirements must be met:

(1) The corporation must meet all the qualifications of an S Corporation as defined in Internal Revenue Code Section 1361 (b) (i.e., the corporation qualifies as an S Corporation but has not elected to be treated as such.) However, a corporation is a small business corporation for the purpose of claiming special status even if one (1) of its shareholders is a qualified trust that forms a part of an employee stock ownership plan under Section 401(a) of the Internal Revenue Code.

(2) The corporation's passive investment income, as defined in Internal Revenue Code Section 1362(d)(3)(C), may not equal or exceed twenty-five percent (25%) of its gross income for the tax year.

(3) A corporation must meet the Department's request to prove it is a "small business corporation" by filing on Form IT-20SC (the questionnaire at the top of the return will be considered prima facie proof of the small business corporation status).

A limited liability company treated as a corporation for federal income tax purposes and meeting the above requirements, may file form IT-20SC through December 31, 2002. A corporation applying for and receiving permission to file for federal income tax purposes, under I.R.C. Section 1361, as an S corporation using Form 1120S, is required to file an Indiana S Corporation Income Tax Return.

Because the corporate Gross Income Tax and the Supplemental Net Income Tax were repealed by HB 1001 ss, effective January 1, 2003, a final return for these taxes is required to be filed for a reporting period ending December 31, 2002 by all corporate taxpayers.

Caution: Special corporations are subject to a penalty for either paying the tax due late or filing the return after the due date (even if there is no tax due). See line 47 instructions. For an overview of corporate taxation, refer to Income Tax Information Bulletin #12.

Due Date of Return

The corporation's final tax return, 2002 Form IT-20SC, is due on April 15, 2003 by closing of all taxable years as of December 31, 2002 for purposes of the supplemental net income tax.

Accounting Methods

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

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

The adjusted gross income is calculated using the federal taxable income from the U.S. Corporation income tax return, Form 1120, and making Indiana modifications as required by I.C. 6-3-1-3.5(b). Adjusted gross and supplemental net income taxes are imposed on all income derived from Indiana sources according to the attribution of income and receipts as detailed on the apportionment Schedule E or related instructions. Indiana adjusted gross income is taxed at the rate of 3.4% effective through 12-31-2002 for calendar year 2002 filers . (See instructions for lines 1 through 19).

The adjusted gross income tax rate has been increased to 8.5% effective beginning January 1, 2003. All current fiscal year filers are affected by the rate change and must file 2002 Form IT-20FY to report their annual adjusted gross income tax.

Supplemental Net Income Tax (I.C. 6-3-8-1)
Repealed effective January 1, 2003

The supplemental net income tax for special corporations is calculated by deducting the adjusted gross income tax from the Indiana adjusted gross income for the reporting period. The remainder (supplemental net income) is taxed at the rate of 4.5% through December 31, 2002. Supplemental net income cannot be negative. If less than zero, enter zero on the appropriate line. (See instructions for lines 20 through 23.)

Estimated Quarterly Payments (I.C. 6-3-4-4.1)
Effective January 1, 2003

Special corporations with estimated adjusted gross income tax of more than $1,000 for the tax year are required to file quarterly estimated tax payments.

Estimated income tax payments are submitted with the Indiana quarterly estimated return, Form IT-6, or by electronic funds transfer when the average quarterly liability exceeds $10,000. If the corporation has overpaid estimated payments, a credit must be claimed on the annual corporate return, Form IT-20SC, to obtain a refund or to carry over 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 tax payments for calendar year corporate taxpayers are April 20, June 20, September 20 and December 20 of the tax year. Fiscal year and short tax year corporate filers must remit by the 20th day of the 4th, 6th, 9th, and 12th month of their tax period. For further instructions, refer to Income Tax Information Bulletin #11.

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

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

Electronic Funds Transfer Requirements

Corporate quarterly estimated tax is required to be remitted by Electronic Funds Transfer (EFT) if the amount of the corporate adjusted gross income tax imposed on a corporation exceeds an average liability of $10,000 per quarter (or $40,000 annually). An initial payment exceeding $10,000 does not necessarily mean the taxpayer must remit by EFT. However, the Department encourages all corporate taxpayers not required to remit by EFT to participate voluntarily in our EFT program because there is no minimum amount of payment. Note: Taxpayers remitting by EFT do not file quarterly IT-6 coupons. The only reconciliation is when the annual income tax return is filed.

If the Indiana Department of Revenue 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% 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. Nevertheless, if either is paid by EFT, be certain to also claim any EFT payment as an extension or estimated payment credit. Do not file a return indicating an amount due if you have paid, or will pay, any remaining balance by EFT.

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

Treatment of Partnership Income

Adjusted Gross Income Tax (all distributions) and Supplemental Net Income Tax (for distributions received on or before 12-31-2002): If the corporate partner's and the partnership's activities constitute a unitary business under established standards (disregarding ownership requirements), the business income of the unitary business attributable to Indiana is determined by a three-factor formula. 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 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.

For non-unitary partners, taxable partnership distributions included in federal adjusted gross income are deducted on line 11 of Schedule A. Non-unitary partnership income attributed to Indiana, including any apportioned pro rata modifications, is added back on line 15 of Schedule A. Refer to instructions for Schedule F for further information.

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

Extensions for Filing Returns

The Department normally recognizes the Internal Revenue Service's application for automatic extension of time to file (Form 7004).

Do not file a separate copy of Form 7004 with the Department to request an Indiana extension. Instead, the federal extension form must be attached when the Indiana return is filed. Returns postmarked within thirty (30) days after the federal extension date will be considered timely filed.

If a federal extension is not needed, a corporation may request a separate Indiana extension of time to file by writing to the Indiana Department of Revenue, Returns Processing Center, Corporate Income Tax Section, 100 N. Senate Avenue, Indianapolis, Indiana 46204-2253.

If filing after the original due date, but prior to the extended due date, a penalty for late payment will not be imposed if at least 90% of the corporation's income tax was paid by the original due date. *The extension payment should be sent with the previous preprinted Indiana Form IT-6 as a fifth quarter estimate for your taxable year or on a company's statement by the due date of April 15, 2003.*

Any tax paid after the original due date must include interest. Contact the Department for the current interest rate charged for late payments.

Calculation of Interest on Refunds

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

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

Amended Returns

Form IT-20X must be completed to amend an Indiana corporation return. Always use Form IT-20X to comply with I.C. 6-3-4-6, requiring a taxpayer to notify the Department of any modifications (federal adjustment, R.A.R., etc.) made to a federal income tax return within 120 days of such change. Attach copies of all federal waivers applying to the amended return.

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

Also, I.C. 6-8.1-9-1, entitles a taxpayer to claim a refund because of a reduction in tax liability resulting from a federal modification by allowing six 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 6 months of the taxpayer's notification by the Internal Revenue Service.

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

Instructions for Completing Form IT-20SC for All Tax Periods through December 31, 2002

File a 2002 Special Corporation return for a taxable year ending December 31, 2002, a short tax year beginning in 2002 and ending in 2002, or fiscal year beginning in 2002 through December 31, 2002. For a fiscal or short taxable year in 2002, complete the top of the form with the beginning month and day. If short tax year ends before December 31, 2002 cross out the year and write-in your ending date below on line BB .

Identification Section

Questions *K* through *Z* of the special corporation income tax return must be completed for the return to be accepted by the Department. Please use the full legal name of the corporation and present mailing address. 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 for federal purposes.

Note: For question S, check box #2 only if the corporation is dissolved, liquidated or has withdrawn from the state.

If the corporation is registered as a collection agent for the State of Indiana for sales and/or withholding tax, enter the assigned Indiana Taxpayer Identification (TID) number as 10 digits by dropping the trailing three-digit location number. This number should be referenced on all returns and correspondence filed with the Department.

List the Indiana county for your primary business location within the state. 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 box on the return. Use the six-digit federal business activity code as reported on the U.S. Corporation income tax return. A list of these codes is available through the Department's Internet address at www.in.gov/dor/resources.

The Department is mandated under I.C. 6-8.1-6-5 to request information concerning the number of motor vehicles owned or leased by a corporation and whether or not those vehicles are registered in Indiana. A motor vehicle for purposes of this section is a car, a motorcycle, or a truck having a declared gross weight of 11,000 pounds or less. These vehicles are subject to the motor vehicle excise tax. This information must be provided by answering the items in questions *Q* and *R* on the front of Form IT-20SC. Also, an explanation must be given if any of the vehicles are not registered in Indiana. Attach additional sheets, if necessary.

IT-20SC Schedule A Adjusted Gross Income Tax Calculation for All Tax Periods through December 31, 2002

Line 1. Enter the federal taxable income as defined under I.R.C. Section 63 before the federal net operating loss deduction and/or special deduction from U.S. Corporation income tax return, Form 1120 or pro forma amount as of December 31, 2002.

Line 2. Enter the special deductions from Schedule C, federal Form 1120, excluding NOL.

Line 3. Enter the result of line 1 minus line 2.

Line 4. Enter all taxes measured by income levied by any state from all sources **deducted** when calculating the federal net taxable income. If a unitary relationship exists with a partnership, include the proportionate share of the partnership's modifications provided for under I.C. 6-3-1-3.5 (b) (unapportioned).

Line 5. Enter all charitable contributions deducted on the federal return.

Line 6. Enter the interest or any proportionate share of interest from direct obligations of the United States Government included as income on federal 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 on income generated by each obligation. Refer to Income Tax Information Bulletin #19, for a list of eligible items.

Line 7. Enter total of Indiana modifications: add line 4 and 5, subtract line 6.

Line 9. Adjustments - Other adjustments can include:

Special Procedure for Taxable Year 2002: You may have to adjust your return if you took advantage of any federal provisions that affect adjusted gross income allowed under Job Creation and Workers Assistance Act of 2002, HR 3090. Use the adjustment line 9 of Schedule A to reflect certain federal legislative provisions in effect for 2002 that may not be used to arrive at Indiana adjusted gross income. Explain any adjustments on Schedule H of Form IT-20SC. See list of these provisions as highlighted on page 3.

- **Deduction for Lottery Prize Money -** Prize money from a winning Indiana lottery game or ticket included in federal taxable income should be excluded if received before July 1, 2002. Beginning after June 30, 2002, the proceeds of up to $1200 are deductible from each winning lottery game or ticket paid through the Hoosier State Lottery Commission. *Explain deduction on Schedule H.*
- **Deduction for Foreign Source Dividends -** If any dividends were received from foreign corporations, see instructions in the Corporate Income Tax Booklet, Form IT-20, or Income Tax Information Bulletin #78. *All adjustments taken on line 9 must be explained on Schedule H which must be submitted with the income tax return.* Do not use line 9 to deduct out-of-state income. See apportionment and allocation instructions for Schedules E and F.

Line 10. Add lines 8 and 9, enter the balance. If there is property, payroll, or income outside of Indiana, refer to instructions for Schedule E. **Note:** If all property and payroll are in Indiana, the Department will assume all sales are also taxable to Indiana unless a supporting explanation is attached.

Line 11. Enter the net nonbusiness income (loss) and non-unitary partnership distribution from Schedule F (form pages 5 and 6), column C, line 10. You must also complete Schedule F.

Line 13a-d. If applicable, enter the Indiana apportionment percentage (round to two decimal places, e.g. 98.46%) from the completed schedule. Check box 13a if using Schedule E, line 4(c). Check box 13b if using Schedule E-7, Apportionment for Interstate Transportation. Check box 13c 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.

Line 14. Multiply line 12 by the apportionment percentage on line 13, if applicable; otherwise, enter amount from line 12.

Line 15. Enter Indiana net nonbusiness income (loss) and Indiana non-unitary partnership income from Schedule F, column D, line 11. Also attach completed Schedule F.

Line 17. The available portion of an Indiana net operating loss deduction is calculated on Schedule IT-20NOL. *Please review schedule IT-20NOL and the instructions before completing line 17. Schedule IT-20NOL must be attached to support the entry.* The amount on line 17 cannot exceed the amount on line 16.

Line 19. Indiana adjusted gross income tax for the reporting period: multiply line 18 by 3.4% (.034). If line 18 is a loss, enter zero and do not calculate the supplemental net income tax.

IT-20SC Schedule B - Final Supplemental Net Income Tax Calculation for All Tax Periods through December 31, 2002

Line 20. All taxpayers must calculate their adjusted gross income and enter this figure on line 20. If line 18 is a loss, enter zero and do not calculate supplemental net income tax.

Line 21. Enter the adjusted gross income tax from Schedule A, line 19.

Line 22. Deduct line 21 from line 20. This figure cannot be less than zero.

Line 23. Final supplemental net income tax: multiply line 22 by 4.5% (.045). All taxpayers must calculate the supplemental net income tax.

IT-20SC Schedule C Total Income Tax Calculation for Tax Period

Line 24. Calender year 2002 taxpayers enter the adjusted gross income tax from Schedule A, line 19. ***Fiscal year taxpayers enter zero (0) on this line.***

Adjusted gross income tax for a fiscal year beginning in 2002 and ending in 2003 must be calculated on Form IT-20FY at the end of the taxpayer's taxable year.

Line 25. Enter the final supplemental net income tax from Schedule B, line 23.

Line 26. Enter the total of lines 24 and line 25 and carry to line 27 on front of Form IT-20SC.

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

Use of an Apportionment Schedule for Calendar Year 2002 or Fiscal Year Beginning in 2002 to December 31, 2002: If the adjusted gross income of a corporation is derived from sources both within and outside the state of Indiana, the adjusted gross income attributed to Indiana must be determined by a three-factor apportionment formula. The Department will not accept returns filed for adjusted gross income tax purposes using the separate accounting method. Schedule E must be used unless special permission from the Department is granted. Also see 45 I.A.C. 3.1-1-153, for tax treatment of unitary corporate partners.

Detailed Instructions:

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

Part I - Apportionment of Adjusted Gross Income for Tax Year Beginning January 1, 2002 or Short/Fiscal Tax Year Beginning in 2002 through December 31, 2002

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

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

2. Payroll Factor: The payroll factor is a fraction. The numerator is the total wages, salaries, and other compensation paid to employees in Indiana for services rendered for the business, and the denominator is the total of such compensation for services rendered for the business everywhere. Normally, the Indiana payroll will match the unemployment compensation reports filed with 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; (c) some of the service is performed within 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. Payments to employees for service attributable to nonbusiness income should be excluded. The portion of an employee's salary directly contributed to a Section 401K plan is included in the factor; however, the employer's matching contribution is not.

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

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

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

The numerator of the receipts factor must include all sales made in Indiana, sales made from Indiana to the U.S. Government, and sales made from Indiana to a state not having jurisdiction to tax the activities of the seller. The numerator will also contain intangible income attributed to Indiana, including interest from consumer and commercial loans, installment sales contracts, and credit and debit cards as prescribed under I.C. 6-3-2-2.2.

Total receipts include gross sales of real and tangible personal property less returns and allowances. Sales of tangible personal property are in Indiana if the property is delivered or shipped to a purchaser within Indiana regardless of the f.o.b. point or other conditions of sale, or the property is shipped from an office, store, warehouse, factory, or other place of storage in Indiana, and the taxpayer is not subject to tax in the state of the purchaser.

Sales or receipts not specifically assigned above shall be assigned as follows: (1) gross receipts from the sale, rental, or lease of real property are in Indiana if the real property is located in Indiana; (2) gross receipts from the rental, lease, or licensing the use of tangible personal property are in Indiana if the property is in Indiana. If property was both within and outside Indiana during the tax year, the gross receipts are considered in Indiana to the extent the property was used in Indiana; (3) gross receipts from intangible personal property are in Indiana if the taxpayer has economic presence in Indiana and such property has not acquired a business situs elsewhere. Interest income and other receipts from loans or installment sales contracts that are primarily secured by or deal with real or tangible personal property are attributed to Indiana if the security or sale property is located in Indiana; consumer loans not secured by real or tangible personal property are attributed to Indiana if the loan is made to an Indiana resident; and commercial loans and installment obligations not secured by real or tangible personal property are attributed to Indiana if the proceeds of the loan are applied in Indiana. Interest income, merchant discounts, travel and entertainment credit card receivables, and credit card holder's fees are attributed to the state where the card charges and fees are regularly billed. Receipts from the performance of fiduciary and other services are attributed to the state where the benefits of the services are consumed. Receipts from the issuance of traveler's checks, money orders, or United States savings bonds are attributed to the state where those items are purchased. Receipts in the form of dividends from investments are attributed to Indiana if the taxpayer's commercial domicile is in Indiana; and (4) gross receipts from the performance of services are in Indiana if the services are performed in Indiana. If such services are performed partly within and partly outside Indiana, a portion of the gross receipts from performance of the services shall be attributed to Indiana based upon the ratio the direct costs incurred in Indiana bear to the total direct costs of the services, unless the services are otherwise directly attributed to Indiana according to I.C. 6-3-2-2.2.

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

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

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

4. Summary: Apportionment of Adjusted Gross Income for Indiana for the Reporting Period.

(a) *Divide sum in line 3A by the total from line 3B. (Multiply by 100 to arrive at a percent rounded to the nearest second decimal place). Enter the quotient in the 4(a)1 space provided and multiply by 200% (2.0) double weight adjustment. Enter the product in line 4a of column C.*

(b) *Add entries in lines 1C, 2C and 4a of column C. Enter the sum of the percentages in line 4b.*

(c) *Divide the total percentage entered in line 4b by 4. Enter the average Indiana apportionment percentage for the reporting period (rounded to the nearest second decimal place) in line 4c and carry to line 13d, Schedule A of Form IT-20SC and check box 13a.*

The property and payroll factors are each valued as a factor of 1 in the apportionment of income formula. The receipts factor is valued as a factor of 2. The combined three-factor denominator equals 4.

When there is a total absence of one of these factors for column B, you must divide the sum of the percentages by the number of the remaining factor values present in the apportionment formula.

Part II - Business/ Non Business Income Questionnaire

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

IT-20SC Schedule F
Allocation of Nonbusiness Income and Indiana Non-Unitary Partnership Income for All Tax Periods through December 31, 2002

The critical element in determining whether income is "business income" or "nonbusiness income" is the identification of the transactions and activity which are the elements of a particular trade or business. In general, all transactions and activities of the taxpayer dependent upon or contributing to the operations of the taxpayer's economic enterprise as a whole constitute the taxpayer's trade or business and will be classified as business income.

With partnership income, the relationship between the business of the corporate partner and the partnership will control the classification. If the partnership's activities are closely related to the activities of the corporate partner, the corporate partner's share of partnership income will be apportioned the same as its other business income.

Nonbusiness Income is defined as all income not properly classified as business income. 45 I.A.C. 3.1-1-31.

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

(a) Dividends from stock held for investment purposes only;
(b) Interest on portfolio of interest bearing securities held for investment purposes only; or,
(c) Capital gain or loss from the sale of property held for investment purposes only.

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

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

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

Line (1) Dividends from nonbusiness sources are allocated to Indiana if the commercial domicile is Indiana.

If there is, or was, a unitary relationship between the taxpayer and the payer of the dividend, the income is generally treated as business income. Factors to consider in determining if a unitary relationship exists are the degree of control, centralized operating functions, economic benefits provided by the affiliate, inter-affiliate transfers of personnel, common trademarks and patents, and the total sales between affiliated corporations. Dividends from a FSC or a DISC are treated as business income and must be apportioned.

Line (2) Interest from nonbusiness sources is allocated to Indiana if the commercial domicile is in Indiana.

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

Line (3) Net capital gains or losses from the sale of nonbusiness intangible personal property are allocated to Indiana if the taxpayer's commercial domicile is in Indiana.

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

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

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

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

Line (4) Rents and royalties from real property (to the extent they constitute nonbusiness income) are allocated to Indiana if the real property is located in Indiana.

Rents and royalties from nonbusiness tangible personal property are allocated to Indiana to the extent the property is utilized in Indiana.

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

Line (5) Patents, copyrights and royalties from intangible property not related to the production of business income 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.

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

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

Line (6) Other Nonbusiness Income: Enter other nonbusiness income not provided for in lines (1) through (5) and line 9 if any portion of a partnership distribution is deemed nonbusiness income.

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

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

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

Line (10) Total Net Nonbusiness Income (loss): Add all subtotals from column C. Also enter amount of column C on line 11 of Form IT-20SC.

Line (11) Total Indiana Nonbusiness Income and Indiana Non-unitary Partnership Income: Add all subtotals from column D. Also enter amount of column D on line 15 of Form IT-20SC.

IT-20SC Schedule H
Additional Explanations

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

IT-20SC Schedule CC-20
College Credit

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

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

(a) Ten percent (10%) of the corporation's adjusted gross income tax for the year in 2002 when the gifts are made (computed without regard to any credits against the tax), or

(b) One thousand dollars ($1,000).

See Income Tax Information Bulletin #14.

Summary of Calculations for All Tax Periods through December 31, 2002.

Line 27. Enter the total income tax from Schedule C, line 26. This figure cannot be less than zero.

Line 28. I.C. 6-2.5-3-2 imposes a use tax at the rate of five percent (.05) through November 30, 2002, **six percent (.06) starting December 1, 2002**, upon the use, storage or consumption of tangible personal property in Indiana that was purchased or rented in a retail transaction, wherever located, and 5% (or 6% after 11-30-2002) 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.

If you are a registered retail sales or out-of-state use tax agent for Indiana you must report nonexempt purchases used in your business on Form ST-103, Indiana annual, quarterly or monthly Sales and Use Tax Voucher. If you are not required to file Form ST-103, or have failed to properly include purchases that are now subject to use tax, complete the Sales/Use Tax Worksheet on page 12 to compute any sales/use tax liability. For more information regarding use tax, call (317) 233-4015.

Carry the total calculated sales/use tax due to line 28 on the front of the return. Caution: Do not report your totals from ST-103 on this worksheet or Form IT-20SC.

Line 30. Enter the amount of credit taken for charitable contributions during 2002 to eligible colleges and universities located within Indiana. **Note:** Schedule CC-20, found on page 4 of Form IT-20SC, or a separate Schedule CC-40 must be completed and filed with the income tax return.

Line 31. Enter the allowable **Neighborhood Assistance Tax Credit** reflected on pre-approved Form NC-20 for 2002 tax periods ending on or before 1-1-2003. For further information, refer to Income Tax Information Bulletin #22. Attach Form NC-20 if claiming this credit.

Line 32. Enter the allowable **Indiana Research Expense Tax Credit** for 2002 tax periods ending on or before 1-1-2003. Schedule IT-20REC, must be attached.

Line 33. Enter the allowable credit for contributions made to the **Twenty-First Century Scholars Program Support Fund.** The credit is equal to 50% of the contributions made during the tax period, limited to the lesser of 10% of the corporation's total adjusted gross income tax (as determined without regard to any credits against the tax); or $1,000. See I.C. 6-3-3-5.1 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.

Line 34. Enter the **Enterprise Zone Employment Expense Tax Credit** as calculated on Schedule EZ, Part 2 or amount assigned or received from a pass-through entity. Attach the schedule to the return. For further information on this credit and other enterprise zone tax benefits, refer to Income Tax Information Bulletin #66.

Line 35. Enter the **Enterprise Zone Loan Interest Tax Credit** as calculated on Schedule LIC or the amount assigned or received from a pass-through entity for tax periods ending before January 1, 2003. Attach the schedule to the return.

Line 36. Enter the total of other nonrefundable credits. **See list of other tax credits on page 15.** The total of all credits is limited to the amount of tax due on line 27, unless otherwise noted. See lines 41 and 42 for certain refundable credits.

Line 37. Enter the total tax credits from lines 30 through 36.

Line 38. Enter the net tax due (subtract line 37 from line 29).

Line 39. Enter the total amount of estimated income tax payments, made for calendar year 2002 and during fiscal tax year beginning in 2002 through 12-31-2002 reported on Form IT-6 or via electronic funds transfer. Itemize those quarterly or EFT payments in the spaces provided. *Estimated payments made after 12-31-2002 must be claimed by a fiscal year filer against its annual adjusted gross income tax liability as calculated on Form IT-20FY.*

Line 40. Enter the amount previously paid with a valid extension of time to file and for the period ending December 31, 2002, and amount of any prior year overpayment credit. Enter the combined total.

Line 41. Enter credit for the amount of gross income tax paid on sales of real estate during period on or before December 31, 2002. Generally, qualified special corporations are exempt from the requirement to pay gross income tax to county treasurers on the sale of real estate. Copies of receipts for any amounts actually paid must be attached to the return or credit will be reduced or disallowed.

Line 42. Enter any other credits attributed to this tax period and attach a detailed explanation and supporting documentation. Claim any certified EDGE credit and any gross income tax withheld from nonresident contractors. Attach copy C of the withholding Form WH-18, which is issued by the withholding agent.

Line 43. Enter the total payments and credits (add lines 39, 40, 41, and 42).

Line 44. Enter balance of total tax due (subtract line 43 from line 38).

Line 45. Enter the penalty for the underpayment of corporate taxes from Schedule IT-2220 for period ending December 31, 2002. Attach a completed copy of this schedule even if you meet an exception to the underpayment penalty.

Line 46. If the tax reflected on line 44 is paid after the original due date, interest must be included with the payment. An extension of time to file does not extend the time to pay the tax due; therefore, interest must be calculated on late payments. **Contact the Department for the current rate of interest for late payments.**

Line 47. Special corporations are subject to a penalty for either paying the tax due late or filing the return after the due date (even if there is no tax due).

Enter the computed penalty amount that applies:

A. If the return with payment is made after the original due date, a penalty, which is the greater of $5.00 or 10% of the balance of tax due (line 44), must be entered. The penalty for paying late will not be imposed if *all three* of the following conditions are met:

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

B. If the return showing no tax liability (on line 29) is filed late, penalty for failure to file by the due date will be $10 per day the return is past due, up to a maximum of $250.

Line 48. If a payment is due, enter the total tax plus any underpayment penalty, late penalty and interest. Remit this amount as a separate payment for each return filed. Payment to the Department of Revenue must be made with U.S. funds.

Line 49. If an overpayment of tax exists, enter the refund due less the computed penalties shown on lines 45 and 47. When the return is filed timely, a calendar year taxpayer may elect to have a portion or all of its overpayment credited to the following year's estimated adjusted gross income tax account. ***Note:*** *A fiscal year taxpayer must enter on line 51 any computed overpayment and carry it over against its annual adjusted gross income tax liability as calculated on Form IT-20FY.*

Line 50. Enter all or any portion of the overpayment, as reflected on line 49, that may be refunded to a calendar year taxpayer only.

Line 51. Enter the amount of overpayment on line 49 to be credited to the taxpayer's next taxable year.

Note: Entries on line(s) 50 and 51 should equal line 49. If the overpayment is reduced because of an error on the return or an adjustment by the Department, the amount refunded (line 50) will be corrected before any changes are made to the amount on line 51. A refund may be set-off and applied to other liabilities under I.C. 6-8.1-9-2(a) and 6-8.1-9.5.

Be sure to sign and print your name and date on the return. If a paid preparer completed 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 a 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.

Instructions continued on page 13.

Sales/Use Tax Worksheet for Line 28, Form IT-20SC

List all purchases made during calendar year 2002 from out-of-state companies.

Description of personal property purchased from out-of-state	Purchase(s) made prior to 12-1-2002 **Column A**	Purchase Price of Property(s) from Column A **Column B**	Purchase(s) made on or after 12-01-2002 **Column C**	Purchase Price of Property(s) from Column C **Column D**
Magazine subscriptions:				
Mail order purchases:				
Internet purchases:				
Other purchases:				

1. Total purchase price of property subject to the sales/use tax: Enter total of Columns B and D	1B		1D	
2. Sales/use tax: Multiply line 1B by .05 (5%); multiply line 1D by .06 (6%)	2B		2D	
3. Sales tax previously paid on the above items (up to 5% per item in Column B; up to 6% per item in Column D)	3B		3D	
4. Total amount due: Subtract: line 3B from line 2B and line 3D from line 2D. Add lines 4B and 4D. Carry to Form IT-20SC, . line 28. If the amount is negative, enter zero and put no entry on line 28 of the IT-20SC	4B		4D	

Form IT-20SC

State Form 442 (R 1 /9-02)

Indiana Department of Revenue

Indiana Special Corporation Income Tax Return

for Calendar Year Ending December 31, 2002

or Fiscal Year Beginning AA ______/______/2002 to December 31, 2002 BB

(Do not write above)

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

K. Date of incorporation 1 ______ in the State of 2 ______

L. State of commercial domicile ______

M. Year of initial Indiana return ______

N. Location of accounting records if different from above address ______

O. Check accounting method used for reporting federal taxable income: 1 **Cash** 2 **Accrual** 3 **Other**

P. Check box if the corporation paid estimated tax using different Federal Identification Numbers. ☐ *(List on Schedule H any other Federal Identification Numbers under which payments were made).*

Q. Enter the number of motor vehicles operated by the corporation in the State of Indiana on the last day of the taxable year ______

R. Check box if all these vehicles are registered in the State of Indiana. ☐ *(If not, attach explanation and the reason(s) why some vehicles are not registered with Indiana).*

S. **Check all boxes that apply to entity:** 1 Initial Return 2 Final Return 3 In Bankruptcy

T. 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-20SC: You must file Form FIT-20).

U. Did the corporation have more than one class of stock outstanding during the year? .... 1 Yes 2 No

V. Was the corporation a member of an affiliated group? .... 1 Yes 2 No

W. At any time during the tax year did the number of shareholders exceed 75 members? .... 1 Yes 2 No

X. Did the company derive more than 25% of its gross income from passive investments .... 1 Yes 2 No

Y. Pursuant to IRC Section 1361(b), would the corporation qualify as an S corporation if it elected to do so? .... 1 Yes 2 No

Z. Is an extension of time to file attached? .... 1 Yes 2 No

Summary of Calculations for Tax Period

27.	Total income taxes (from Schedule C, line 26) (cannot be less than zero)	27	
28.	Sales/use tax due from worksheet on page 12	28	
29.	SUBTOTAL: Add lines 27 and 28		
30.	College and University Contribution Credit	30	
31.	Neighborhood Assistance Tax Credit (NC-20)	31	
32.	Indiana Research Expense Tax Credit (IT-20REC)	32	
33.	Twenty-First Century Scholars Program Credit (TCSP-40)	33	
34.	Enterprise Zone Employment Expense Tax Credit (EZ 2)	34	
35.	Enterprise Zone Loan Interest Tax Credit (LIC)	35	
36.	Other Non-refundable Credits (see listing on page 15)	36	
37.	Total income tax reduction (30 through 36). (Attach supporting schedule(s) for credit(s) claimed.) (May not exceed line 27)		
38.	TOTAL TAX DUE: Subtract line 37 from line 29 (cannot be less than zero)	38	

2002 Final & Short Year IT-20SC

Credit for Estimated Tax and Other Payments in Calendar Year 2002

39.	Total amount of estimated income taxes paid during 2002 (itemize quarterly IT-6/EFT payments) 1 ____ 2 ____ 3 ____ 4 ____	39	
40.	Enter prior year overpayment credit $ a ____ from tax year ending b ____ Enter this period's extension payment $ c ____ Enter combined amount	40	
41.	Gross income tax paid on sales of real estate in 2002(attach supporting evidence)	41	
42.	Other credits applied through December 31, 2002 (attach supporting evidence)	42	
43.	Total payments and credits (Add lines 39, 40, 41 and 42)		
44	Balance of tax due (If line 38 is greater than line 43, enter the difference)		
45.	Penalty for the underpayment of income taxes from attached Schedule IT-2220	45	
46.	Interest: If payment is made **after the original due date**, compute interest. (Contact the Department for current interest rate)	46	
47.	Late Penalty: If paying late enter 10% of line 44; see instructions. If line 29 is zero enter $10 per day filed past due date	47	
48.	Total Amount Owed (add lines 44, 45, 46 and 47). Make check payable to the **Indiana Department of Revenue. Pay in U.S. Funds** ▶	48	
49.	Overpayment of tax (line 43 minus lines 38, 45 and 47) SEE INSTRUCTIONS	49	
50.	REFUND: Enter portion of line 49 *to be refunded to a calendar year taxpayer*	50	
51.	OVERPAYMENT CREDIT: Amount of line 49 to be applied to the taxpayer's following fiscal or taxable year estimated account	51	

Due April 15, 2003

Fiscal year filers must carry over refund

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

(For Department Use Only) DD

▶ *Under penalties of perjury, I declare I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.* 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 Box: OO 1 ☐ Federal I.D. Number 2 ☐ Social Security Number 3 ☐ PTIN Number
Street Address GG	Daytime Telephone Number of Preparer PP
City HH / State II / Zip+4 JJ	Preparer's Signature

VN

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

Schedule A - Adjusted Gross Income Tax Calculation

for calendar year ending December 31, 2002 or fiscal year beginning in 2002 through December 31, 2002
(All filers having tax years starting in 2002 must complete this schedule)

1. Federal taxable income (before federal net operating loss deduction and special federal deductions). Fiscal year filers use pro forma amount for period through December 31, 2002 1
2. Enter net qualifying dividends deduction from federal Schedule C, Form 1120 2
3. Subtract line 2 from line 1 3
4. Add back: All state income taxes (taxes based on income) 4
5. Add back: All charitable contributions 5
6. Deduct: Interest on U.S. Government Obligations less related expenses included on federal return 6
7. Total modifications (add lines 4 and 5, subtract line 6) ....
8. Subtotal (add lines 3 and 7) 8
9. Adjustments (explain on Schedule H) Enter deductions in <brackets> 9
10. Subtotal: (add lines 8 and 9) ....
11. Deduct: Nonbusiness income and non-unitary partnership distributions from Schedule F,Column C, line (10) (attach Schedule F) 11
12. Taxable business income (line 10 less line 11) 12
13. Average apportionment percentage for the reporting period, if applicable. Check method used and attach completed schedule: Schedule E, line 4c **13a** ☐ ; Schedule E-7 **13b** ☐ ; or Other Apportionment Method **13c** ☐ 13d (Do Not Enter 100%) ___ ___ . ___ ___ %
14. Indiana apportioned business income (multiply line 12 by percent on line 13d, if applicable, otherwise enter amount from line 12) 14
15. Add: Indiana nonbusiness income and Indiana non-unitary partnership income from Schedule F, Column D, line (11) (attach Schedule F) 15
16. Total Indiana adjusted gross income before net operating loss deduction (line 14 plus line 15) 16
17. Indiana portion of net operating loss deduction to the extent applied for the period, see instructions (attach Schedule IT-20NOL) Enter loss as a positive figure 17
18. Total Indiana adjusted gross income for calendar year and tentative amount for computation of short period liability (line 16 less line 17) 18
19. Indiana adjusted gross income tax for period: Multiply line 18 by 3.4% (.034) through 12-31-2002 19

All fiscal year taxpayers must also file Form IT-20FY, annual adjusted gross income tax return

Schedule B - Final Supplemental Net Income Tax Calculation

(All filers having tax years starting in 2002 must complete this Schedule)
for calendar year beginning January 1, 2002 or fiscal year beginning in 2002 through December 31, 2002.

20. Enter Indiana adjusted gross income for period from line 18 (if a loss is shown on line 18, enter zero and proceed to line 24) ....
21. Enter adjusted gross income tax from Schedule A, line 19 ....
22. Supplemental net income for period (line 20 minus line 21). If less than zero, enter zero here and on line 23 ....
23. Final supplemental net income tax: Multiply line 22 by 4.5% (.045) 23

Schedule C - Total Income Tax Calculation

for 2002 or short/fiscal year ending December 31, 2002 (Complete this schedule)

24. Enter adjusted gross income tax from Schedule A, line 19 for calendar year taxpayers (cannot be less than zero) ***Fiscal year taxpayers enter zero -0-. (Short year fiscal filers see instructions)*** ....
25. Enter final supplemental net income tax from Schedule B, line 23 ....
26. Total income tax: Add lines 24 and 25. (Carry to Summary of Calculations, line 27 on the front page of Form IT-20SC) ....

Indiana Department of Revenue

IT-20SC Schedule E

Apportionment of Adjusted Gross Income for Indiana

State Form 49185 (R/9-02) **For Calendar Year or Fiscal Year Beginning AA___/_____/ 2002 to December 31, 2002**

Name as shown on return	Federal Identification Number
B	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 factor. Interstate transporation entities must use Schedule E-7, Apportionment for Interstate Transportation.

OMIT CENTS - PERCENTS SHOULD BE ROUNDED TWO DECIMAL PLACES - READ APPORTIONMENT INSTRUCTIONS

Part I - Apportionment of Adjusted Gross Income for Tax Year Beginning January 1, 2002, or Short/Fiscal Year Beginning in 2002 through December 31, 2002

	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 used in the business 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 for Period: Add lines 1(a) through 1(e)	**1A**	**1B**	**1C** ___ ___ ___ . ___ ___ %
2. Payroll Factor - Wages, salaries, commissions, and other compensation of employees related to business income and pro rata share of payroll reportable on the return.			
Total Payroll Value for Period:	**2A**	**2B**	**2C** ___ ___ ___ . ___ ___ %

3. Receipts Factor (less returns and allowances) - include all non-exempt apportioned gross business income. Do not include non-unitary partnership distributions or previously apportioned income that must be reported with allocable non-business income on Schedule F. Complete classification questionnaire on Part II.

	Column A	Column B
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 for Period: Add column A receipts lines 3(a) through 3(f) and enter in line 3A. Enter all receipts in line 3B, on column B	**3A**	**3B**

4. Summary - Apportionment of Adjusted Gross Income for Indiana for Reporting Period

(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 for Reporting Period:** Divide line 4b by 4 if all three factors are present. Enter here and carry to Schedule A, line 13d	**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. See instructions on page 8.

Part II - Business/Non Business Income Questionnaire

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

(a) Location City and State	(b) Nature of Business Activity at Location	(c) Accepts Orders? 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. Describe briefly the nature of the Indiana business activities including the exact title and principal business activity of any partnership in which the corporation has an interest:

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

4. Describe briefly 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) where the purchaser is 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 (here and on IT-20SC Schedule F) source of any directly allocated income from other partnerships, estates and trusts not in taxpayer's apportioned tax base: ____________________

Schedule H - Additional Explanation or Adjustment of Items Elsewhere on Return for Tax Period (Carry subtotals to respective schedules)

Column A Schedule	B Line	Column C Explanation	Column D Amount	

Schedule CC-20 - College and University Contribution Credit

Column A - Name of Indiana College or University (List charitable contributions made in 2002)	Column B Date	Column C Amount Given	

1. Total contributions to Indiana colleges and universities in 2002		
2. 50% of line 1 or $1000, whichever is less		
3. Enter adjusted gross income tax for tax period from Schedule A, line 19		
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 30 on front of Form IT-20SC)		

IT-20SC Schedule F
State Form 49104
(R 1/9-02)

Indiana Department of Revenue

Allocation of Nonbusiness Income and Indiana Non-Unitary Partnership Income

(for all tax periods through December 31, 2002)

Name as shown on return	Federal Identification Number
B	A

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

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

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**
Carry forward 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				
Carry forward 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

Continued on form page 6.

Indiana Department of Revenue

Allocation of Nonbusiness Income and Indiana Non-Unitary Partnership Income

(Omit Cents)

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 **Total 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					
Carryforward subtotals from additional sheets					
Total Patents/Royalties, Expenses, and Net Amounts..				5C	5D
(6) Other (nonbusiness income) Source and Type					
Carryforward subtotals from additional sheets					
Total Other Income, Expenses, and Net Amounts				6C	6D

(7) Total Nonbusiness Income (add subtotals in column A) **7A**

(8) Total Related Expenses (add subtotals in column B, lines 1 through 6) **8B**

(9) Distributive Share Income from Non-Unitary Partnerships & Tiered Partnerships

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(s) (Including modifications)
Carryforward subtotals from additional sheets			
Total Federal Non-Unitary Partnership Income; Net Amount Attributed to Indiana		9C	9D

(10) Total Net Nonbusiness & Non-Unitary Partnership Income (add subtotals in column C, lines 1C through 6C plus line 9C) **10C**
Carry total of line 10C to line 32 of Form IT-20, or line 11 of Form IT-20SC

(11) Total Net Nonbusiness & 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 36 of Form IT-20, or line 15 of Form IT-20SC.

Schedule
IT-2220
State Form 440
(R1/9-02)

Indiana Department of Revenue

Penalty for Underpayment of Corporate Income Taxes

(See Instructions on reverse side of this schedule)

Tax Period Ending December 31, 2002 or
Fiscal Period Beginning AA____/________2002
MO DA
to December 31, 2002
(Page attachment sequence #7)

Name of Corporation or Organization	Federal Identification Number
B	A

Part I - How to Figure Underpayment of Corporate Taxes for All Tax Periods Ending December 31, 2002

1. Enter total calculated **adjusted gross income tax**	1		
2. Enter total calculated **final gross income tax** (if less than $1,000 enter -0-)	2		
3. Subtract line 2 from line 1 and enter difference (if less than $1,000 enter 0, continue to lines 4 and 5)	3		
4. Enter total calculated **final supplemental net income tax** (if less than $1,000 enter -0-)	4		
5. Add lines 2, 3 and 4. If zero, do not complete rest of schedule	5		
6. Enter total **tax reduction credits** excluding estimated taxes paid for the 2002 tax period (cannot exceed total on line 5)	6		
7. Subtract line 6 from line 5. If zero, stop; you do not owe an underpayment penalty	7		

Part II - How to Figure Exception to Underpayment Penalty

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

Short period filers see note on reverse following line 22 instructions
Quarterly Estimated Tax Paid for Periods in 2002:

		(a) 1st quarter	(b) 2nd quarter	(c) 3rd quarter	(d) 4th quarter
11. 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 during 2002	11	/ / 02	/ / 02	/ / 02	/ / 02
12. Enter the actual amount of estimated tax paid or credited on or before the due date of the installment for each quarter in 2002	12				
13. Enter the overpayment, if any, **from the preceding column** that exceeds any remaining prior <underpayments> shown on line 16	13				
14. Add line 12 and line 13 for each column	14				
15. Divide line 10 by four; enter result in columns (a) through (d)	15				
16. Subtract line 15 from line 14 for each quarter. If the result is a negative figure, you have **not** met any exception to the penalty for the quarter	16				

Part III - How to Figure Penalty

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

22. Add line 21, columns (a) through (d). This is your total **Underpayment penalty.** Enter here and carry to the appropriate line of Form IT-20, IT-20G, IT-20SC, or IT-20NP filed for reporting tax period ending December 31, 2002	22		

Instructions for Schedule IT-2220 for Tax Periods in 2002

Who Should File?

Schedule IT-2220 must be completed and attached to the annual corporate Form IT-20, IT-20G, IT-20NP, or IT-20SC for reporting period ending 12-31-2002 anytime the corporation did not pay the required amount of gross, adjusted gross, or supplemental net income tax **in any particular quarter in 2002**, 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 Prior to the Repeal of the Gross Income Tax & Supplemental Net Income Tax on 1-1-2003?

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

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

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

PART I - How to Figure Underpayment of Corporate Taxes

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

1. Enter the adjusted gross income tax of calendar year taxpayer from Schedule B of Form IT-20 and IT-20S, Schedule A of Forms IT-20SC, or Schedule C of Form IT-20NP.

2. Enter the final gross income tax from Schedule A of Form IT-20 or IT-20G (schedule A and B of Form IT-20NP). If total gross income tax is less than $1,000, enter zero. Form IT-20SC filers enter zero.

3. Subtract line 2 from line 1. Enter zero if difference is less than $1,000.

4. Enter the final supplemental net income tax from Schedule C of Form IT-20, Schedule B of Forms IT-20S and IT-20SC, or Schedule D of Form IT-20NP. If total supplemental net income tax is less than $1,000, enter zero. Form IT-20G filers enter zero.

5. Add lines 2, 3 and 4. If the total is zero, STOP. You owe no penalty and you do not need to complete this schedule.

6. Enter your total tax reduction (nonrefundable) credits (college credit, neighborhood assistance credit, etc.) reported on line 58 of Form IT-20; line 16 of Form IT-20G; line 24 of Form IT-20NP or line 37 of Form IT-20SC for tax period 2002. Also include applicable WH-18 withholding credits and any gross income tax paid on sales of real estate in 2002. **Do not** enter estimated tax payments, extension payments, or prior year's overpayment credit. In no case may the total of tax reduction credits exceed the total tax on line 5.

7. Subtract line 6 from line 5. This is your current year's tax liability. If zero, STOP. You do not owe any underpayment penalty.

PART II - How to Figure Exception to Underpayment Penalty

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

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

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

11. Enter in columns (a) through (d) the quarterly installment due dates corresponding to the estimated income tax payments for your tax period ending on or before 12-31-2002.

If filing on a calendar year basis, the installment due dates for corporate income tax payments are April 20, June 20, September 20 and December 20 of the taxable year. Fiscal year and short tax year filers must remit by the twentieth day of the fourth, sixth, ninth, and twelfth months of the fiscal year through 12-31-2002. Short period filers see note following line 22 instructions.

12. Enter the amount of estimated taxes paid by the due date of the installment for each quarter in 2002. 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 6. **STOP.** Complete lines 13 through 16 in each column before proceeding to the next column.

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

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

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

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

PART III - How to Figure the Penalty

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

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

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

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

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

22. Add the amounts on line 21 for all quarters and enter result here. This is your total underpayment penalty due. Carry this amount to the appropriate line on the front of Form IT-20, IT-20G, IT-20NP, IT-20S or IT-20SC filed for the tax periods ending 12-31-2002.

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

Schedule
IT-20NOL
State Form 439
(R1/9-02)

Indiana Department of Revenue

Corporate Income Tax
Net Operating Loss Computation

(See instructions on the reverse side of this schedule)

Name of Corporation or Organization	Federal Identification Number
B	A

PART I — Computation of Indiana Net Operating Loss

Effective for Calender Year 2002 and Fiscal Year Beginning in 2002 and Ending 2003.

Complete this schedule if line 8 shows a loss for the tax year. Enter loss, if any, as a positive figure in the box. A separate Schedule IT-20NOL must be completed for each loss year.

	Loss year ending	Net operating loss from line 8 below
Loss year	aa / / (MM DD YYYY)	bb

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

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

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

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

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

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

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

(1) Tax year ending	(2) Indiana AGI as last determined by department records	(3) Amount of NOL deduction carried back/forward	(4) Indiana AGI after net operating loss deduction	(5) Remaining unused net operating loss
5th Preceding tax period ______				
4th Preceding tax period ______				
3rd Preceding tax period ______				
Effective for loss years beginning after August 5, 1997, the 3rd preceding tax year carry back application is eliminated for non-farm losses.				
2nd Preceding tax period ______				
1st Preceding tax period ______				
Caution: This schedule complies with the Internal Revenue Code as in effect on 1-1-2002				
1st Following tax period ______				
2nd Following tax period ______				
3rd Following tax period ______				
4th Following tax period ______				
5th Following tax period ______				
6th Following tax period ______				
7th Following tax period ______				
8th Following tax period ______				
9th Following tax period ______				
10th Following tax period ______				

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

Instructions for Schedule IT-20NOL for Tax Periods Beginning in 2002

Note: These instructions apply to Indiana returns in compliance with the Internal Revenue Code of 1986 as amended and in effect on January 1, 2002.

Who Should File Schedule IT-20NOL?

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

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

When to File?

A refund initiated by a net operating loss carryback must be claimed by the taxpayer within 3 years from the original due date of the loss year's return (including extensions). Net operating loss carryforward deductions fall within regular statutory requirements. Parts I and II should be completed and this schedule attached to the loss year return if electing to waive a state NOL carryback application. Also, attach a fully completed Schedule IT-20NOL to the return(s) where a net operating loss deduction is claimed.

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

The net operating loss deduction recognized for Indiana income tax purposes shall be the amount of loss apportioned to Indiana for the tax year after all required modifications. Modifications include the add back of property taxes (for tax periods 1998 and before), income taxes, charitable contributions, deduction of interest on U.S. Government obligations, and a deduction for the foreign gross up.

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

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

Carryback and Carryforward Years for Corporations

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

PART I - Computation of Indiana Net Operating Loss

Enter the tax year ending date of the loss year and the amount of the loss if an Indiana net operating loss is calculated on line 8. Nonbusiness income and foreign source dividends deduction cannot create or increase the Indiana net operating loss deduction. Enter only the items enumerated on lines 1 through 7.

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

PART II - Election to Waive the Carryback of a Net Operating Loss Deduction

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

Effective for tax years beginning after August 5, 1997, federal legislation generally decreased the NOL carry back period from 3 to 2 tax years, while the carryforward period increased from 15 to 20 years.

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 provision.

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

PART III - Effect of Loss Year

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

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

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

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

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

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

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

Indiana Department of Revenue
Corporate Income Tax Section
100 North Senate Avenue
Indianapolis, Indiana 46204
Telephone Number (317) 615-2662

Other Tax Credits
In Effect for Calendar Year 2002

• Historic Rehabilitation Tax Credit

I.C. 6-3.1-16-7 provides a tax credit for rehabilitating historic properties. The credit is 20% of the total cost of certified rehabilitation expenses of at least $10,000 made to a registered Indiana historic structure that is at least 50 years old, owned by the taxpayer, 2,000 square feet on the ground floor, and actively used in a trade or business.

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

• Maternity Home Tax Credit

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

A copy of the application approved by the Indiana State Department of Health at (317) 233-1261, must be attached to verify the credit claimed. For more information about and an application for this credit, contact the Maternal and Child Health Division at (317) 233-1261.

• Prison Investment Tax Credit

An income tax credit is allowed under I.C. 6-3.1-6 for amounts invested in Indiana prisons to create jobs for prisoners. The amount is limited to 50% of the inventory in a qualified project approved by the Department of Corrections, plus 25% of the wages paid to inmates. The maximum credit a taxpayer may claim is $100,000 per year. *Effective January 1, 2002, pass-through entities are eligible for the credit.*

• Teacher Summer Employment Tax Credit

I.C. 6-3.1-2-1 provides a tax credit to taxpayers hiring designated shortage certified teachers during school summer vacations. The credit for each teacher hired is the lesser of either $2,500 or 50% of the compensation paid. The Professional Standards Board will certify the qualified positions. Schedule TSE must be attached to the return. Contact the Department of Education at (317) 232-6676 for information about this credit.

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

• Capital Investment Tax Credit

Effective January 1, 2001, a taxpayer or a pass-through entity is eligible for a capital investment cost tax credit provided by I.C. 6-3.1-12-5 based on certain qualified capital investments made in Shelby County. The credit, if certified by the Indiana Department of Commerce, is equal to 14% of the amount of the approved qualified investment and is ratable over a seven-year period. Contact: Development Finance Division, (317) 232-8782.

• Community Revitalization Enhancement District Tax Credit

A state and local income tax credit is available for a qualified investment for redevelopment or rehabilitation of property within a community revitalization enhancement district. The expenditure must be approved by the Indiana Department of Commerce before it is made. The credit is equal to 25% of the qualified investment made by the taxpayer during the taxable year.

The taxpayer can assign the credit to a lessee who remains subject to the same requirements. The assignment must be in writing and any consideration may not exceed the value of the part of the credit assigned. Both parties must report the assignment on their state income tax return for the year of assignment.

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

• Individual Development Account Tax Credit

A tax credit is available equal to 50% of the contribution, if not less than $100 and not more than $50,000, which is made to a community development corporation participating in an Individual Development Account program. This credit may not exceed a state tax due as reduced by other nonrefundable credits. Any unused credit may not be carried over or claimed in a taxable year different than the year in which the qualifying contribution for the credit is paid. Pass through entities are eligible for the credit. The amount of total credits allowed per fiscal year is limited to $200,000.

Applications for the credit are filed through the community development corporation using Form IDA-10/20. The organization must have an approved program number from the Indiana Department of Commerce before a contribution qualifies for pre-approval.

• Industrial Recovery Tax Credit

I.C. 6-3.1-11 provides for a state tax liability credit based upon a taxpayer's qualified investment in a vacant industrial facility within a designated industrial recovery site. If the enterprise zone board approves the application and the plan for rehabilitation, the taxpayer is entitled to a credit based upon the "qualified investment."

A lessee of property in an industrial recovery site may be assigned tax credit(s) based upon the owner's or developer's qualified investment within the designated industrial recovery site.

• Investment Cost Credit

A limited liability company is entitled to an enterprise zone investment cost credit against adjusted gross income tax liability provided under I.C. 6-3.1-10-4 for a qualified investment made in a designated zone *located in Vigo County, Indiana*. The limited liability company may carry over any excess credit to succeeding taxable years.

• Military Base Recovery Tax Credit

A state tax credit is available for rehabilitation of real property located in military base facilities designated by the state Enterprise Zone Board.

A 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 immediate following tax year(s).

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

• Rerefined Lubricated Oil Facility Tax Credit

A taxpayer or a pass-through entity may be eligible, as determined by the Indiana Department of Commerce, for a state tax credit against its income and sales and use tax liabilities. The credit is based on a percentage of the real and personal property taxes paid by an entity that processes rerefined lubrication oil as defined in I.C. 6-3.1-22.2. Contact: Development Finance Division, (317) 232-8782.

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

Corporate Taxpayer Assistance
(317) 615-2662
SP 260
(R1/9-02)

State of Indiana
Special Corporation Income Tax Booklet
Final Form IT-20SC
for Year 2002 and Short Tax & Fiscal Years
Beginning in 2002 through December 31, 2002

Contents:

For Other Indiana Department of Revenue Forms:

Internet Address - www.in.gov/dor/
Our homepage provides access to forms, information bulletins and directives, tax publications, e-mail, and various filing options.

Indiana TaxFax - (317) 233-2329
Call TaxFax using the telephone portion of your fax machine or computer to obtain the Department's catalog of available Indiana tax forms.

Tax Forms Order Line - (317) 615-2581