INDIANA DEPARTMENT OF REVENUE
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This Booklet Contains:
Form IT-20S (2)
Schedule IN K-1 (2)
Schedule IT-20COMP
Apportionment of Income Worksheet
Consumer's Use Tax Worksheet
Form DB020W-NR

State of Indiana

S Corporation Income Tax Booklet

Form IT-20S Tax Year 1998

General Statement - Who Must File and When

Any S corporation doing business in Indiana and deriving gross income from sources within Indiana must file an annual return, Form IT-20S, and information return IN K-1 with the Department of Revenue, disclosing each shareholder's share of distributed and undistributed income. **These forms are due on or before the 15th day of the 4th month following the close of the S corporation s tax year.** Attach the first four pages of the U.S. Income Tax Return for an S Corporation, Form 1120S. Federal Schedules K-1 need not be attached but must be made available for inspection upon request of the Department.

The following activities occurring in Indiana constitute doing business or deriving income from Indiana sources:

1. Maintenance of an office, warehouse, construction site or other place of business;
2. Maintenance of an inventory of merchandise or material for sale, distribution or manufacture, or consigned goods;
3. The sale or distribution of merchandise to customers directly from company-owned or operated vehicles when the title of merchandise is transferred from the seller or distributor to the customer at the time of sale or distribution;
4. The rendering of a service to customers in Indiana or used in Indiana;
5. The ownership, rental, or operation of a business or income producing property (real or personal) in Indiana;
6. Acceptance of orders in Indiana with no right of approval or rejection in another state;
7. Interstate transportation; or
8. Maintenance of a public utility.

S Corporation Defined

Corporations that are permitted to and do file in accordance with Section 1361 (a)(1) of the Internal Revenue Code are automatically qualified for exemption from the Indiana gross income tax and adjusted gross income tax for any tax period for which the election is in effect. NOTE: **S elections cannot be made retroactively.** The Indiana law governing qualifications for filing 1998 S corporation returns are essentially the same as in the **Internal Revenue Code, in effect as of January 1, 1998.** However, the corporation must file an Indiana IT-20S return and meet withholding requirements for nonresident shareholders under Indiana Code 6-3-4-13.

To the extent a qualified S corporation is exempt for federal purposes, the adjusted gross and supplemental net income taxes may not be assessed. Effective for tax years beginning after December 31, 1994, an S corporation failing to withhold, instead of losing its exemption from the mentioned taxes, will be subject to the penalty provided by I. C. 6-8.1-10-2.1[h]. This penalty is 20% of the amount of tax required to be withheld and paid under I.C. 6-3-4-13 in addition to a penalty of $10 for each failure to timely file an information return, Schedule IN K-1.

Corporations filing for the first time must attach a copy of the approval letter from the Internal Revenue Service granting the S election. **Note:** S corporations are exempt from the Indiana gross income tax and should not remit gross income tax to county treasurers on the sale of real estate. A notarized statement that the corporation is an S corporation and not subject to the gross income tax should be presented at closing to the county recorder before recordation. For details, contact the county treasurer of the county in which the real estate was sold.

Liability of the S Corporation

S corporations as entities generally are not subject to income or franchise taxes.

- S corporations are considered to be the taxpayer with respect to the payment of amounts withheld at source. *See the Withholding Tax Liabilities of S Corporations on page 2.*
- S corporations are subject to the use tax. Use tax is due on the storage, use or consumption of tangible personal property purchased in a transaction in Indiana or elsewhere, unless such transaction is exempted from the sales and use tax by law or the sales tax due and paid on the transaction equals the use tax due. *See instructions for the Consumer s Use Tax Worksheet on page 15.*
- An apportionment worksheet must be included with the return if the S corporation is doing business both within and outside Indiana and has any shareholders not domiciled in Indiana. *See Instructions for Apportionment of Income Worksheet on page 6.*
- An S corporation may file a composite adjusted gross income tax return on behalf of non-Indiana resident individual shareholders electing to participate in the composite return. *See Filing Procedure for Composite Return on page 12.*
- Effective for tax years beginning after December 31, 1994, the income of an S corporation that is subject to tax under provisions of the Internal Revenue Code will be subject to Indiana adjusted gross income and supplemental net income taxes. *See instructions for Schedule B on page 5.*

S corporations whose estimated adjusted gross and/or supplemental net income tax liability is more than $1000 for the tax year are required to file quarterly estimated tax payments. Estimated tax payments are submitted with the Indiana corporation quarterly income tax return, preprinted Form IT-6 or by electronic funds transfer if the average quarterly liability exceeds $10,000.

If an estimated account needs to be established to pay corporate income tax liabilities, contact the Department to request preprinted quarterly estimated IT-6 returns.

The 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.

To avoid costly penalties and interest charges for delinquent filing of returns, an S corporation should verify its tax status and withholding responsibilities before commencing business in Indiana.

Withholding Tax Liabilities of S Corporations

The following instances obligate the S corporation to register with the Department and become an Indiana withholding agent on behalf of each of the following:

Withholding on Residents

S corporations making payments of salaries, wages, tips, fees, bonuses, and commissions subject to Indiana state and/or county income taxes and required by the Internal Revenue Code to withhold federal taxes on those types of payments are also required to withhold for Indiana tax purposes. Payment of amounts withheld must be remitted to the Department on the proper WH-1 withholding return by its due date. If a return and/or payment of the proper amount of tax withheld is not paid by the due date, penalty and interest will be added. A shareholder may be personally subject to criminal prosecution if the failure to pay and/or file a withholding return is due to fraud or tax evasion.

Withholding on Nonresidents

Employees - An S corporation must withhold Indiana state and/or county income taxes from employees who work in Indiana but are not residents of Indiana. However, withholding on compensation of nonresident team members of certain professional sports organizations is based on duty days performed in Indiana. Refer to Information Bulletin #88. There is an exception from withholding if an employee resides in one of the states that has entered into a reciprocal agreement with Indiana, but this does not affect county taxation. For purposes of withholding county income taxes, the term "nonresident" refers to a nonresident of the county where the S corporation is located.

Individual Shareholders - An S corporation must withhold state income tax at the rate of 3.4% on the amount it pays or credits any of its nonresident and part-year nonresident individual shareholders as dividends or as their share of the corporation's undistributed taxable income (on current-year earnings) derived from Indiana sources. This does not apply to residents of reverse credit states (Arizona, California, Oregon, District of Columbia) who are subject to and pay income taxes at rates of 3.4% or higher to their resident state.

Withholding at the appropriate adopting county's nonresident tax rate is required on each non-Indiana resident shareholder whose principal place of business or employment on January 1 is located in an Indiana county that has adopted a county income tax.

Trusts and Estates - An S corporation must withhold on income distributions to all non-Indiana domiciled trusts, estates, and not-for-profit organizations an amount reflecting the ultimate tax liability due Indiana because of the S corporation's activities.

Note: The withholding provisions do not apply to nonresident shareholders who are nontaxable trust or estate entities.

An S corporation must withhold tax from income distributions to a fiduciary passing through Indiana income to a nonresident beneficiary and designate as a "Nominee" the ultimate recipient as if there were no other intermediary entities. The upper tier S corporation passing through Indiana income to its shareholders must withhold tax for nonresident nominees on a final pro rata basis without reapportioning the income at the lower level. See Income Tax Information Bulletin #85.

The S corporation's withholding of state and/or county tax from nonresident shareholders is payable quarterly, if over $150 quarterly, on Form WH-1. This form must be filed by the last day of the month following the end of each quarter where a distribution was made (e.g. if a current distribution is made on June 17, 1999, the withholding tax is remitted with Form WH-1 for June, due July 31, 1999).

However, an S corporation having one distribution credited to shareholders during the year or at the close of the S corporation's fiscal year may be permitted to file Form DB020W-NR and pay the respective state and county withholding tax amounts on nonresidents all at one time when a nonresident withholding account that is separate from the payroll withholding account is established. This withholding return, a copy of which is included in this booklet, is due by the fifteenth day of the third month following the end of the taxable year (e.g., if a single annual distribution for a calendar year is made on December 31, 1998, the withholding tax is due March 15, 1999). Advances or drawings against a shareholder's distributive share of income are deemed paid on the last day of the S corporation's tax year.

The S corporation shall be liable for any delinquent penalty (20% penalty for failure to withhold, effective beginning July 1, 1994) and interest in addition to the amount withheld or required to be withheld and paid to the Department. If a distribution to nonresident shareholders is made with property other than money or a gain is realized without the payment of money, the corporation may not release the property or credit the gain until it has funds sufficient to enable it to pay the withholding tax due. If necessary, the corporation will obtain such funds from the shareholders.

Note: Compliance with the act of withholding will not relieve any non-Indiana domiciled shareholder from annual filing requirements (except individuals included in a composite return) or the payment of any unpaid tax, penalties and interest.

Withholding on Corporate Contractors

Nonresident Contractors - Under I.C. 6-2.1-6-1 gross income tax is required to be withheld on payments made to nonresident corporate contractors for the performance of contracts, except sales contracts, in Indiana. The tax must be withheld at the high rate of 1.2% from the gross amount paid in excess of $1000 to a nonresident contractor during a calendar year. Quarterly gross tax is payable to the Department on Form WH-1.

For the purpose of this withholding requirement, a nonresident contractor does not include a corporation registered with the Indiana Secretary of State as qualified to do business in Indiana.

To determine if a corporate contractor is qualified to do business in Indiana, contact: Indiana Secretary of State, Corporation Division, 302 W. Washington, Room E-018, Indianapolis, Indiana, 46204, or call (317) 232-6576.

In addition, the gross income tax withholding only applies to corporations having not elected to be treated as S corporations or Indiana Special Corporations. If the nonresident contractor is not a corporation and/or is not subject to the gross income tax, a signed affidavit stipulating these facts should be secured from the contractor to preclude this withholding tax requirement.

The following are examples of activities of nonresident contractors subject to withholding:

1. Construction contracts of all kinds including prime contracts and subcontracts;
2. The performance of or participation in athletic events and exhibitions;
3. Entertainment contracts including single entertainment events, as well as contracts extending period of time;
4. Contracts for the installation of tangible personal property;
5. Contracts for leasing tangible personal property; and
6. Contracts for architectural, engineering, or designing services, or any other services performed in this state.

The amount of gross income and the tax withheld from contract receipts must be reported by the withholding agent on Form WH-18, Indiana Miscellaneous Withholding Tax Statement for Nonresidents. Copy A of the form is to be submitted with the withholding agent's annual reconciliation, Form WH-3, by the last day of February following the close of the tax year.

The entity from which this withholding is made claims credit for the tax withheld when filing its annual Indiana income tax return.

How to Submit the Withholding Payment

Form WH-1 - The periodic payment of amounts withheld from nonresident shareholders and corporate contractors should be included in the remittance with Form WH-1. This form is also used to remit amounts withheld on employees. Withholding agents assigned to an annual, quarterly, or monthly filing status will be mailed a voucher packet containing the employer's Withholding Tax Returns to be used for this purpose. This return needs to be completed and mailed (postmarked) by its due date and should include the total amount withheld for that period. By law, the withholding return must be filed even when no withholding amount has been collected.

If the S corporation pays or credits amounts to its nonresident shareholders only one time each year, it may be permitted to file a designated nonresident withholding return to pay the withholding tax from income distributions made to the nonresident shareholders. The initial use of Form DB020W-NR (included in this booklet) will result in the creation of a separate withholding account aside from any existing payroll withholding account. The payment's due date on this type of account is automatically extended to the fifteenth day of the third month following the end of the S corporation's taxable year.

If payment is made for composite tax due on Form IT-20S and is filed past the due date of the withholding return, the S corporation will owe penalty and interest. Penalty charges may be avoided by timely paying withholding tax liabilities.

If you need to establish a withholding account with the Department you should contact the Taxpayer Services Division, at (317) 233-4016, or Form Order Request Line at (317) 486-5103 to obtain Form BT-1, business tax application and withholding registration.

Form WH-3 - An annual Withholding Tax Reconciliation Return, Form WH-3, must be completed by the withholding agent and filed by the end of February following the close of each calendar year. The Taxpayer Identification Number (TID), the S corporation's name, and the calendar year must be included. This form is used to reconcile the monthly, quarterly or annual WH-1 returns with the W-2 and WH-18 reports submitted with the WH-3. Although magnetic tape may be used to transmit W-2 information, paper copies of Form WH-18 must be attached to the WH-3 when it is submitted.

On Form WH-3, the withholding agent enters the total annual amount of state and county income taxes or other taxes withheld from employees and nonresidents receiving income subject to Indiana withholding as listed on federal Form W-2 and Indiana Form WH-18. The amount of county tax withheld during the year is separated according to the amounts withheld for each county. If the withholding agent has overpaid the withholding liability for the year, he is entitled to a refund. He should enter the amount to be refunded on line 4 of Form WH-3 and provide an explanation. If the withholding agent has underpaid the payroll or nonresident shareholder withholding liability for the year, do not submit the payment with Form WH-3; instead, complete Form WH-1U included with the WH-3 packet and submit the payment under separate cover. The Indiana taxpayer identification number and the period to which the payment should be applied must also be indicated. (Form DB020W-NR in this booklet is for use in making an initial payment of the withholding tax due on once-a-year income distributions to nonresident shareholders).

Specific instructions for completing Form WH-18 are found on the reverse side of that form. A supply of these forms is available from the Department upon request.

How to Register as a Withholding Agent

An S corporation with any withholding liability as described above is required to register as an Indiana withholding agent. The Department assigns an Indiana taxpayer identification number (TID) consisting of a nine digit number exclusive to the taxpayer and a three digit number for the location being registered.

The S corporation has two options in registering as a withholding agent. The first option is to request and to file the Indiana Department of Revenue Business Tax Application, Form BT-1, for the corporation. Request Form BT-1 and Instructions for Withholding Registration by calling the Taxpayer Services Division at (317) 233-4016. It takes approximately two to three (2-3) weeks to process an application that has been mailed to the Indiana Department of Revenue; however, any initial withholding payments can be remitted with the application.

The second option is to visit either the downtown Indianapolis office of the Department of Revenue or one of the district offices located throughout the state to be registered that day.

Shareholders' Liability and Filing Requirements

A shareholder's share of profit or loss from an S corporation will be included in the shareholder's calculation of federal adjusted gross income and is generally subject to the same rules for arriving at Indiana adjusted gross income. Therefore, a shareholder's distributive share, before any modifications required by Indiana statutes, is the same ratio and amount as determined under I.R.C. section 704 and its prescribed regulations. The shareholders will include their share of all S corporation income, whether distributed or undistributed, on their separate or individual Indiana income tax returns. Each shareholder's distributive share of income will be adjusted by modifications provided for in I.C. 6-3-1-3.5(a).

Individual Shareholders

Residents - A resident shareholder reports the entire distributive share of S corporation income (loss) as adjusted, no matter where the S corporation's business is located or in which states it does business. Form IT-40, Indiana Individual Income Tax Return, will be completed by the individual shareholders.

Nonresidents - Part-year and full-year nonresident shareholders report their share of S corporation income (loss) as adjusted, derived from or attributed to sources within Indiana as determined by the use of the apportionment formula described in I.C. 6-3-2-2(b). Whenever an S corporation has both a nonresident shareholder and conducts business within and outside Indiana, the S corporation must include the apportionment worksheet with Form IT-20S. Form IT-40PNR, Indiana Part-Year or Nonresident Individual Income Tax Return, will be completed by the shareholders. Credit must be claimed on that return by attaching state Form WH-18 for amounts withheld by the S corporation from the shareholder's income. **Nonresident shareholders are exempt from the filing requirements of an Indiana Individual Income Tax Return only if they are included as members of a composite return.**

A part-year nonresident shareholder will be required to file Form IT-40PNR reporting the total amount of income (loss) received while residing in Indiana and that part of Indiana source income received while a nonresident. Apportioned Indiana income (loss), as modified, received by a nonresident of Indiana is also reported on Form IT-40PNR. **Note:** Losses may not exceed the limits imposed by I.R.C. sections 469 and 704.

Other Shareholders

Other shareholders that are trusts or estates will report their distributive shares of the S corporation income (loss) on Form IT-41. All distributions are fully taxable for income tax purposes. For adjusted gross income, taxable S corporation income will include pro rata Indiana modifications; however, losses may not exceed the limits imposed by I.R.C. sections 469 and 704.

Shareholders doing business both within and outside Indiana must also determine their taxable income from Indiana sources through the use of the allocation and apportionment provisions contained in I.C. 6-3-2-2(b)-(h). See the three factor apportionment schedule.

Business income, including all S corporation income, apportioned to Indiana plus nonbusiness income allocated to Indiana (plus modifications required by I.C. 6-3-1-3.5(a) for adjusted gross income tax) equals the taxpayer's net taxable income for Indiana tax purposes.

Basis of Stock in an S Corporation

For Indiana income tax purposes, the basis of the shareholder's stock in an S corporation will be the same as its basis for federal income tax purposes. Special adjustments to income and loss under the Indiana Adjusted Gross Income Tax Act (for the add back of property taxes and the deduction from income for U.S. Government obligations) are limited to current reporting only and will not affect the shareholder's basis.

Example - Indiana S Corporation Income for Individual Shareholders

Taxpayer A, a resident of Indiana, and Taxpayer B, a nonresident of Indiana, each have a 50% stock interest in XYZ, Inc., an Indiana S corporation doing business both in and out of Indiana.

XYZ, Inc. has income from operations of $530,000 and expenses of $500,000. Of these expenses, $35,000 is expense for state income tax, real estate tax and personal property tax.

Computations for XYZ, Inc.:

XYZ, Inc. computes its adjusted S corporation income as follows:

Income from operations	$530,000
Expenses	(500,000)
Tax add back	+35,000
S corporation income	$65,000

Using the three factor apportionment formula under Indiana Code 6-3-2-2(b), XYZ, Inc. determines its apportionment percentage as follows:

Property factor	80.00%
Payroll factor	+40.00%
Sales factor (double-weighted)	+120.00%
	240.00%
Divide by factors present	÷ 4
Indiana apportionment percentage	60.00%

Computations for Taxpayers A and B:

Taxpayer A, as a resident of Indiana, must report their own entire share of S corporation income to Indiana regardless of whether or not the S corporation apportions its income. As a general rule, if tax is paid to another state on a portion of S corporation income by Taxpayer A, a credit can be taken on the individual return.

Indiana adjusted S corporation income for Taxpayer A is computed as follows:

S corporation income	$65,000
Distributive share (50% X $65,000)	32,500
Indiana adjusted distributive share of income	$32,500

Taxpayer B, as a nonresident of Indiana, reports only their own share of S corporation income that is apportioned to Indiana. As a general rule, if Taxpayer B is required to pay tax to another state on a portion of the income from XYZ, Inc., a credit cannot be taken on the Indiana return, but must be claimed from the state of residence.

Indiana adjusted S corporation income for Taxpayer B is computed as follows:

S corporation income	$65,000
Distributive share (50% x 65,000)	$32,500
Multiply by apportionment percentage	x 60%
Apportioned Indiana distributive share of income	$19,500

General Filing Instructions

Accounting Periods and Methods

The accounting period for Form IT-20S and the method of accounting adopted must be the same as used for federal income tax purposes.

Extended Due Date

The initial due date for filing is the fifteenth (15th) day of the fourth (4th) month following the close of the S corporation's tax year.

The Department recognizes the Internal Revenue Service application for automatic extension of time to file (Form 7004). **Do not file a separate copy of this form 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 last date indicated on the extension form will be timely filed.

In the event a federal extension is not needed, an S corporation may request a separate Indiana extension of time to file by writing the Indiana Department of Revenue, Data Control - Business Tax, Returns Processing Center, 100 N. Senate Ave., Indianapolis, Indiana 46204-2253.

Any payments made after the original due date must include penalty and interest. **Caution: The filing due date for the S corporation return is different than the payment due date of income tax withholding and composite adjusted gross income tax on nonresident shareholders.**

Amended Returns

If the S corporation files an amended federal return and the change(s) affects the Indiana income or the taxable income reportable by the shareholders, both the S corporation and the shareholders must file amended Indiana returns within 120 days after the filing of the amended federal return.

An adjustment made by the Internal Revenue Service affecting the reportable Indiana income must be followed with an amended S corporation return within 120 days after the adjustment becomes final. **Use Form IT-20S - clearly mark amended at the top. Federal waivers, if applicable, should be attached.**

Instructions for Completing Form IT-20S

File a 1998 corporation return for a tax year ending December 31, 1998, a fiscal year beginning in 1998, or a short tax year. For a fiscal or short tax year, fill in both the beginning and ending month, day, and tax year at the top of the form.

All S corporations filing Form IT-20S must complete the top portion of the form including questions *A* through *D*. Use the correct legal name of the S corporation and present mailing address. List the name of the county in Indiana where you have a primary business location. Place "O.O.S." in the county box for an address outside Indiana.

Enter the nine digit federal identification number in the box at the upper right-hand corner of the return. List the principal business activity and enter the federal business activity number in the designated area of the return. Use the four digit activity code as reported on the U.S. Income Tax Return for an S Corporation.

Enter your assigned Indiana Taxpayer Identification (TID) number if you are registered as a collection agent for the State of Indiana for sales and/or withholding tax. This number should always be referenced on all returns and correspondence filed with the Department.

Line by Line Instructions

Form IT-20S Line 1. Enter the amount from the U.S. S corporation return Schedule K: net ordinary income, net income from real estate activities from Form 8825, other rental income activities, portfolio income and deductions, capital gains and losses and other income.

The Section 179 deduction and that portion of investment expenses included in federal Schedule K, lines 9 and 11b(2), relating to investment portfolio (royalty) income, flowing through to federal Schedule E, may be deducted. Do not deduct other expenses treated as federal itemized deductions.

Lines 2(a)(b)(c)(d) and (e). (a) Add back all state taxes based on income levied by any state; (b) Add back any local real estate taxes taken as deductions on the federal return; (c) Add back any local personal property taxes taken as deductions on the federal return; (d) Deduct interest income, less related expenses, from certain obligations of the United States Government included as income on the federal return (request Income Tax Information Bulletin #19 for a listing of eligible items); and (e) Deduct prize receipts from winning lottery tickets authorized by I.C. 4-30. **Note:** Entries made on federal Form 8825 should also be considered when completing entries for line 2.

Line 3. Enter total Indiana modifications (add lines 2a, b, c and deduct d and e).

Line 4. Add lines 1 and 3.

Schedule A - Shareholders' Identification Section

Complete all columns:

Column 1. Enter the name of each shareholder.

Column 2. Enter each shareholder's state of residence.

Column 3. Enter the amount of tax withheld on income distributions derived from Indiana sources for each nonresident shareholder for the taxable year. Do not include in this column any penalty or interest paid on delinquent withholding tax. If no withholding tax was paid or if additional withholding tax is due, see instructions for filing Form DB020W-NR. Credit for column 3 entries is to be claimed on the shareholder's Indiana individual or fiduciary income tax return.

Column 4. Enter the applicable pro rata percentage of each shareholder's interest in the S corporation. The percentage should be adjusted to an annual rate if necessary.

Column 5. Enter the social security or federal identification number of each shareholder.

Schedule B - Tax on Excess Net Passive Income, Capital Gains and Built-in Capital Gains

To the extent that the S corporation's excess net passive income, capital gains and built-in capital gains are subject to income tax under the Internal Revenue Code, the Indiana adjusted gross income tax and supplemental net income tax are imposed upon such income of the corporation derived from Indiana sources. Use the following guidelines to calculate the corporation's tax liability. Quarterly estimated tax payments are required if the Indiana tax liability exceeds $1,000.

Line 5. Enter the excess net passive income tax reported on federal Form 1120, line 22a.

Line 6. Enter the tax from federal Schedule D reported on Form 1120S, line 22b.

Line A. Enter the lesser amount of excess net passive income from line 8, or taxable income from line 9, as calculated on the federal excess net passive income tax worksheet. Attach the worksheet to the return.

Line B. Enter from federal Schedule D, Part III the smaller amount: (a) the remainder of the net capital gain following the subtraction of the statutory minimum from line 18; (b) taxable income from line 20; or (c) the net capital gain from substituted basis property from line 22. Attach Schedule D (1120S) to the return.

Line C. Enter net amount: Line 27 from federal Schedule D, Part IV reduced by the portion of Section 1374 (b)(2) deduction, if any, from line 28 that is attributable to Indiana. If zero or less, enter-0- on Line C. Attach Schedule D (1120S) to the return.

Line E. If the taxable amounts on line D are not or cannot be wholly allocated to Indiana enter the apportionment percentage used to attribute the business income to Indiana. Attach the Indiana

Apportionment of Income Worksheet to the return.

Line F. Multiply the amount on line D by the Indiana apportionment percentage on line E. If apportionment of income is not applicable, enter the total amount from line D.

Line G. Multiply the amount on line F by the adjusted gross income tax rate of 3.4 percent (.034).

Line H. Compute supplemental net income by subtracting adjusted gross income tax (line G) from the Indiana taxable income (line F).

Line I. Multiply the amount on line H by the supplemental net income tax rate of 4.5 percent (.045).

Before continuing to lines 7 through 18, complete Schedule IN K-1 on the reverse side of the form.

Schedule IN K-1 Shareholders' Share of Income, Deductions, Modifications and Credits

Complete lines 1 through 13 for each shareholder. Also provide each shareholder with a statement showing the shareholder's distributive share of income, credits and modifications.

Line 1 through Line 10. For full year Indiana resident shareholders, complete these lines as shown on the federal Schedule K-1, Form 1120S. For nonresident shareholders, the federal Schedule K-1 amounts should be multiplied by the Indiana apportionment percentage calculated on the worksheet on page 13, if applicable. The apportioned figures should be entered on lines 1 through 10. Investment interest expenses attributed to royalty income and all other federal deductions (excluding those treated as itemized deductions) should be included on line 10. No other type of investment interest expense, itemized deduction, or carryover loss should be reported on this line.

Line12. Enter the Indiana modifications from the front of Form IT-20S, line 3, as percentage applied or apportioned in the case of nonresident individuals.

Line 13. If the corporation incurred any eligible Indiana credits flowing through to the shareholders, enter the pro rata amount allowed each shareholder and indicate type of credit(s) allotted. You must also attach a completed credit schedule to Form IT-20S to support this credit distribution. See list of pass-through credits on page 15. Enterprise zone credits do not generally pass-through to the shareholders.

Form IT-20S Summary of Calculations

Line 7. If applicable, enter total corporate income tax liability from Schedule B. Add lines G and I.

Line 8. Enter the use tax due from the completed Consumer's Use Tax worksheet. See use tax instructions on page 15.

Line 9. Enter the total tax liability of the nonresident members included in the Composite Adjusted Gross Income Tax Return, column D and E. Attach composite Schedule IT-20COMP.

Line10. Total tax: Add the tax shown on lines 7, 8 and 9.

Line 11. Enter the total credits for all nonresident members included in the composite return as reflected on Schedule IT-20COMP, column F and other credits, column G. (Attach copy C of Form WH-18 for each composite member.) Do not take any credit for individual or separate estimated tax payments made by the shareholders.

Line12. Enter any other credits belonging to the corporation such as gross tax paid on the sale of real estate and estimated income tax payments. A detailed explanation must be attached for any credits claimed on this line.

The Indiana Code does not have a provision for an enterprise zone credit pass-through to shareholders (except for Vigo County, Indiana-see instructions on page 15), nor may such a credit be applied against the S corporation's composite or use tax liabilities.

Line 13. Subtotal: Subtract lines 11 and 12 from line 10. If a balance due remains, proceed to lines 14 and 15.

Line 14. Enter total interest due. **Caution:** Two separate calculations of interest and penalty may be required:

1. Interest is computed on the net amount of composite tax, on line 13, paid after the fifteenth day of the third month fol lowing the end of the corporation's taxable year. Interest is calculated from the day following the due date for payment of composite tax to the actual date the balance is paid with the IT-20S return.
2. Interest on use tax and Schedule B tax is calculated on the remaining amount of tax on line 13 that is paid after the original due date of the IT-20S return.

Contact the Department for the current rate of interest charged.

Line 15. Enter total penalty due. Penalty is 10% of the amount (but not less than $5) of any composite tax due on line 13 paid after the fifteenth day of the third month following the end of the corporation's taxable year. If a composite tax is due because of failure to withhold on income distributions to nonresident shareholders, a penalty of 20% will be added. (See caution note on line 14 above.) Penalty, which equals the greater of: 10% of the amount of use tax and Schedule B tax on line 13, or $5.00, is still due on those taxes paid after the original due date of the return.

If a return showing no liability on line 10 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.

There is also a separate $10 penalty for filing schedule IN K-1 information return late.

Line 16. Amount due: If line 13 is greater than zero, add lines 13, 14, and 15, and attach a separate remittance for total amount owed for each Form IT-20S filed.

Line 17. Overpayment: If the total of lines 11 and 12 exceeds line 10, subtract lines 14 and 15 from line 13. If the result is less than zero, this is your net overpayment. **Note:** If penalties and interest are due because of delinquent filing or payment, the overpayment must be reduced by these charges. If the result is a balance due, enter the difference on line 16.

Line 18. Enter the amount from line 17 to be refunded .

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

Instructions for Apportionment of Income Worksheet

Complete "Apportionment of Income Worksheet for Indiana" whenever the corporation has income derived from sources both within and outside Indiana and has any nonresident shareholders.

The income attributed to Indiana must be determined by an apportionment formula. The Department will not accept returns filed for adjusted gross income tax purposes on the separate accounting method.

This apportionment formula must be used unless written permission from the Department is granted.

Continued on page 14.

Indiana Department of Revenue

S Corporation Income Tax Return

1998

For Calendar Year Ending December 31, 1998

or Other Tax Year Beginning ____________ 1998, and Ending ___________ 19 ________

Form IT-20S

SF 10814 (REV. 9-98)

(Do not write above)

Name of Corporation			Federal Identification Number
			Principal Business Activity and Code
Number and Street		Indiana County	Indiana Taxpayer Identification Number
City	State	Zip Code	Telephone Number ( )

A. Check: ☐ Initial Return ☐ Final Return ☐ In Bankruptcy ☐ Composite Return

B. Number of non-Indiana resident shareholders ________

C. Is an extension of time to file attached?.......... ☐ **Yes** ☐ **No**

D. Did the corporation file as a C corporation for the prior tax period?....... ☐ **Yes** ☐ **No**

Date of incorporation ________ in the State of ________

Date of election as S corporation ________

Accounting method: ☐ Cash ☐ Accrual ☐ Other ________

Year of initial Indiana return ________

1. Total net income (loss) from U.S. corporation return, Form 1120S Schedule K, lines 1 through 6 less line 8	1	
2. Add back: a) All state income taxes (taxes based on income)	2a	
Add back: b) All real estate taxes	2b	
Add back: c) All personal property taxes	2c	
Deduct: d) Interest on U.S. Government obligations	2d	
Deduct: e) Exempt Indiana lottery prize receipts	2e	
3. Total Indiana modifications (add lines 2a, b, and c, deduct d and e)	3	
4. Total S corporation income, as adjusted (add lines 1 and 3)	4	

Schedule A - Shareholder's Identification Section

	1. Name of each shareholder	2. Shareholder's state of Residence	3. Tax Withheld for nonresident shareholder	4. Shareholder's applicable percentage	5. Social Security Number or Federal Identification Number
A.					
B.					
C.					
D.					
E.					
F.					
G.					
H.					

Schedule B - Tax On Excess Net Passive Income, Capital Gains & Built-In Gains

5. Excessive net passive income tax as reported on federal Form 1120S, line 22 a	5	
6. Tax from federal Schedule D as reported on federal Form 1120S, line 22 b	6	
A. Excess net passive income from federal worksheet	A	
B. Capital gains from federal Schedule D (1120S)	B	
C. Built-in gains from federal Schedule D (1120S)	C	
D. Add the amounts on A, B, and C	D	
E. Enter apportionment percentage from worksheet (if applicable)	E	
F. Income apportioned to Indiana (multiply line D by line E)	F	
G. Adjusted gross income tax (multiply line F by 3.4%)	G	
H. Supplemental net income (subtract line G from line F)	H	
I. Supplemental net income tax (multiply line H by 4.5%)	I	

IT-20S

Summary of Calculations

7. Total income tax from Schedule B (add lines G and I above)	7	
8. Sales/use tax on purchases subject to use tax from Consumer's Use Tax Worksheet (see page 13)	8	
9. Total composite tax from completed Schedule IT-20COMP (D&E). Attach Schedule	9	
10. Total tax (add lines 7, 8, and 9)		
11. Total composite tax return credits (attach schedule and WH-18 statement for composite members)	11	
12. Other credits belonging to the corporation	12	
13. Subtotal (line 10 minus lines 11 and 12). If total is greater than zero, proceed to lines 14, 15, and 16		
14. **Interest:** Enter total interest due; see instructions. (Contact the Department for current interest rate)	14	
15. **Penalty:** If paying late enter 10% of line 13, see instructions. If line 10 is zero, enter $10 per day filed past due date	15	
16. **Total Amount Due:** Add lines 13, 14 and 15. If less than zero, enter on line 17 **PAY THIS AMOUNT**	16	
17. **Overpayment:** Line 11plus line 12, minus lines 10, 14 and 15	17	
18. **Refund:** Amount from line 17 to be refunded. Enter as a positive figure	18	

(Do not write below)

20	
21	
22	

Make check payable to: **Indiana Department of Revenue** and Mail to: **100 N. Senate Avenue, Indianapolis, Indiana 46204-2253**

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. **I authorize the Department to discuss my return with my tax preparer** ☐ **Yes** ☐ **No**

Signature of Corporate Officer	Date	Print or Type Name	Title

Paid Preparer's Name	Preparer's FID or SSN Number	☐ Federal I.D. Number ☐ Social Security Number
Street Address	Daytime Telephone Number	
City State Zip+4	Preparer's Signature	

Indiana Department of Revenue

FORM IT-20S 1998
SCHEDULE IN K-1
(Rev. 9-98)

Name of Corporation	Federal Identification Number

Shareholders' Share Of Income, Deductions, Modifications And Credits

See separate instructions (Use additional sheets if necessary - provide IN K-1 information for each shareholder)

Distributive Share Items	Shareholder (A)	Shareholder (B)	Shareholder (C)	Shareholder (D)
Add: 1. Ordinary income (loss) from trade or business activities....................				
2. Income (loss) from rental real estate activities....................................				
3. Net income (loss) from other rental activities......................................				
4. All portfolio income (loss)..				
5. Net gain (loss) under I.R.C. section 1231..				
6. Other income (loss) (attach schedule)..				
Subtract: *(Do not use line 7 of federal K-1)* 8. I.R.C. section 179 expense deduction..				
9. *Non-itemized* deductions related to portfolio income (explain)............				
10. Other federal (*NON-ITEMIZED*) deductions (attach schedule)............				
11. **Total pro rata distributions** (add lines 1 through 6, subtract lines 8, 9 and 10)...				
12. **Indiana modifications** (from line 3 on front of Form IT-20S, see instructions)...				
13. **Indiana pass-through credits** (indicate type _______________)				

Distributive Share Items	Shareholder (E)	Shareholder (F)	Shareholder (G)	Shareholder (H)
Add: 1. Ordinary income (loss) from trade or business activities.................				
2. Income (loss) from rental real estate activities................................				
3. Net income (loss) from other rental activities..................................				
4. All portfolio income (loss)...				
5. Net gain (loss) under I.R.C. section 1231.......................................				
6. Other income (loss) (attach schedule)...				
Subtract: *(Do not use line 7 of federal K-1)* 8. I.R.C. section 179 expense deduction...				
9. *Non-itemized* deductions related to portfolio income (explain)........				
10. Other federal (*NON-ITEMIZED*) deductions (attach schedule)........				
11. **Total pro rata distributions** (add lines 1 through 6, subtract lines 8, 9 and 10)...				
12. **Indiana modifications** (from line 3 on front of Form IT-20S, see instructions)...				
13. **Indiana pass-through credits** (indicate type _______________)				

Indiana Department of Revenue

1998 S Corporation Income Tax Return

For Calendar Year Ending December 31, 1998

Form IT-20S

or Other Tax Year Beginning _____________ 1998, and Ending ___________ 19 ________

SF 10814 (REV. 9-98)

(Do not write above)

Name of Corporation		Federal Identification Number
		Principal Business Activity and Code
Number and Street	Indiana County	Indiana Taxpayer Identification Number
City State	Zip Code	Telephone Number ( )

A. *Check:* ☐ Initial Return ☐ Final Return ☐ In Bankruptcy ☐ Composite Return

B. Number of non-Indiana resident shareholders ________

C. Is an extension of time to file attached?.. ☐ **Yes** ☐ **No**

D. Did the corporation file as a C corporation for the prior tax period?....... ☐ **Yes** ☐ **No**

Date of incorporation __________ in the State of ________

Date of election as S corporation____________________

Accounting method: ☐ Cash ☐ Accrual ☐ Other_______

Year of initial Indiana return______________________

1. Total net income (loss) from U.S. corporation return, Form 1120S Schedule K, lines 1 through 6 less line 8......		1
2. Add back: a) All state income taxes (taxes based on income)......	2a	
Add back: b) All real estate taxes......	2b	
Add back: c) All personal property taxes......	2c	
Deduct: d) Interest on U.S. Government obligations......	2d	
Deduct: e) Exempt Indiana lottery prize receipts......	2e	
3. Total Indiana modifications (add lines 2a, b, and c, deduct d and e)......		3
4. Total S corporation income, as adjusted (add lines 1 and 3)......		4

Schedule A - Shareholder's Identification Section

	1. Name of each shareholder	2. Shareholder's state of Residence	3. Tax Withheld for nonresident shareholder	4. Shareholder's applicable percentage	5. Social Security Number or Federal Identification Number
A.					
B.					
C.					
D.					
E.					
F.					
G.					
H.					

Schedule B - Tax On Excess Net Passive Income, Capital Gains & Built-In Gains

5. Excessive net passive income tax as reported on federal Form 1120S, line 22 a......		5
6. Tax from federal Schedule D as reported on federal Form 1120S, line 22 b......		6
A. Excess net passive income from federal worksheet......	A	
B. Capital gains from federal Schedule D (1120S)......	B	
C. Built-in gains from federal Schedule D (1120S)......	C	
D. Add the amounts on A, B, and C......	D	
E. Enter apportionment percentage from worksheet (if applicable)......	E	
F. Income apportioned to Indiana (multiply line D by line E)......	F	
G. Adjusted gross income tax (multiply line F by 3.4%)......	G	
H. Supplemental net income (subtract line G from line F)......	H	
I. Supplemental net income tax (multiply line H by 4.5%)......	I	

IT-20S

Summary of Calculations

7. Total income tax from Schedule B (add lines G and I above)......		7
8. Sales/use tax on purchases subject to use tax from Consumer's Use Tax Worksheet (see page 13)......		8
9. Total composite tax from completed Schedule IT-20COMP (D&E). Attach Schedule......		9
10. Total tax (add lines 7, 8, and 9)......		
11. Total composite tax return credits (attach schedule and WH-18 statement for composite members)......		11
12. Other credits belonging to the corporation......		12
13. Subtotal (line 10 minus lines 11 and 12). If total is greater than zero, proceed to lines 14, 15, and 16......		
14. **Interest:** Enter total interest due; see instructions. (Contact the Department for current interest rate)......		14
15. **Penalty:** If paying late enter 10% of line 13, see instructions. If line 10 is zero, enter $10 per day filed past due date......		15
16. **Total Amount Due:** Add lines 13, 14 and 15. If less than zero, enter on line 17...... **PAY THIS AMOUNT ›**		16
17. **Overpayment:** Line 11plus line 12, minus lines 10, 14 and 15......	17	
18. **Refund:** Amount from line 17 to be refunded. Enter as a positive figure......	18	

(Do not write below)

20	
21	
22	

›Make check payable to: **Indiana Department of Revenue** and Mail to: **100 N. Senate Avenue, Indianapolis, Indiana 46204-2253**

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. **I authorize the Department to discuss my return with my tax preparer** ☐ **Yes** ☐ **No**

Signature of Corporate Officer	Date	Print or Type Name	Title
Paid Preparer's Name	Preparer's FID or SSN Number	☐ Federal I.D. Number ☐ Social Security Number	
Street Address	Daytime Telephone Number		
City State Zip+4	Preparer's Signature		

Indiana Department of Revenue

FORM IT-20S 1998
SCHEDULE IN K-1
(Rev. 9-98)

Name of Corporation	Federal Identification Number

SHAREHOLDERS' SHARE OF INCOME, DEDUCTIONS, MODIFICATIONS AND CREDITS

See separate instructions (Use additional sheets if necessary - provide IN K-1 information for each shareholder)

Distributive Share Items	Shareholder (A)	Shareholder (B)	Shareholder (C)	Shareholder (D)
Add: 1. Ordinary income (loss) from trade or business activities				
2. Income (loss) from rental real estate activities				
3. Net income (loss) from other rental activities				
4. All portfolio income (loss)				
5. Net gain (loss) under I.R.C. section 1231				
6. Other income (loss) (attach schedule)				
Subtract: *(Do not use line 7 of federal K-1)* 8. I.R.C. section 179 expense deduction				
9. *Non-itemized* deductions related to portfolio income (explain)				
10. Other federal (*NON-ITEMIZED*) deductions (attach schedule)				
11. **Total pro rata distributions** (add lines 1 through 6, subtract lines 8, 9 and 10)				
12. **Indiana modifications** (from line 3 on front of Form IT-20S, see instructions)				
13. **Indiana pass-through credits** (indicate type ________________)				

Distributive Share Items	Shareholder (E)	Shareholder (F)	Shareholder (G)	Shareholder (H)
Add: 1. Ordinary income (loss) from trade or business activities				
2. Income (loss) from rental real estate activities				
3. Net income (loss) from other rental activities				
4. All portfolio income (loss)				
5. Net gain (loss) under I.R.C. section 1231				
6. Other income (loss) (attach schedule)				
Subtract: *(Do not use line 7 of federal K-1)* 8. I.R.C. section 179 expense deduction				
9. *Non-itemized* deductions related to portfolio income (explain)				
10. Other federal (*NON-ITEMIZED*) deductions (attach schedule)				
11. **Total pro rata distributions** (add lines 1 through 6, subtract lines 8, 9 and 10)				
12. **Indiana modifications** (from line 3 on front of Form IT-20S, see instructions)				
13. **Indiana pass-through credits** (indicate type ________________)				

Indiana Department of Revenue

SCHEDULE IT-20COMP
(REV. 9-98)

Name of Corporation	Federal Identification Number

Shareholders' Composite Adjusted Gross Income Tax Return

For S Corporation's Tax Year 1998 *or* Fiscal Year Beginning ____________ 1998 and Ending ____________ 19___

See instructions on reverse side. Attach to Form IT-20S (Use additional sheets if necessary).

PART I - List name and address of each nonresident shareholder ***not*** included in composite return.
(Attach additional sheets if necessary.)

Name	Street	City	State	Zip Code
1.				
2.				
3.				
4.				
5.				
6.				
7.				
8.				

PART II - List name, distributive amount, composite tax and credits for each composite return member.

Attach WH-18, copy C for each nonresident composite shareholder.

	Enter pro rata share		Composite Adjusted Gross Income Tax			Credits	
	A	B	C	D	E	F	G
Name	Apportioned distributive income attributed to Indiana from IN K-1, line 11	Indiana modifications from IN K-1, line 12	Adjusted gross Income Add A + B	State tax multiply C x 3.4%	County Tax multiply C by nonresident county tax rate	Enter shareholder's withholding credit as shown on Form WH-18	Enter pro rata credits from IN K-1, line 13 (may not exceed D)
1.							
2.							
3.							
4.							
5.							
6.							
7.							
8.							
9.							
10.							
11.							
12.							
13.							
14.							
15.							
16.							
17.							
18.							
19.							
20.							
Carryover totals from additional sheets:..........................							
Subtotals for columns D, E, F and G..							
Add above total taxes and total credits...				Tax: Add D and E ▸		Credit: Add F and G ▸	
Carry total tax and credits to Summary of Calculations..........................				Enter total tax on Form IT-20S, line 9.		Enter total credit on Form IT-20S, Line 11.	

Filing Procedures for Composite Return

An S corporation may file a composite adjusted gross income tax return on behalf of qualifying non-Indiana resident individual shareholders. Nonresident shareholders properly electing to participate in the composite return will be relieved of the obligation to file an Indiana individual adjusted gross income tax return.

The composite return, Schedule IT-20COMP, shall be filed with and have the same due date as the S corporation return. If the Internal Revenue Service allows the S corporation an extension to file its income tax return, the due date for its Indiana return is automatically extended for the same period, plus thirty (30) days.

Composite income means each nonresident shareholder's distributive share of income derived from sources within Indiana as determined by the use of the apportionment formula described in I.C. 6-3-2-2(b) plus Indiana modifications.

Composite filing does not negate the S corporation's requirement to file on a monthly, quarterly or annual basis Form WH-1 (Employers Withholding Tax Return), used for submitting withholding tax payments for all nonresident shareholders along with any withholding for employees. The amount of tax withheld on shareholders is shown as a credit on Form WH-18, (Indiana Miscellaneous Withholding Tax Statement for Nonresident). Copy A of Form WH-18 must be filed with the Department of Revenue together with Form WH-3, Annual Withholding Reconciliation, on or before February 28th.

Filing Requirements for the Composite Return

The shareholder electing to be included in the composite return authorizes the S corporation to file on his or her behalf. This election, once made, is irrevocable for that tax year.

However, any shareholder within the following categories must, in all cases, be excluded from the composite return: (a) Any partnership or fiduciary; (b) Any shareholder who received a distribution(s) during the year in excess of his or her distributive share of net income from the S corporation; (c) Any shareholder who during the year sold any portion of his or her interest in the corporation; (d) Any shareholder receiving income during the year from an Indiana source other than the corporation; and (e) Any shareholder who for a portion of the year was a resident of Indiana.

The following limitations and conditions will apply to each shareholder included as a member in the composite return: (a) Any short term capital gain (loss) plus any long term capital gain (loss) specifically allocated for a shareholder is allowed subject to any "passive activity" loss limitations pursuant to I.R.C. Section 469 and capital loss limitations imposed on non-corporate taxpayers by I.R.C. Section 1211; (b) No deduction is permitted for interest paid on investment indebtedness under I.R.C. Section 163(d) (limitation on interest investment indebtedness); (c) No deduction is permitted for carryover of net operating losses or capital losses; (d) No personal exemption is permitted; (e) No deduction is allowed for charitable contributions allowed or allowable pursuant to I.R.C. Section 170; (f) No credit is permitted for taxes paid to other states; (g) No credit carryovers are permitted; and (h) All other credits which flow through to shareholders on a pro rata basis are limited to the shareholder's state income tax liability. See list of Pass-Through Credits, page 15.

The S corporation filing a composite return is liable not only for the tax shown on the return but also for any additional tax, interest, and penalty as a result of a subsequent audit or examination. Any refund of state or county tax as a result of filing a composite return shall be remitted directly to the S corporation.

The S corporation should send a copy of general Indiana filing requirements to each nonresident shareholder. The S corporation must determine shareholders electing to be included in the composite return and shareholders not electing to be included. See Income Tax Information Bulletin #72 for more information.

Instructions for Completing Composite Return

PART I - The S corporation must disclose the name and complete address of its nonresident shareholders who are excluded from this composite return. These shareholders are required to file separate Indiana income tax returns.

PART II - Indicate the name of each shareholder electing to be a member included in this composite return. Subject to the limitations and conditions specified in the filing requirements, separately compute the state tax liabilities and credits on the composite return attributable to each shareholder.

Column E. If a nonresident individual engaged in principal work activity in an adopting county on January 1, the county tax should be calculated. Multiply column C by the applicable nonresident county tax rate. Use Departmental Notice #1 to determine if a composite member is subject to a county tax and call the Department to verify the county's tax rate.

Column G. The amount of pro rata pass-through credit available to each composite member is limited to the respective amount of tax calculated in column D.

Insert only the total state and county liabilities and pass-through credits of those nonresident shareholders included in the composite return to the appropriate lines on Form IT20S.

Note: A federal Schedule K-1 for each shareholder is not required to be attached but must be made available for inspection upon request of the Department.

If you have any questions you may call the Corporate Income Tax Section: (317) 232-2189

Apportionment of Income Worksheet for Indiana

(Rev. 9-98)

Name of Corporation	Federal Identification Number

The following information must be submitted by all corporations having income from sources both within and outside the state. (Interstate transportation entities must use Schedule E-7).

Read detailed instructions on page 14.

	Column A Total Within Indiana	Column B Total Within and Outside Indiana	Column C Indiana Percentage
1. **Property Factor -** Average yearly value of real and tangible personal property used in the business whether owned or rented. (Owned property at original cost, see instructions. Exclude property not connected with the business and value of construction in process).			
(a) Property reported on federal return at original cost			
(b) Fully depreciated assets still in use at cost			
(c) Inventories (including work in progress)			
(d) Other tangible personal property			
(e) Rented property (8 times the annual net rental)			
Total Property Values: Add lines 1(a) through 1(e)	S1	S2	S3 . %
2. **Payroll Factor -** Wages, salaries, commissions, and other compensation of employees related to business income included in the return. If the amount reported in column A does not agree with the total compensation reported for unemployment insurance purposes, attach a detailed explanation.			
Total Payroll Value:	T1	T2	T3 . %
3. **Receipts Factor** (less returns and allowances)			
(a) Sales delivered or shipped to Indiana:			
(1) Shipped from within Indiana			
(2) Shipped from outside Indiana			
(b) Sales shipped from Indiana to:			
(1) The United States Government			
(2) Purchasers in a state where the taxpayer is not subject to income tax (under P.L. 86-272)			
(c) Interest income and other receipts from extending credit attributed to Indiana			
(d) Other gross business receipts			
Total Receipts: Add column A lines 3 (a) through 3 (d); enter all receipts in box U2	U1	U2	

4. **Summary - Apportionment of Income for Indiana**

(a) Receipts Percentage for factor 3 above: Divide U1 by U2, enter result here: . % **X 200% (2.0) double-weighted adjustment** U3 . %

(b) Total Percents: Add percentages entered in boxes S3, T3 and U3 of column C. Enter sum V . %

(c) Indiana Apportionment Percentage: Divide box V by 4 if all three factors are present W . %

NOTE: If either property or payroll factor for column B is absent, divide box V by 3. If the receipts factor (U2) is absent, you must divide box V by 2. See instructions on page 15.

5. **Business Income - (This section must be completed - attach additional sheets if necessary)**

Location City and State	Nature of Business Activity at Location	Accepts Orders? Yes	No	Registered to do Business? Yes	No	Files Returns in State? Yes	No	Property in State Leased? Yes	No	Owned? Yes	No

Consumer's Use Tax Worksheet

List all taxable purchases of property where Indiana sales tax was not paid .
See instructions, page 15. (If more space is needed to list purchases, use an additional sheet.)

Vendor	Description of tangible personal property purchased or rented	Date of purchase or rental	Purchase/rental price of property

Note: Do not include the following items on the worksheet: automobiles, watercraft, aircraft, and trailers. A credit for taxes previously paid is not allowed for these items that are required to be titled, registered, or licensed by Indiana. For more information regarding use tax, call (317) 233-4015.

1. Total purchase/rental price of property subject to the sales/use tax	1.	
2. Use tax (5% of line 1)	2.	
3. Sales tax previuosly paid on the above items up to 5% credit per item	3.	
4. Use tax due (Line 2 minus line 3). Carry this amount to Line 8 of Form IT-20S. If the amount is negative, enter zero.	4.	

Continuation of Instructions from Page 6.

Detailed Apportionment Instructions:

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

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 this state (including rental 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. (Beginning Value plus Ending Value divided by 2 = "Average Value.") 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 box S1, column A by the sum from box S2, column B. Enter the percent in box S3, column C.

2. Payroll Factor: The payroll factor is a fraction. The numerator is the total wages, salaries, and other compensation paid to employees in this state 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 the state as determined under the Model Unemployment Compensation Act. Compensation is paid in this state if (a) the individual's service is performed entirely within the state; (b) the individual's service is performed both within and outside the state, but the service performed outside the state is incidental to the individual's service within the state; (c) some of the service is performed in the state 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 the state; 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 this state. 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. That 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 included.

Enter payroll values in boxes T1 and T2. Divide the total in box T1, column A by the total from box T2, column B. Enter the percent in box T3, column C.

3. Receipts Factor: The receipts factor is a fraction. The numerator is the total receipts of the taxpayer in this state during the tax year, and the denominator is the total receipts of the taxpayer everywhere during the tax year. **This factor is double-weighted in the apportionment of income formula.** All gross receipts of the taxpayer which are not subject to allocation, such as nonbusiness income, are to be included in this factor.

The numerator of the receipts factor must include all sales made in Indiana, sales made from this state to the U.S. Government, and sales made from this state 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 this state if the property is delivered or shipped to a purchaser within this state 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 this state, 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 this state if the real property is located in this state; (2) gross receipts from the rental, lease, or licensing the use of tangible personal property are in this state if the property is in this state. If property was both within and outside Indiana during the tax year, the gross receipts are considered in this state to the extent the property was used in this state; (3) gross receipts from intangible personal property are in this state if the taxpayer has economic presence in this state 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 attributable to Indiana if the security or sale property is located in Indiana; consumer loans not secured by real or tangible personal property are attributable to this state if the loan is made to an Indiana resident; and commercial loans and installment obligations not secured by real or tangible personal property are attributable to Indiana if the proceeds of the loan are to be applied in Indiana. Interest income, merchant discounts, travel and entertainment credit card receivables and credit card holder's fees are attributable to the state where the card charges and fees are regularly billed. Receipts from the performance of fiduciary and other services are attributable 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 attributable to the state where those items are purchased. Receipts in the form of dividends from investments are attributable to Indiana if the taxpayer's commercial domicile is in Indiana; and (4) gross receipts from the performance of services are in this state if the services are performed in this state. If such services are performed partly within and partly outside this state, a portion of the gross receipts from performance of the services shall be attributed to this state based upon the ratio the direct costs incurred in this state 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 this state if it is shipped from an office, store, warehouse, or other place of storage in this state. See above rules for sales other than tangible personal property if such sales are made to the United States Government.

Complete all lines as indicated. Add lines receipt factor (a) through (d) in column A. Also enter total receipts everywhere in box U2. See line 4(a) for calculation of the percentage.

4. Summary: Apportionment of Income for Indiana

(a) Divide sum in box U1, column A by the total from box U2, column B. Enter the quotient in the space provided and multiply by 200%. Enter the product in box U3, column C.

(b) Add entries in boxes S3, T3 and U3 of column C. Enter the sum of the percentages in box V.

(c) Divide the total percentage entered in box V by 4. Enter the average Indiana apportionment percentage in box W.

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 in column B, you must divide the sum of the percentages by the number of the remaining factor values present in the apportionment formula.

5. Business Locations: List all business locations where the corporation has operations. Indicate the nature of the business activity at each location, whether a location: (a) accepts orders in that state; (b) is registered to do business in that state; (c) files income tax returns in other states; and (d) whether property in the other states is owned or leased.

You must attach the completed Apportionment of Income Worksheet to your return.

Consumer's Use Tax Worksheet

I.C. 6-2.5-3-2 imposes a use tax at the rate of 5% (.05) upon the use, storage or consumption of tangible personal property in Indiana which was purchased or rented in a retail transaction, wherever located, and 5% 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 non-exempt use by the business will be subject to the use tax. Complete the Consumer's Use Tax Worksheet to compute any sales/use tax liability.

Note: If you are a registered retail sales or out-of-state use tax agent for Indiana you must report your non-exempt purchases used in your Indiana business on Form ST-103, Indiana annual, quarterly or monthly Sales and Use Tax Voucher.

Interest is added if the use tax was not timely paid by the original due date of the return. A 10% penalty or $5.00, whichever is greater, is charged on each unpaid use tax liability. Caution: Do not report your totals from Form ST-103 on this worksheet or on Form IT-20S.

Pass Through Credits

Each shareholder is allowed a pro rata share of the income tax credits incurred by the S corporation. Each shareholder's share of an available credit is reported on Schedule IN K-1, line 13, and must be supported by attaching the properly completed tax credit schedule or form to the corporation's return. Pass-through credits include:

•**Historic Rehabilitation Tax Credit -** Effective for tax years beginning after December 31, 1994, an S corporation is entitled to an income tax credit, provided under I.C. 6-3.1-16-7.5(b), on qualified expenditures made for rehabilitation of historic property. The corporation must claim this credit against its state income tax liability. If the corporation has no state income tax liability, then the shareholders are entitled to claim, as a pass through, their share of credit. The Division of Historic Preservation and Archeology administers this program, 402 W. Washington St., Room W274, Indianapolis, Indiana 46204, telephone number (317) 232-1646.

•**Indiana Research Expense Credit -** Indiana qualified research expense credit is equal to 5% of the remainder of the corporation's Indiana qualified research expense for the tax year minus the federal base period amount. This credit has been extended through December 31, 1999. Schedule IT-20REC, must be attached.

•**Individual Development Account Tax Credit** - Effective for taxable years beginning after December 31, 1997, a tax credit is available equal to 50% of the contribution, if not less than $1,000 and not more than $50,000, which is made to a community development corporation participating in an Individual Development Account program. Applications for the credit are filed through the community development corporation using Form IDA-10/20. To request additional information regarding the defintions, procedures, and qualifications for obtaining this credit, contact: Indiana Department of Commerce, Community Development, One North Capitol, Suite 600, Indianapolis, Indiana, 46204, or call (317) 232-8911.

•**Investment Cost Credit** - Effective for tax years beginning after December 31, 1994, an S corporation is entitled to an enterprise zone investment cost credit provided under I.C. 6-3.1-10-4 for a qualified investment made in a designated zone *located in Vigo County, Indiana.* The corporation must claim this credit against its adjusted gross income tax liability. If the corporation has no adjusted gross income tax liability, then individual shareholders are entitled to claim, as a pass through, their share of the credit. The Indiana Department of Commerce administers this program, One North Capitol, Suite 700, Indianapolis, Indiana 46204, telephone number (317) 232-8911.

•**Military Base Recovery Tax Credit -** Effective for taxable years beginning after December 31, 1997, a state tax liability 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. To request additional information regarding the definitions, procedures, and qualifications for obtaining this credit, contact: Indiana Department of Commerce, Enterprise Zone Board, One North Capitol, Suite 700, Indianapolis, Indiana, 46204, or call (317) 232-8905.

•**Neighborhood Assistance Credit -** Enter the allowable income tax credit from preapproved Form NC-20. For further information, refer to Income Tax Information Bulletin #22. Attach Form NC-20 if claiming this credit.

The shareholders may claim their allowable portions of Indiana credits on their respective annual income tax returns: Form IT-40, IT-40PNR or IT-41. **Note:** Other enterprise zone credits do not pass-through to shareholders, nor may such credits be applied against the S corporation's withholding, composite or use tax liabilities.

Tax forms may be requested by calling (317) 486-5103. If you want forms faxed to you, use the phone on your fax machine to call Indiana TaxFax at (317) 233-2FAX (2329). By calling this number and reviewing the list of available forms, you will have immediate access to most of our tax forms and information bulletins.

Many of the tax forms are also available on the Internet at the following address: **http://www.ai.org/dor/**

Form DB020W-NR

Payment Of Indiana Withholding Tax For Nonresident Shareholders, Partners, Or Beneficiaries Of Trusts And Estates

REV. 9-98

INDIANA TAXPAYER IDENTIFICATION NUMBER:

(IF NONE, INDICATE FEDERAL I.D. NUMBER BELOW) LOCATION

TAX PERIOD ENDING:

M M Y Y Y Y

(CODE-DEPT. USE ONLY)

TAXPAYER'S NAME AND ADDRESS:

NAME ____

STREET ____

CITY ____

STATE ____ ZIP CODE ____

A. TOTAL AMOUNT OF PAYMENT

B. TOTAL AMOUNT DUE

DO NOT SEND CASH

MAKE CHECK OR MONEY ORDER PAYABLE TO THE:
INDIANA DEPARTMENT OF REVENUE

ENTER YOUR FEDERAL IDENTIFICATION NUMBER:

IS THIS A ONE TIME ANNUAL DISTRIBUTION? ☐ **YES** ☐ **NO**

MAIL COMPLETED FORM TO:
INDIANA DEPARTMENT OF REVENUE
P.O. BOX 6108
INDIANAPOLIS, IN 46206-6108

X ____
AUTHORIZED SIGNATURE

DATE ____ DAYTIME TELEPHONE NUMBER ( ) ____

DO NOT USE THIS FORM FOR REPORTING PAYROLL WITHHOLDING TAX

Instructions for Completing Indiana Form DB020W-NR

Use this form (if you have not established a separate nonresident withholding account) to remit Indiana state income tax withholding on annual income distributions to nonresident shareholders, nonresident partners or nonresident beneficiaries of trusts and estates. Also, include county income tax withholding for an Indiana tax-adopting county if on January 1 of the tax year this was the nonresident's principal place of business or employment. If already registered as a nonresident withholding agent, use the designated Form WH-1 (Indiana Withholding Tax Voucher).

Payment is generally due within 30 days following the end of the tax year, or quarter (if the liability for a quarterly period exceeds $150). However, if an entity pays or credits amounts to its nonresident shareholders, partners or beneficiaries one time each year, the withholding payment is due on or before the fifteenth day of the third month after the end of the taxable year. **Caution:** This form will establish a separate nonresident withholding account followed by a letter requesting any additional information needed to complete the registration.

- Complete Form DB020W-NR by entering the assigned Indiana taxpayer identification number. Indicate the withholding liability reporting period by entering a six-digit number corresponding to the ending month and year in the blocks provided, e.g., 12 1998, 06 1999
- Enter full name and address in the space provided.
- Line A: Enter the withholding tax paid with this return for the tax period indicated. Do not include penalty and interest if paying late. The Department will calculate and bill for penalty and interest if payment is late.
- Line B: Enter the total withholding tax due for the ending tax period indicated. Do not include penalty or interest. If remittance is equal to the total amount due, the amount reported on A and B should be the same.
- Sign and date the form. List daytime telephone number. Enter federal identification number for prompt processing of this form. Upon proper registration, the Department will mail an Indiana nonresident withholding return coupon(s) for the next tax year for use in filing the required monthly, quarterly or annual withholding returns.

Note: Form WH-3 (annual withholding reconciliation and transmittal form) and state copies of Form WH-18 (Indiana miscellaneous withholding tax statement) must be filed annually on or before February 28. The Department may permit an entity paying or crediting amounts to its nonresidents only one-time each year an extension of time to file Form WH-3 until March 15 following the close of the calendar year in which the taxable year ends. However, the payment of withholding tax on the one-time annual distribution is required to have been remitted (and the withholding statement provided to the payee) 2 1/2 months after the end of the entity's taxable year.

An extension of time to file Form WH-3 may be requested if the information on the distributive share of income reportable on Form WH-18 is not available by the due date. However, an extension of time to file Form WH-3 does not extend the time to pay withholding tax due on Forms WH-1 or DB020W-NR.

If you have any questions regarding this form or the withholding tax, please call the Indiana Department of Revenue, Taxpayer Services (317) 233-4016.

Special Reminders

1. Complete the S Corporation's identification section.
2. List name of the Indiana county; place "O.O.S." in the county box to signify an out-of-state business operation.
3. S corporations filing on a fiscal year basis must enter their tax year beginning and ending dates.
4. Answer questions *A* through *D* at the top of Form IT-20S.
5. Complete Schedule A and IN K-1.
6. Composite return must be filed on Schedule IT-20COMP.
7. Attach Apportionment of Income Worksheet for Indiana, if applicable.
8. **Attach the first four pages of the U.S. Income Tax Return for an S Corporation, Form 1120S.**
9. Use Form DB020W-NR (for an initial payment) or designated Form WH-1 to pay withholding tax on income distributions to nonresident shareholders.