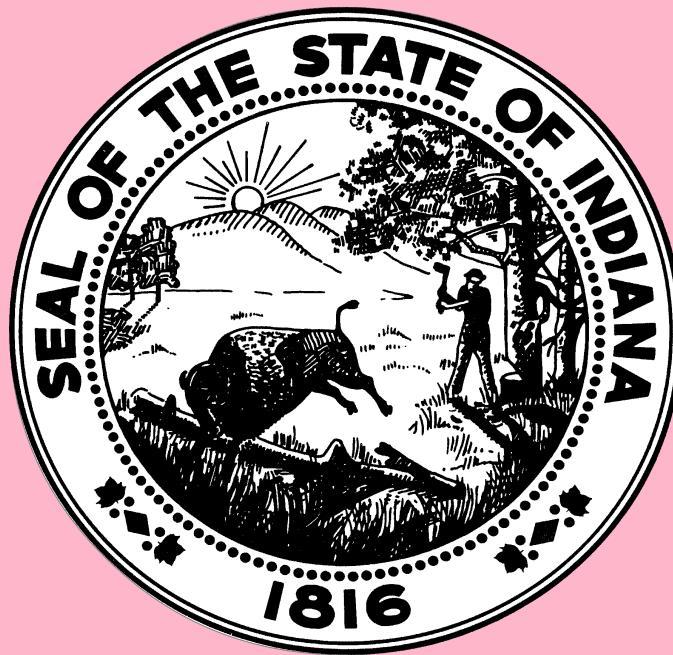


INDIANA DEPARTMENT OF REVENUE
100 N. SENATE AVENUE
INDIANAPOLIS, IN 46204-2253

Corporate Taxpayer Assistance
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State of Indiana
Partnership Return Booklet
2000 Form IT-65



This Booklet Contains:

Form IT-65 (2)
Schedule IN K-1 (2)
Schedule IT-65COMP
Apportionment of Income Worksheet
Consumer's Use Tax Worksheet
Form DB020W-NR

2000 IT-65 Indiana Partnership Return

General Statement - Who Must File and When

Partnerships conducting business within Indiana must file an annual return, Form IT-65, and information return IN K-1, with the Department of Revenue, disclosing each partner'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 partnership's tax year.** Attach the first four pages of the U.S. Partnership Return of Income, Form 1065. Federal Schedules K-1 need not be attached, but must be made available for inspection upon request of the Department.

Any partnership doing business in Indiana or deriving gross income from sources within Indiana is required to file the above return.

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 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.

The term "partnership" includes a syndicate, group, pool, joint venture, limited liability company, limited liability partnership, or other unincorporated organization that is not, within the meaning of Indiana Code 6-3-1, a corporation, trust, or an estate. Banks with common trust funds filing U.S. Form 1065 will file partnership Form IT-65 and comply with provisions of Internal Revenue Regulation 1.6032-1 when reporting for Indiana purposes.

Liability of the Partnership

Partnerships as entities are not subject to income taxes. However, publicly traded partnerships treated as limited liability companies pursuant to I.R.C. Section 7704 will be classified for Indiana tax purposes in the same manner they are classified for federal tax purposes. A limited liability company classified as a corporation for federal tax purposes should file Form IT-20.

- Partnerships are considered to be the taxpayer with respect to the payment of amounts required to be withheld at source. *See following Withholding Tax Liabilities of Partnerships.*
- Partnerships 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 17.*

- An apportionment worksheet must be included with the return if the partnership is doing business both within and outside Indiana and has any partners not domiciled in Indiana. *See instructions for Apportionment of Income Worksheet on page 16.*
- A partnership may file a composite adjusted gross income tax return on behalf of non-Indiana resident individual partners electing to participate in the composite return. *See Filing Procedures for Composite Return on page 14.*

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

Withholding Tax Liabilities of Partnerships

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

Withholding on Residents

Partnerships 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 partner 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 - A partnership 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 Income Tax 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 partnership is located.

Individual Partners - A partnership must withhold state income tax at the rate of 3.4% on the apportioned distributive shares of partnership income (**on current-year earnings derived from Indiana sources**) each time it pays or credits any of its nonresident and part-year resident individual partners. This does not apply to residents of reverse credit states (Arizona, 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 partner whose principal place of business or employment on January 1 is located in an Indiana county that has adopted a county income tax.

Corporate Partners - Partnerships must withhold on income distributions to all corporate partners that are not registered (with the Indiana Secretary of State) an amount reflecting the ultimate Indiana tax liability due by respective members because of the partnership's activities.

A regular corporation is subject to and will pay an amount equal to the total of the higher of the gross (1.2%) or adjusted gross (3.4%) income tax plus any supplemental net (4.5%) income tax due. An Indiana special corporation will be subject to the adjusted gross and supplemental net income taxes.

Partnerships conducting the business of a financial institution which have nonresident corporate partners that transact the business of a financial institution are responsible to withhold and remit the Indiana Financial Institution Tax (FIT).

Financial Institution tax of 8.5% must be withheld on the respective nonresident corporate partner's share of partnership income as computed under I.C. 6-5.5-4 unless there is a written declaration that the partner is not subject to the financial institution tax. In such instance, only the gross, adjusted gross and supplemental net income taxes need be withheld from the nonresident corporate partner's distributive share of income apportioned to Indiana.

Caution: The withholding provisions on nonresidents do not apply to partners who are any one of the following entities:

1. Indiana-domiciled corporation registered with the Indiana Secretary of State;
2. Non-Indiana domiciliary corporation registered with the Secretary of State;
3. Nontaxable trust or estate;
4. S Corporation; or
5. Wholly exempt Not-For-Profit organization with no unrelated trade or business partnership income.

A partnership must withhold tax from income distributions to an S corporation, fiduciary or another partnership passing through Indiana income to a nonresident shareholder, beneficiary or partner and designate as a "Nominee" the ultimate recipient as if there were no other intermediary entities. The upper tier partnership passing through Indiana income to its partners 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 partnership's withholding of state and/or county tax from nonresident partners is payable quarterly, if monthly average equals less than \$50, 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, 2001, the withholding tax is remitted with Form WH-1 for June, due July 31, 2001).

However, a partnership having one distribution credited to partners during the year or at the close of the partnership's fiscal year may be permitted to file Form DB020W-NR which creates a nonresident withholding account if one does not exist, and pay the respective state and county withholding tax amounts on nonresidents all at one time when a nonresident 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, 2000, the withholding tax is due March 15, 2001). Advances or drawings against partner's distributive share of income are deemed paid on the last day of the partnership's tax year.

The partnership shall be liable for any delinquent penalty and interest in addition to the amount withheld or required to be withheld and paid to the Department.

Note: Compliance with the act of withholding will not relieve any non-Indiana domiciled partner 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 \$1,000 to a nonresident contractor during a calendar year. Quarterly gross tax is payable to the Department on Form WH-1.

For purposes 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 does not apply to corporations electing 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 over a period of time;
4. Contracts for the installation of tangible personal property except when performed by the seller as a required condition of the sale of installed property;
5. Contracts for leasing tangible personal property when there is instate activity in connection with the lease; 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 is allowed 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 partners 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 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 partnership pays or credits amounts to its nonresident partners 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 partners. 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 partnership's taxable year.

If payment is made for any composite tax due on Form IT-65 and is filed past the due date of the withholding return, the partnership 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) 615-2581 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 partnership'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 partner 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 partners).

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

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

The partnership 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 partnership. 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.

Partner's Liability and Filing Requirements

A partner's share of profit or loss from a partnership will be included in the partner's calculation of federal adjusted gross income and is generally subject to the same rules for arriving at Indiana adjusted gross income. Therefore, a partner'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 partners will include their share of all partnership income, whether distributed or undistributed, on their separate or individual Indiana income or franchise tax returns. Each partner's distributive share of income will be adjusted by modifications provided for in I.C. 6-3-1-3.5(a) or (b).

Individual Partners

Residents - A resident partner reports the entire distributive share of partnership income (loss) as adjusted, no matter where the partnership'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 partners.

Nonresidents - Part-year and full-year nonresident partners report their share of partnership 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 a partnership has a nonresident partner and conducts business within and outside Indiana, the partnership must include the apportionment worksheet with Form IT-65. Form IT-40PNR, Indiana Part-Year or Nonresident Individual Income Tax Return, will be completed by the partner. Credit must be claimed on that return for amounts withheld by the partnership from the partner's income. Form WH-18, copy C, is required to be attached to the return to verify any such credit withholding amount.

Nonresident partners are exempt from the filing requirements of an Indiana Individual Income Tax Return only if they are properly included as members of a composite return.

A part-year nonresident partner 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:** Passive losses may not exceed the limits imposed by I.R.C. Section 469. Losses may not exceed the partner's investment, see I.R.C. Section 704.

Corporate Partners

Corporate partners report their distributive share of the partnership income (loss) on Form IT-20, IT-20SC, IT-20S, IT-20NP or IT-41. All distributions are fully taxable for gross, adjusted gross and supplemental net income tax purposes. Pro rata distributive income will be subject to the gross income tax at the high rate of 1.2%, to the extent taxable income from the partnership is attributed to Indiana. For adjusted gross income, taxable partnership income (loss) will include pro rata Indiana modifications; however, losses may not exceed the limits imposed by I.R.C. Section 704.

Corporate partners doing business within and outside Indiana must also determine their taxable adjusted gross income from Indiana sources through the use of the allocation and apportionment provisions contained in I.C. 6-3-2-2(b)-(h). These generally follow the Uniform Division of Income for Tax Purposes Act so that a multi-state corporation must first determine what part of its adjusted gross income, which includes all partnership income, constitutes business income and what part is nonbusiness income according to regulation 45 I.A.C. 3.1-1-29. The relationship between the business of the corporate partner and the partnership will control the classification.

However, distributive partnership income derived from Indiana sources received by non-controlling limited partners of a partnership is not subject to gross income tax (nor included in gross receipts) unless the partner's commercial domicile is in Indiana. 45 IAC 1.1-1-3b(7).

If the corporate partner's activities 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 actual 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 and charitable contributions deducted in arriving at partnership income is to be 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 will 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. See 45 I.A.C. 3.1-1-153 for reporting requirements.

For non-unitary partners, taxable partnership distributions included in federal taxable income are deducted on the nonbusiness and non-unitary income adjustment line of the

corporation's return. Non-unitary partnership income attributed to Indiana, including apportioned pro rata modifications, is added back on the adjustment line used to report Indiana allocated nonbusiness income and Indiana non-unitary partnership income. Apportioned business income, including unitary partnership income and non-unitary partnership income attributed to Indiana, plus nonbusiness income allocated to Indiana (plus modifications required by I.C. 6-3-1-3.5(b) for adjusted gross income) equals the corporate taxpayer's taxable income for Indiana.

Corporate partners subject to the Indiana financial institution franchise tax will include the corporation's percentage of partnership adjusted gross or apportioned income, as computed under I.C. 6-5.5-4, on Form FIT-20.

Basis of Partner's Interest in Partnership

For Indiana income tax purposes, the basis of the partnership interest will generally 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 income taxes and the deduction from income for U.S. Government obligations) are limited to current reporting but may also affect the basis of the partner's interest.

Example - Indiana Partnership Income for Individuals

Taxpayer A, a resident of Indiana, and Taxpayer B, a nonresident of Indiana, each have a 50% interest in ABC Company, an Indiana partnership doing business both within Indiana and outside Indiana.

ABC Company has income from operations of \$530,000 and expenses of \$500,000. Of these expenses, \$35,000 is expense for state income tax. Taxpayers A and B each received a guaranteed payment of \$10,000.

Computations for ABC Company:

ABC Company computes its adjusted partnership income as follows:

Income from operations	\$530,000
Expenses	(500,000)
Add back modification	+35,000
Partnership income	<u>\$65,000</u>

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

Property factor	80.00%
Payroll factor	+40.00%
Sales factor (double-weighted)	<u>+120.00%</u>
	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 partnership income to Indiana regardless of whether or not the partnership apportions its income. As a general rule, if tax is paid to another state on a portion of partnership income by Taxpayer A, a credit can be taken on the individual return.

Indiana adjusted partnership income for Taxpayer A is computed as follows:

Guaranteed payment	\$10,000
Distributive share (50% x \$65,000)	+32,500
Indiana adjusted distributive share of income	\$42,500

Taxpayer B, as a nonresident of Indiana, reports only their own share of partnership income and guaranteed payment 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 ABC Company, a credit cannot be taken on the Indiana return but must be claimed from the state of residence.

Indiana adjusted partnership income for Taxpayer B is computed as follows:

Guaranteed payment	\$10,000
Distributive share	+32,500
Total partnership share of income	\$42,500
Multiply by apportionment percentage	x 60%
Apportioned Indiana distributive share of income	\$25,000

General Filing Instructions

Accounting Periods and Methods

The accounting period for Form IT-65 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 partnership's tax year.

The Department recognizes the Internal Revenue Service application for automatic extension of time to file (Form 8736 or Form 8800). 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 federal extension form will be filed timely.

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

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

Amended Returns

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

Adjustments made by the Internal Revenue Service affecting the reportable Indiana income must be followed with an amended partnership return within 120 days after the adjustment becomes final. Use Form IT-65 - clearly mark "amended" at the top.

Instructions for Completing Form IT-65

File a 2000 partnership return for a tax year ending December 31, 2000, a fiscal year beginning in 2000, or a short tax year. For a fiscal or short tax year, fill in both the beginning and ending month, day, and year at the top of the form.

Identification Section

All partnerships filing Form IT-65 must complete the top portion of the form including questions A through D. Please use the correct legal name of the partnership 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. Enter your principal business activity code number in the designated block of the return under the Federal ID Number. Use the six-digit activity code as reported on the U.S. Partnership return. A list of these codes is available through the Department's Internet address at:

www.state.in.us/dor/resources.html

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.

Form IT-65 Line by Line Instructions

Line 1. Enter the amount from the U.S. Partnership 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, guaranteed payments and other income.

The Section 179 deduction and that portion of investment expenses included in federal Schedule K, lines 10 and 14b (2), relating to investment portfolio (royalty) income, flowing to federal Schedule E, may be deducted. Do not deduct other expenses treated as federal itemized deductions. If filing federal Form 1065B by an electing large partnership, use Schedule K line 1a plus [line 2, but modified as Part II, line 6 minus line 7] plus lines 3b, 4b, 7, and 8.

Line 2(a)(b)(c) and (d). (a) Add back all state taxes based on income levied by any state deducted on the federal return: (b) For Department use only: (c) 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 (d) 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.

Lines 3 and 4. Enter on line 3 total Indiana modifications (add lines 2a and 2b, and deduct 2c and 2d). Add lines 1 and 3, enter total on line 4.

Schedule A Partners' Identification Section

Column 1. Enter the name of each partner.

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

Column 3. Enter the amount of tax withheld on income distributions derived from Indiana sources for each nonresident partner 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 partner's Indiana individual or corporation income tax return.

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

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

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

Complete lines 1 through 14 for each partner. Also provide each partner a statement showing the partner's share of income, credits and modifications. If filing federal Form 1065B, convert taxable income distributions to federal Form 1065, Schedule K-1 format.

Line 1 through Line 11. For full year Indiana resident partners, complete these lines as shown on the federal Schedule K-1, Form 1065. For all corporate partners and nonresident individual partners, the federal Schedule K-1 amounts should be multiplied by the apportionment percentage calculated on the worksheet on page 15, if applicable. The apportioned figures should be entered on lines 1 through 11. Investment interest expenses attributed to royalty income and all other federal deductions (excluding those treated as itemized deductions) should be included on line 11. No other type of investment interest expense, itemized deduction, or carryover loss should be reported on this line.

Note: A corporate partner subject to gross income tax must also calculate its taxable distributive share for gross income tax purposes according to 45 I.A.C. 1.1-2-13 and include non-Indiana tax-exempt interest from federal K-1, Line 19.

Line 13. Enter the Indiana modifications from the front of Form IT-65, line 3, as percentage applied or apportioned in the case of nonresident individuals and non-unitary partners. For corporate partners that are unitary partners, enter only their pro rata share of modifications (unapportioned).

Line 14. If the partnership incurred any eligible Indiana credits flowing through to the partners, enter the pro rata amount allowed each partner and indicate type of credit(s) allotted. You must also attach a completed credit schedule to Form IT-65 to support this credit distribution. See list of pass-through credits on page 18.

Note: Effective January 1, 2000, qualified enterprise zone credits pass through to the partners. For further information request Income Tax Information Bulletin #59.

Form IT-65 Summary of Calculations

Line 5. Enter the use tax due from the completed Consumer's Use Tax worksheet on page 15. See use tax instructions on page 17.

Line 6. Enter the total tax liability of the nonresident members included in the Composite Adjusted Gross Income Tax Return, columns D plus E. Attach composite Schedule IT-65COMP.

Line 7. Total tax: Add tax shown on lines 5 and 6.

Line 8. Enter the total credits for all nonresident members included in the composite return as reflected on Schedule IT-65COMP, column F plus 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 partners.

Line 9. Enter any other credits belonging to the partnership. A detailed explanation must be attached for any credits claimed on this line.

Line 10. Subtotal: Subtract lines 8 and 9 from line 7. If a balance due remains, proceed to lines 11 and 12.

Line 11. Enter total interest due.

Caution: Two separate calculations of interest and penalty may be required:

1. Interest is computed on net amount of composite tax on line 10 paid after the fifteenth day of the third month following the end of the partnership'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-65 return.
2. Interest on use tax is calculated on the amount of use tax on line 10 which is paid after the original due date of the IT-65 return.

Contact the Department for the current rate of interest charged.

Line 12. Enter total penalty due. Penalty is 10% of the amount (but not less than \$5) of any composite tax due on line 10 paid after the fifteenth day of the third month following the end of the partnership's taxable year. (See caution note on line 11 above.) Penalty, which equals the greater of 10% of the amount of use tax on line 10 or \$5.00, is still due on use tax paid after the original due date of the return.

If a return showing no liability on line 7 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 13. Amount due: If line 10 is greater than zero, add lines 10, 11, and 12, and attach a separate remittance for total amount owed for each Form IT-65 filed.

Line 14. Overpayment: If the total of lines 8 and 9 exceeds line 7, subtract the total of lines 11 and 12 from line 10. If the result is less than zero, this is your net overpayment. **Note:** If penalties and interest are due because of a delinquent filing or payment, the overpayment must be reduced by these charges. If the result is a balance due, enter the difference on line 13.

Line 15. Enter the same amount from line 14 to be refunded.

Special Reminders

1. Complete the partnership'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. Partnerships 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-65.
5. Complete Schedule A and IN K-1.
6. Composite return must be filed on Schedule IT-65-COMP.
7. Attach Apportionment of Income Worksheet for Indiana, if applicable.
- 8. Attach the first four pages of the U.S. Partnership Return of Income, Form 1065.**
9. Use Form DB020W-NR (for an initial payment) or designated Form WH-1 to pay withholding tax on income distributions to nonresident partners.
10. Be sure to sign, date, and print your name on the return. If a paid preparer completed your return, you may authorize the Department to discuss your return with the preparer by checking the authorization box above the signature line.

For Other Indiana Department of Revenue Forms:

Internet Address - <http://www.state.in.us/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

Filing Procedure for Composite Return

A partnership may file a composite adjusted gross income tax return on behalf of qualifying non-Indiana resident individual partners. Nonresident partners 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-65COMP, shall be filed with and have the same due date as the partnership return. If the Internal Revenue Service allows the partnership 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 partner'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 partnership'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 partners along with any withholding for employees. The amount of tax withheld on partners 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 the last day of February.

Filing Requirements for Composite Return

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

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

The following limitations and conditions will apply to each partner 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 partner is allowed subject to any "passive activity" loss limitations pursuant to I.R.C. Section 469 and capital loss limitations imposed on noncorporate 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 partners on a pro rata basis are limited to the partner's state income tax liability. See list of Pass-Through Credits, page 18.

The partnership 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 partnership.

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

Instructions for Completing Composite Return

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

PART II - Indicate the name of each partner 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 partner.

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 partners included in the composite return to the appropriate lines on Form IT-65.

Note: A federal Schedule K-1 for each partner 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 contact the Corporate Income Tax Section: (317) 615-2662.

Instructions for Apportionment of Income Worksheet

Complete "Apportionment of Income Worksheet for Indiana" whenever the partnership has income derived from sources both within and outside Indiana and has any nonresident or corporate partners. The 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 on the separate accounting method.

This apportionment formula must be used unless written permission from the Department is granted. Distributive share for gross income tax purposes is determined under 45 I.A.C. 1.1-2-13. Also see 45 I.A.C. 3.1-1-153, adjusted gross tax treatment for unitary corporate partners.

Detailed Apportionment Instructions:

Note: Interstate transportation companies should consult Schedule E-7 for details concerning apportionment of income.

1. Property Factor: The property factor is a fraction. The numerator is the average value during the tax year of real and tangible personal property used 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. (Beginning Value + 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. Multiply by 100 and enter the percent in box S3, column C. 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 in 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 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 the state is incidental to the individual's service within Indiana; (c) some of the service is performed in Indiana and (1) the base of operations, or if there is no base of operations, the place where the service is directed or

controlled is in Indiana; or (2) the base of operations or the place where the service is directed or controlled is not in any state in which some part of the service is performed, but the individual's residence is in 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. Multiply by 100 and enter the percent in box T3, column C. 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. **This factor is double-weighted in the apportionment of income formula.** All gross receipts of the taxpayer which are not subject to allocation are to be included in this factor. Do not include any previously apportioned income, such as a distribution from a tiered partnership or non-unitary partnership distribution that is treated as allocated income for state 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 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 commercial domicile is in Indiana; and (4) gross receipts from the performance of services are in Indiana if the services are performed in this state. 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.

Complete all lines as indicated. Add receipt factor lines (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. (Multiply by 100 to arrive at a percent rounded to the nearest second decimal place. Enter the quotient in the space provided and multiply by 200% double weight adjustment. 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 (round to the nearest second decimal place) 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 for 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 partnership 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 five percent (.05) 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% 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 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 nonexempt 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-65.

Tax forms may be requested by calling (317) 615-2581. 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.

Pass-Through Credits

Each partner is allowed a pro rata share of certain income tax credits incurred by the partnership. Each partner's share of an available credit is reported on Schedule IN K-1, line 14, and must be supported by attaching the properly completed tax credit schedule or form to the partnership's return. Pass-through credits include:

- **Enterprise Zone Employment Expense Tax Credit** - Effective for tax years beginning after December 31, 1999, a pass-through entity (partnership located in a zone) is eligible, under P.L. 120 (1999), for the enterprise zone credit for increased wages in the zone. The credit is equal to the lesser of 10% of the cost of wages paid to only newly hired (after December 31, 1998) qualified employees during the tax year.

If the pass-through entity does not have a state income tax liability against which the enterprise zone is applied, then the partners of the pass-through entity are entitled to a pro rata share of the computed available credit. Credit is calculated on the Department's Schedule EZ - Part 2, which is available upon request. Attach the completed Schedule to Form IT-65. Report each partner's pro rata share of the credit on line 13 of Schedule IN K-1.

For further information, contact the local Urban Enterprise Zone Association or the Indiana Department of Commerce, Community Development Division, One North Capitol Avenue, Suite 600, Indianapolis, Indiana, 46204, or by telephone at (317) 232-8911.

- **Enterprise Zone Loan Interest Tax Credit** - Effective for tax years beginning after December 31, 1999, a pass-through entity (partnership doing business in a zone) is eligible, under P.L. 120 (1999), for the enterprise zone loan interest tax credit. The credit is equal to 5% of the interest earned from qualified loans during the tax year made to entities that use the proceeds for conducting business activities located in enterprise zones. However, P.L. 73 (2000) further requires that the pass-through entity claiming a loan interest tax credit pay a registration fee, provide additional assistance to urban enterprise zone associations required of zone businesses, and meet requirements adopted by the enterprise zone board.

If the pass-through entity does not have a state income tax liability against which the enterprise zone credit is applied, then the partners of the pass-through entity are entitled to a pro rata share of the computed available credit. Credit is calculated on the Department's Schedule LIC, which is available upon request. Attach the completed Schedule to Form IT-65. Report each partner's pro rata share of the credit on line 13 of Schedule IN K-1. For further information, contact the local Urban Enterprise Zone Association or the Indiana Department of Commerce, Community Development Division, One North Capitol Avenue, Suite 600, Indianapolis, Indiana, 46204, or by telephone at (317) 232-8911.

- **Historic Rehabilitation Tax Credit** - Effective for tax years beginning after December 31, 1994, a partnership, a limited liability partnership, or a limited liability company is entitled to an income tax credit, provided by I.C. 6-3.1-16-7.5(b), on qualified expenditures made for rehabilitation of historic property. The

entity must claim this credit against its adjusted gross income tax liability. If the entity has no state income tax liability, then its members are entitled to claim, as a pass through, their share of the credit. For more information, contact: Division of Historic Preservation and Archaeology, 402 W. Washington St., Room W274, Indianapolis, Indiana, 46204, or call (317) 232-1646.

- **Indiana Research Expense Credit** - Indiana qualified research expense credit is equal to 5% of the remainder of the partnership's Indiana qualified research expense for the tax year minus the federal base period amount. This credit has been extended through December 31, 2002. Schedule IT-20REC, must be attached.

- **Individual Development Account Tax Credit** - Effective March 31, 1999, 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. Applications for the credit are filed through the community development corporation using Form IDA-10/20. To request additional information regarding the definitions, 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, a partnership, a limited liability partnership, or a limited liability company is entitled to an enterprise zone investment cost credit provided by I.C. 6-3.1-10-4, for a qualified investment made in a designated zone located in Vigo County, Indiana. The entity must claim this credit against its adjusted gross income tax liability. If the entity has no adjusted gross income tax liability, then its individual members 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 pre-approved Form NC-20. For further information, refer to Income Tax Information Bulletin #22. Attach Form NC-20 if claiming this credit.

The partners may claim their allowable portions of Indiana credits on their respective annual income tax returns: Form IT-40, IT-40PNR, IT-20 or IT-20NP. Note: Enterprise zone credits may not be applied against the partnership's withholding, composite, or use tax liabilities.



Rev. 9/00
SF 49100

FORM DB020W-NR

Payment of Indiana Withholding Tax for Nonresident Shareholders, Partners, or Beneficiaries of Trusts and Estates

Indiana Taxpayer Identification Number:

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

LOCATION

TAXPAYER'S NAME AND ADDRESS:

NAME _____

STREET _____

CITY _____

STATE _____ ZIP CODE _____

ENTER YOUR FEDERAL IDENTIFICATION NUMBER:

IS THIS A ONE TIME ANNUAL DISTRIBUTION? YES NO

X _____
AUTHORIZED SIGNATURE

DATE _____ DAYTIME TELEPHONE NUMBER (____) _____

DO NOT USE THIS FORM FOR REPORTING PAYROLL WITHHOLDING TAX

TAX PERIOD ENDING:

M M

Y Y Y Y

(CODE-DEPT. USE ONLY)

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

MAIL COMPLETED FORM TO:
INDIANA DEPARTMENT OF
REVENUE
P.O. BOX 6197
INDIANAPOLIS, IN 46206-6197

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., ,
- 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.



Indiana Department of Revenue Indiana Partnership Return

For Calendar Year Ending **December 31, 2000**
or Other Tax Year Beginning _____, 2000 and Ending _____, _____

(Do not write above)

Form IT-65

SF 11800 (Rev. 9/00)

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

- A.** Check: Initial Return Final Return In Bankruptcy Composite Return Date of organization _____ in the state of _____
- B.** Number of non-Indiana resident partners _____ Accounting method: Cash Accrual Other _____
- C.** Is an extension of time to file attached? Yes No Year of initial Indiana return _____
- D.** Are you a limited liability company electing partnership treatment on your federal return? Yes No

1. Total net income (loss) from U.S. Partnership return, Form 1065 Schedule K, lines 1 through 7 less lines 9 and 14b(2) (see instructions)	1		
2. Add back: a) All state income taxes (taxes based on income)	2a		2000 IT-65
b) For Department use only	2b		
Deduct: c) Interest on U.S. Government obligations	2c		
Deduct: d) Exempt Indiana lottery prize receipts	2d		
3. Total Indiana modifications (Add lines 2a and 2b, deduct lines 2c and 2d)	3		
4. Total partnership income, as adjusted (add lines 1 and 3)	4		

Schedule A - Partners' Identification Section - Columns 1 through 5 must be completed

	1. Name of each partner	2. Partner's State of Residence (domicile)	3. Tax Withheld for Nonresident Partner	4. Partner's Applicable Percentage	5. Social Security Number or Federal Identification Number
A.					
B.					
C.					
D.					
E.					
F.					
G.					
H.					
I.					
J.					
K.					
L.					

Before continuing to lines 5 through 15, complete Schedule K-1 (on reverse side)

Summary of Calculations

5. Sales/use tax due from Consumer's Use Tax Worksheet (see page 15)	5		
6. Total composite tax from completed Schedule IT-65COMP (D+E). Attach schedule	6		
7. Total tax due (add lines 5 and 6)	7		
8. Total composite tax return credits (attach schedule and WH-18 statement for composite members)	8		
9. Other credits belonging to the partnership (attach documentation)	9		
10. Subtotal (line 7 minus lines 8 and 9). If total is greater than zero, proceed to lines 11, 12, and 13	10		
11. Interest: Enter total interest due; see instructions. (Contact the Department for current interest rate)	11		
12. Penalty: If paying late enter 10% of line 10, see instructions. If line 7 is zero, enter \$10 per day filed past due date	12		
13. Total Amount Due (add lines 10, 11 and 12). If less than zero, enter on line 14	13		
14. Overpayment (line 8 plus line 9, minus lines 7, 11, and 12)	14		
15. Refund: Amount from line 14 to be refunded. Enter as a positive figure	15		

(Do not write below)

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

20	
DD	

Signature of Partner	Date	Print or Type Name	Title
Paid Preparer's Name	Preparer's FID or SSN, or PTIN Number		Check box: <input type="checkbox"/> Federal I.D. Number <input type="checkbox"/> Social Security Number <input type="checkbox"/> PTIN Number
Street Address	Daytime Telephone Number		
City	State	Zip+4	Preparer's Signature

Indiana Department of Revenue

IT-65 2000
Schedule IN K-1
 (Rev. 9/00)
 SF 49181

Name of Partnership	Federal Identification Number
---------------------	-------------------------------

Partners' Share of Income, Deductions, Modifications and Credits

See separate instructions (Use additional sheets if necessary - provide IN K-1 information for each partner). **Omit Cents.**

Distributive Share Items	Partner (A)	Partner (B)	Partner (C)	Partner (D)	Partner (E)	Partner (F)
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. Guaranteed payments to partner						
6. Net gain (loss) under I.R.C. Section 1231						
7. Other income (loss) (attach schedule)						
Subtract: <i>(Do not use line 8 of federal K-1)</i>						
9. I.R.C. Section 179 expense deduction						
10. <i>Non-itemized</i> deductions related to portfolio income (explain)						
11. Other federal (<i>NON-ITEMIZED</i>) deductions (attach schedule)						
12. Total pro rata distributions (add lines 1 through 7, subtract lines 9, 10 and 11)						
13. Indiana modifications (from line 3 on front of Form IT-65, see instructions)						
14. Indiana pass-through credits (indicate type _____)						

Distributive Share Items	Partner (G)	Partner (H)	Partner (I)	Partner (J)	Partner (K)	Partner (L)
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. Guaranteed payments to partner						
6. Net gain (loss) under I.R.C. Section 1231						
7. Other income (loss) (attach schedule)						
Subtract: <i>(Do not use line 8 of federal K-1)</i>						
9. I.R.C. Section 179 expense deduction						
10. <i>Non-itemized</i> deductions related to portfolio income (explain)						
11. Other federal (<i>NON-ITEMIZED</i>) deductions (attach schedule)						
12. Total pro rata distributions (add lines 1 through 7, subtract lines 9, 10 and 11)						
13. Indiana modifications (from line 3 on front of Form IT-65, see instructions)						
14. Indiana pass-through credits (indicate type _____)						



Indiana Department of Revenue Indiana Partnership Return

For Calendar Year Ending December 31, 2000

or Other Tax Year Beginning _____, 2000 and Ending _____, _____

(Do not write above)

Form IT-65

SF 11800 (Rev. 9/00)

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

A. Check: Initial Return Final Return In Bankruptcy Composite Return Date of organization _____ in the state of _____

B. Number of non-Indiana resident partners _____ Accounting method: Cash Accrual Other _____

C. Is an extension of time to file attached? Yes No Year of initial Indiana return _____

D. Are you a limited liability company electing partnership treatment on your federal return? Yes No

1. Total net income (loss) from U.S. Partnership return, Form 1065 Schedule K, lines 1 through 7 less lines 9 and 14b(2) (see instructions)	1		
2. Add back: a) All state income taxes (taxes based on income)	2a		2000 IT-65
b) For Department use only	2b		
Deduct: c) Interest on U.S. Government obligations	2c		
Deduct: d) Exempt Indiana lottery prize receipts	2d		
3. Total Indiana modifications (Add lines 2a and 2b, deduct lines 2c and 2d)	3		
4. Total partnership income, as adjusted (add lines 1 and 3)	4		

Schedule A - Partners' Identification Section - Columns 1 through 5 must be completed

1. Name of each partner	2. Partner's State of Residence (domicile)	3. Tax Withheld for Nonresident Partner	4. Partner's Applicable Percentage	5. Social Security Number or Federal Identification Number
A.				
B.				
C.				
D.				
E.				
F.				
G.				
H.				
I.				
J.				
K.				
L.				

Before continuing to lines 5 through 15, complete Schedule K-1 (on reverse side)

Summary of Calculations

5. Sales/use tax due from Consumer's Use Tax Worksheet (see page 15)	5		
6. Total composite tax from completed Schedule IT-65COMP (D+E). Attach schedule	6		
7. Total tax due (add lines 5 and 6)			
8. Total composite tax return credits (attach schedule and WH-18 statement for composite members)	8		
9. Other credits belonging to the partnership (attach documentation)	9		
10. Subtotal (line 7 minus lines 8 and 9). If total is greater than zero, proceed to lines 11, 12, and 13			
11. Interest: Enter total interest due; see instructions. (Contact the Department for current interest rate)	11		
12. Penalty: If paying late enter 10% of line 10, see instructions. If line 7 is zero, enter \$10 per day filed past due date	12		
13. Total Amount Due (add lines 10, 11 and 12). If less than zero, enter on line 14	13		
14. Overpayment (line 8 plus line 9, minus lines 7, 11, and 12)	14		
15. Refund: Amount from line 14 to be refunded. Enter as a positive figure	15		

(Do not write below)

➤ 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.

20		
DD		

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

Signature of Partner	Date	Print or Type Name	Title
Paid Preparer's Name	Preparer's FID or SSN, or PTIN Number		Check box: <input type="checkbox"/> Federal I.D. Number <input type="checkbox"/> Social Security Number <input type="checkbox"/> PTIN Number
Street Address	Daytime Telephone Number		
City	State	Zip+4	Preparer's Signature

Indiana Department of Revenue

IT-65 2000
Schedule IN K-1
 (Rev. 9/00)
 SF 49181

Name of Partnership	Federal Identification Number
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Partners' Share of Income, Deductions, Modifications and Credits

See separate instructions (Use additional sheets if necessary - provide IN K-1 information for each partner). **Omit Cents.**

Distributive Share Items	Partner (A)	Partner (B)	Partner (C)	Partner (D)	Partner (E)	Partner (F)
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. Guaranteed payments to partner						
6. Net gain (loss) under I.R.C. Section 1231						
7. Other income (loss) (attach schedule)						
Subtract: <i>(Do not use line 8 of federal K-1)</i>						
9. I.R.C. Section 179 expense deduction						
10. <i>Non-itemized</i> deductions related to portfolio income (explain)						
11. Other federal (<i>NON-ITEMIZED</i>) deductions (attach schedule)						
12. Total pro rata distributions (add lines 1 through 7, subtract lines 9, 10 and 11)						
13. Indiana modifications (from line 3 on front of Form IT-65, see instructions)						
14. Indiana pass-through credits (indicate type _____)						

Distributive Share Items	Partner (G)	Partner (H)	Partner (I)	Partner (J)	Partner (K)	Partner (L)
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. Guaranteed payments to partner						
6. Net gain (loss) under I.R.C. Section 1231						
7. Other income (loss) (attach schedule)						
Subtract: <i>(Do not use line 8 of federal K-1)</i>						
9. I.R.C. Section 179 expense deduction						
10. <i>Non-itemized</i> deductions related to portfolio income (explain)						
11. Other federal (<i>NON-ITEMIZED</i>) deductions (attach schedule)						
12. Total pro rata distributions (add lines 1 through 7, subtract lines 9, 10 and 11)						
13. Indiana modifications (from line 3 on front of Form IT-65, see instructions)						
14. Indiana pass-through credits (indicate type _____)						

Name of Partnership	Federal Identification Number
---------------------	-------------------------------

Partners' Composite Indiana Adjusted Gross Income Tax Return

For Partnership's Tax Year **2000** or Fiscal Year Beginning _____, 2000 and Ending _____, _____

See instructions on reverse side. Attach to Form IT-65 (Use additional sheets if necessary).

PART I - List name and address of each nonresident partner *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. **Omit Cents.**

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

Name	Enter pro rata share		Composite Adjusted Gross Income Tax			Credits	
	A	B	C	D	E	F	G
	Apportioned distributive income attributed to Indiana from IN K-1, line 12	Indiana modifications from IN K-1, line 13	Adjusted gross Income Add A + B	State tax multiply C x 3.4%	County Tax multiply C by nonresident county tax rate (if applicable)	Enter partner's withholding credit as shown on Form WH-18	Enter pro rata credits from IN K-1, line 14 (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				
Carry total tax and credits to Summary of Calculations				

Tax: Add D and E Enter total tax on Form IT-65, line 6.	➤		➤	Credit: Add F and G Enter total credit on Form IT-65, Line 8.
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Name of Partnership		Federal Identification Number			
Read detailed instructions on page 16. Omit Cents. Round to two decimals for Column C.					
The following information must be submitted by all partnerships having income from sources both within and outside the state. (Interstate transportation entities must use Schedule E-7).		Column A Total Within Indiana	Column B Total Within and Outside Indiana	Column C Indiana Percentage	
<p>1. Property Factor - Average value of owned property from the beginning and the end of the tax year. (Value of real and tangible personal property used in the business at original cost).</p> <p>(a) Property reported on federal return (average value for tax year)</p> <p>(b) Fully depreciated assets still in use at cost (average value for tax year)</p> <p>(c) Inventories, including work in progress (average value for tax year)</p> <p>(d) Other tangible personal property (average value for tax year)</p> <p>(e) Rented property (8 times the annual net rental)</p> <p>Total Property Values: Add lines 1(a) through 1(e)</p>					
		S1	S2	S3 _ _ . _ _ %	
<p>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.</p> <p>Total Payroll Value:</p>					
		T1	T2	T3 _ _ . _ _ %	
<p>3. Receipts Factor (less returns and allowances)</p> <p>(a) Sales delivered or shipped to Indiana:</p> <p style="padding-left: 20px;">(1) Shipped from within Indiana</p> <p style="padding-left: 20px;">(2) Shipped from outside Indiana</p> <p>(b) Sales shipped from Indiana to:</p> <p style="padding-left: 20px;">(1) The United States Government</p> <p style="padding-left: 20px;">(2) Purchasers in a state where the taxpayer is not subject to income tax (under P.L. 86-272)</p> <p>(c) Interest income and other receipts from extending credit attributed to Indiana ..</p> <p>(d) Other gross business receipts not previously apportioned</p> <p>Total Receipts: Add column A lines 3 (a) through 3 (d) and enter in box U1; enter all receipts in box U2</p>					
		U1	U2		
<p>4. Summary - Apportionment of Income for Indiana</p> <p>(a) Receipts Percentage for factor 3 above: Divide U1 by U2, enter result here: _ _ . _ _ % X 200% (2.0) double-weighted adjustment</p> <p>(b) Total Percents: Add percentages entered in boxes S3, T3 and U3 of column C. Enter sum</p> <p>(c) Indiana Apportionment Percentage: Divide box V by 4 if all three factors are present</p>				U3 _ _ . _ _ %	V _ _ . _ _ %
				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 17.

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?		Registered to do Business?		Files Returns in State?		Property in State Leased?Owned?					
		Yes	No	Yes	No	Yes	No	Yes	No	Yes	No		

Consumer's Use Tax Worksheet

List all taxable purchases of property where Indiana sales tax was not paid.
See instructions, page 17. (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
2. Use tax (5% of line 1)
3. Sales tax previously paid on the above items up to 5% credit per item
4. Use tax due (Line 2 minus line 3). Carry this amount to Line 5 of Form IT-65. If the amount is negative, enter zero.

