

**STATE OF INDIANA**

S Corporation Income Tax Booklet

**2011 Form IT-20S**

**This booklet contains:**

Worksheet for S Corporation Distributive Share Income, Deductions, and Credits

Sales/Use Tax Worksheet

Form IT-20S - Indiana S Corporation Income Tax Return

IT-20S Schedule E Apportionment of Income for Indiana

Schedule IT-20SCOMP Shareholders' Composite Adjusted Gross Income Tax Return

IT-20S Schedule IN K-1 - Shareholder's Share of Indiana Adjusted Gross Income, Deductions, Modifications, and Credits

Form DB020W-NR - Indiana Withholding Tax for Nonresidents

Indiana Department of Revenue  
**2011 IT-20S - Indiana S Corporation Income Tax Booklet**

### **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, with the Department. It also must file information returns (IT-20S Schedule IN K-1s) disclosing each shareholder's share of distributed and undistributed income. These forms are due on or before the 15th day of the fourth month following the close of the S corporation's tax year. Enclose the first four pages of the U.S. Income Tax Return for an S corporation (Form 1120S) and Schedule M-3. Federal Schedules K-1 should not be enclosed but must be made available for inspection upon request by the Department.

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

1. Maintenance of an office, a warehouse, a construction site, or another 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;
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; and
8. Maintenance of a public utility.

### **S Corporation Filing Requirements**

Corporations that are permitted to and do file in accordance with Section 1361(a)(1) of the Internal Revenue Code (IRC) are exempt from the Indiana adjusted gross income tax for any tax period for which the election is in effect, except on passive income and built-in gains. **Note:** S elections cannot be made retroactively. Qualifications under Indiana law for filing 2011 S corporation returns are essentially the same as in the IRC, in effect as of Jan. 1, 2011. However, the corporation must file an IT-20S and meet the 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 income (AGI) tax will not be assessed. Effective for tax years beginning after Dec. 31, 1994, an S corporation failing to withhold will be subject to the penalty provided by IC 6-8.1-10-2.1(h), instead of losing its tax exemption. This penalty is 20% of the amount of tax required to be withheld and paid under IC 6-3-4-13. In addition, there is a penalty of \$10 for each failure to timely file an information return, IT-20S Schedule IN K-1. Corporations filing for the first time must enclose a copy of the approval letter from the Internal Revenue Service granting the S election.

### **Utility Receipts Tax**

A Utility Receipts Tax (Form URT-1) is imposed at the rate of 1.4% of the taxable receipts from the retail sale of utility services. Gross receipts are defined as the value received for the retail sale of utility services. Utility services subject to tax include

- Electric energy;
- Natural gas;
- Water;
- Steam;
- Sewage; and
- Telecommunications.

If an S corporation has more than \$1,000 in gross receipts from the sale of utility services, it might be required to file Form URT-1 in addition to Form IT-20S. For more information, get Commissioner's Directive #18 at [www.in.gov/dor/3617.htm](http://www.in.gov/dor/3617.htm)

### **Utility Services Use Tax**

Effective July 1, 2006, an excise tax known as the utility services use tax is imposed on the retail consumption of utility services in Indiana at the rate of 1.4% if the utility receipts tax is not paid by the utility providing the service.

You may be liable for this tax if

- You purchase utility services from outside Indiana (or anywhere, if for resale); and
- You become the end user in Indiana of any part of the purchase.

The person who consumes the utility service is liable for the utility services use tax based on the price of the purchase. Unless the seller of the utility service is registered with the Department to collect the utility services use tax on your behalf, you must remit this tax on Form USU-103. For more information, see Commissioner's Directive #32 at [www.in.gov/dor/3617.htm](http://www.in.gov/dor/3617.htm)

### **General Filing Instructions Liability of the S Corporation**

S corporations as entities generally are not subject to an income or financial institution tax.

S corporations are considered to be the taxpayer with respect to the payment of amounts withheld at source. See "Withholding Tax Liabilities of S Corporations" on page 3 for more information.

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. The only exceptions are if

- The 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 the instructions for the Sales/Use Tax Worksheet on page 12.

An apportionment schedule 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 the instructions for Schedule E on page 19.

An S corporation that has nonresident shareholders must file a composite return for all its nonresident shareholders, even if a nonresident shareholder has other income from Indiana. A \$500 penalty will be assessed to any S corporation that fails to file a composite return that includes all nonresident shareholders (PL 211-2007 SEC. 27, 44, 58).

Any passive income and built-in gains of an S corporation that is subject to tax under provisions of the IRC will be subject to Indiana adjusted gross income tax. See the instructions for IT-20S Schedule B on page 10.

A corporation is not required to file quarterly estimated payments if its annual unpaid liability is less than \$2,500. Estimated tax payments must be submitted with the Indiana corporation's quarterly income tax return (preprinted Form IT-6) or by electronic funds transfer (EFT). Corporations required to make quarterly estimated payments can use the annualized income installment method calculated in the manner provided by IRC Section 6655(e) as applied to the corporation's AGI tax liability.

The threshold for making EFT payments for corporate estimated taxes is \$5,000.

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

Corporate filers (whether filing on a calendar-year, fiscal-year, or short-tax-year basis) must remit by the 20th day of the fourth, sixth, ninth, and twelfth months of their tax periods. For more details, get Income Tax Information Bulletin #11 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm)

To avoid costly penalty and interest charges for delinquent filing of returns, an S corporation should verify its tax status and withholding responsibilities before doing 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 IRC to withhold federal taxes on those types of payments are also required to withhold for Indiana tax purposes. Payments of amounts withheld must be remitted to the Department on the proper WH-1 withholding return by the due date. If a return and/or payment of the proper amount of tax withheld is not made by the due date, penalty and interest will be added. A person responsible for remitting payments 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 the 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 ([www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm)). If an employee resides in a state that has a reciprocal agreement with Indiana, he is exempt from withholding. However, 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 a rate of 3.4% on the amount it pays or credits any of its nonresident and part-year nonresident individual shareholders as either

- Dividends; or
- 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 who are subject to and pay income taxes at rates of 3.4% or higher to their resident states. The reverse credit states are

- Arizona;
- California [see note];
- Oregon; and
- Washington, D.C.

**Note:** Indiana state withholding is required whenever a California resident shareholder is included in an Indiana composite return.

You must withhold at the appropriate adopting county's nonresident tax rate on each Indiana nonresident shareholder whose principal place of business or employment on January 1 is located in an Indiana county that has adopted a county income tax. Use Departmental Notice #1 to determine county tax withholding rates. This notice is available at [www.in.gov/dor/3618.htm](http://www.in.gov/dor/3618.htm)

To verify a county's rate, visit the Department's website or call our main tax line at (317) 232-0129 for assistance.

**Trusts and Estates** - An S corporation must withhold on income distributions to all trusts, estates, and nonprofit organizations not domiciled in Indiana. This amount must reflect the ultimate tax liability due Indiana by the respective member or beneficiary 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. It must also 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. This must be done without reapportioning the income at the lower level. For details, get Income Tax Information Bulletin #85 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm)

**Withholding Amounts on Nonresident Shareholders** - The S corporation's withholding of state and/or county tax from nonresident shareholders is payable quarterly if the monthly average is less than \$50. Use Form WH-1 for this payment. This form must be filed by the last day of the month following the end of each quarter in which a distribution was made. For example, if a current distribution is made on June 17, 2011, you must remit the withholding tax with Form WH-1 for June by July 30, 2011.

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 able to file Form DB020W-NR. This creates a nonresident withholding account if one does not exist. It also allows the respective state and county withholding tax amounts on nonresidents to be paid at one time when a nonresident withholding account that is separate from the payroll withholding account is established. This withholding return is due by the 15th day of the third month following the end of the taxable year. For example, if a single annual distribution for a calendar year is made on Dec. 31, 2011, the withholding tax is due on March 15, 2012. A copy of this withholding return is included in this booklet. 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.

If an S corporation fails to withhold, it will be assessed a delinquent penalty. This penalty is 20% plus 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 pay the withholding tax due. If necessary, the corporation must get such funds from its shareholders.

**Note:** Shareholders not domiciled in Indiana must meet annual filing requirements (except individuals included in a composite return) and remit all unpaid tax, penalties, and interest, even if they have complied with the withholding regulations.

### How to Register as a Withholding Agent

An S corporation with any withholding liability as previously described must register as an Indiana withholding agent. The Department assigns an Indiana TID consisting of:

- A 10-digit number exclusive to the taxpayer; and
- A 3-digit number for the location being registered.

The S corporation has two options in registering as a withholding agent:

- It can request and file the Indiana Department of Revenue Business Tax Application (Form BT-1) for the corporation. You can request Form BT-1 and Instructions for Withholding Registration by calling the Tax Administration at (317) 232-0129. An application that has been mailed to the Department will be processed in approximately two to three weeks. However, any initial withholding payments can be remitted with the application. The BT-1 can also be completed online at <https://secure.in.gov/apps/dor/bt1>
- The second option is to visit either the Department's downtown Indianapolis office or one of the district offices located throughout the state to be registered the same day.

**Note:** Any new businesses that register with the Indiana Department of Revenue to collect sales or withholding taxes are required to file using INtax, per legislation (IC 6-2.5-6-1 and IC 6-3-4-8.1). For more information about this law, see <http://www.in.gov/dor/4273.htm>

To get registered with INtax, visit [www.intax.in.gov](http://www.intax.in.gov)

### How to Submit the Withholding Payment

**Form WH-1** - The periodic payment of amounts withheld from employees and/or nonresident shareholders should be included in the remittance with Form WH-1. Withholding agents are assigned to an annual, a quarterly, or a monthly filing status. Those businesses not registered with INtax ([www.intax.in.gov](http://www.intax.in.gov)) are mailed a voucher packet. This packet contains the employer's Withholding Tax Returns to be used for this purpose. Each return needs to be completed and mailed (postmarked) by its due date. It should include the total amount withheld for that period. By law, the withholding return must be filed even when no withholding amount is due.

You can find more information about remitting Form WH-1 at <http://www.in.gov/dor/4183.htm>

If the S corporation pays or credits amounts to its nonresident shareholders only once each year, it can 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), filed with WH-18 copies, will create a separate withholding account. This will be aside from any existing payroll withholding account. The payment due date on this type of account is automatically extended to the 15th day of the third month following the end of the S corporation's taxable year.

If an S corporation makes its payment for composite tax due on Form IT-20S and files past the due date of the withholding return, the S corporation will owe penalty and interest. Penalty charges can be avoided by timely paying withholding tax liabilities.

**Form WH-3** - The withholding agent must complete an annual Withholding Tax Reconciliation Return, Form WH-3. This must be filed by the end of February following the close of each calendar year. The following must be included:

- The Indiana taxpayer identification number (TID);
- The S corporation's name; and
- The calendar year.

Form WH-3 is used to reconcile the monthly, quarterly, or annual WH-1 returns. When remitting this form, the business must also remit the supporting W-2 and WH-18 reports. Although you can use magnetic tape to transmit W-2 information, you must enclose paper copies of Form WH-18 with the WH-3 when submitting it.

**Note:** Any employer that files more than 25 W-2s in a calendar year is required to file both the WH-3 form and their W-2s electronically.

To learn more about how to remit the WH-3 electronically, go to [www.in.gov/dor/4455.htm](http://www.in.gov/dor/4455.htm)

**How Fill to Out Form WH-3** - 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. Enter the amount to be refunded on Form WH-3, and provide an explanation.

If the withholding agent has underpaid the payroll or nonresident shareholder withholding liability for the year, he does not submit the payment with Form WH-3. Instead, he completes Form WH-1U. This is included with the WH-3 packet. The withholding agent submits the payment under separate cover. He also must indicate the Indiana TID and the period to which the payment should be applied. (Form DB020W-NR on page 29 is used for making an initial payment of the withholding tax due on income distributions made to nonresident shareholders once per year.)

Specific instructions for completing Form WH-18 are on the reverse side of that form, available at <https://forms.in.gov/Download.aspx?id=7259>

### Shareholders' Liability and Filing Requirements

A shareholder's share of profit or loss from an S corporation is included in the shareholder's calculation of federal AGI. It is generally subject to the same rules for arriving at Indiana AGI. Therefore, a shareholder's distributive share, before any modifications required by Indiana statutes, is the same ratio and amount as determined under IRC Section 1361 and its prescribed regulations. The shareholders 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 is adjusted by modifications provided for in IC 6-3-1-3.5(a) or (b).

### 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 state(s) it does business. Form IT-40 (Indiana Individual Income Tax Return) should be completed by each individual shareholder.

**Nonresidents** - Part- 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 IC 6-3-2-2(b). Whenever an S corporation has a nonresident shareholder and conducts business within and outside Indiana, the S corporation must include the apportionment worksheet with Form IT-20S. The shareholder should complete Form IT-40PNR (Indiana Part-Year or Full-Year Nonresident Individual Income Tax Return). The shareholder must claim credit on that return by enclosing state Form WH-18 for amounts withheld by the S corporation from the shareholder's distributive share of 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 must file Form IT-40PNR to report:

- The total amount of income (loss) received while residing in Indiana;
- That part of Indiana source income received while a nonresident; and
- Apportioned Indiana income (loss), as modified, received by a nonresident of Indiana.

**Note:** Passive losses may not exceed the limits imposed by IRC Section 469. Also, losses may not exceed the shareholder's investment. See IRC Section 1367.

### Other Shareholders

Other shareholders that are trusts or estates 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 includes pro rata Indiana modifications. However, losses may not exceed the limits imposed by IRC Sections 469 and 1367.

Shareholders doing business both within and outside Indiana must also determine their taxable income from Indiana sources by using the allocation and apportionment provisions contained in IC 6-3-2-2(b)-(h). See Schedule E (apportionment) for more information. Business income, including all S corporation income, apportioned to Indiana plus nonbusiness income allocated to Indiana (plus modifications required by IC 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 is generally the same as its basis for federal income tax purposes. Shareholders of S corporations must maintain basis schedules and make them available to the Department upon request.

### Indiana S Corporation Income for Individual Shareholders

#### Example:

Taxpayer A is a resident of Indiana and has a 50% stock interest in XYZ, Inc. XYZ is an Indiana S corporation doing business both within and outside Indiana. Taxpayer B is a nonresident of Indiana but also has a 50% stock interest in XYZ, Inc.

XYZ's income from operations is \$530,000, and its expenses are \$500,000. Of these expenses, \$35,000 is an expense for state income tax.

#### Computations for XYZ, Inc.:

XYZ computes its adjusted S corporation income as follows:

Income from operations	\$530,000
Expenses	-500,000
Addback modifications	<u>+ 35,000</u>
S corporation income	\$65,000

Using the single-factor apportionment formula for periods beginning after Dec. 31, 2010, under IC 6-3-2-2(b), XYZ, Inc., determines its apportionment percentage as follows:

Indiana sales/receipts	5000.00
Divide by everywhere sales/receipts	<u>/41667.00</u>
Equals	.1200
Multiply by 100	<u>x 100</u>
Equals Indiana apportionment percentage	12.00%

### Computations for Taxpayers A and B:

Taxpayer A, as a resident of Indiana, must report his own entire share of S corporation income to Indiana regardless of whether the S corporation apportions its income. As a general rule, if Taxpayer A pays tax to another state (on a portion of S corporation income), Taxpayer A can take a credit on his individual return.

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

S corporation income	\$65,000
Distributive share	<u>(50% x \$65,000)</u>
Indiana adjusted distributive share of income	\$32,500

Taxpayer B, as a nonresident of Indiana, reports only her own share of S corporation income apportioned to Indiana. As a general rule, if Taxpayer B is required to pay tax to another state on a portion of her income from XYZ, Inc., Taxpayer B cannot take a credit on her Indiana return. She must claim it from her 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	<u>x 12%</u>
Apportioned Indiana distributive share of income	\$3,900

### 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 Filing Due Date

The initial due date for filing is the 15th day of the fourth month following the close of the S corporation's tax year. The Department accepts the federal extension of time application (Form 7004) and the federal electronic extension. If you have an extension, you don't need to contact the Department before filing your annual return. Returns postmarked within 30 days after the last date indicated on the federal extension will be considered timely filed.

Do not file a separate copy of this form with the Department to request an Indiana extension. If applicable, enclose a copy of the federal extension of time when filing your state return. Check box R1 on the front of the IT-20S return.

If you don't need a federal extension, you can request a separate Indiana extension of time to file. Do this by writing to:

Indiana Department of Revenue  
Tax Administration  
100 N. Senate Ave.  
Indianapolis, IN 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 from the payment due date of income tax withholding and composite AGI tax on nonresident shareholders.

### Amended Returns

Both the S corporation and the shareholders must file amended Indiana returns within 180 days after the filing of the amended federal return 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.

An adjustment made by the Internal Revenue Service affecting the reportable Indiana income must be followed with an amended S corporation return. This must be done within 180 days after the adjustment becomes final. **Check box A1 at the top of Form IT-20S if you are filing an amended return.**

### Instructions for Completing Form IT-20S Filing Period and Identification

Use Form IT-20S, revised 8-11, to file:

- A 2011 corporation return for a tax year ending Dec. 31, 2011;
- A short tax year beginning and ending in 2011; or
- A fiscal year beginning in 2011 and ending in 2012.

For a fiscal or short tax year, fill in both the beginning month, day, and year and the ending month, day, and year at the top of the form.

Please use the corporation's full legal name of and present mailing address. *For foreign addresses, please note the following:*

- Be sure to enter the name of the city, town, or village in the box labeled City;
- Be sure to enter the name of the state or province in the box labeled State; and
- Be sure to enter the postal code and the 2-digit country code in the box labeled ZIP Code.

Check box A1 at the top of the form if you are filing an amended return. For a name change, check box B1 at the top of the return. **You must enclose with the return copies of amended Articles of Incorporation or an Amended Certificate of Authority filed with the Indiana Secretary of State.**

The federal identification number shown in the box in the upper-right corner of the return must be accurate and the same as used on the U.S. Income Tax Return for an S Corporation. If you are the reporting corporation with a qualified Subchapter S subsidiary (QSSS), enclose a statement (or federal Form 8869) showing the name, address, and federal ID number of your owned S corporation included in this return. If a QSSS is included in this return, please enclose a completed Schedule 8-D.

List the name of the county in Indiana where you have a primary business location. Place "O.O.S." in the county box D for an address outside Indiana.

Enter your principal business activity code, derived from the North American Industry Classification System (NAICS), in the designated block of the return. Use the six-digit activity code as reported on the federal corporation income tax return. A link to a list of these codes is available at [www.in.gov/dor/3742.htm](http://www.in.gov/dor/3742.htm)

## Questions K Through T and Other Fill-in Lines

All corporations filing an Indiana corporation income tax return must complete the top portion of the form, including questions K through T. Check or complete all boxes that apply for your return:

- K. Indicate the date and state of incorporation.
- L. Indicate the state of the corporation's commercial domicile.
- M. Indicate the year the initial Indiana return was filed.
- N. Indicate the accounting method used.
- O. Indicate the date of election as an S corporation.
- P. Check box P-1 if you are filing an initial return. Check box P-2 only if the corporation is dissolved, is liquidated, or withdrew from the state. **Also, you must timely file Form BC-100 to close out any sales and withholding accounts.** Go to [www.in.gov/dor/3508.htm](http://www.in.gov/dor/3508.htm) to complete this form online. Check box P-3 if the corporation is in bankruptcy. Check box P-4 if you are filing as a composite return for nonresident shareholders. Check box P-5 if you are completing Schedule M, Alternate Adjusted Gross Income Tax Calculation.
- Q. Enter the number of shareholders of the corporation in entry box **Q-1**. Enter the number of all shareholders who are nonresidents of Indiana in entry box **Q-2**.
- R. Check box Yes if you have a valid extension of time or an electronic federal extension of time to file your return. **If applicable, enclose a copy of federal Form 7004 when filing your state return.**
- S. Check box 1 if this corporation filed as a C corporation for the prior tax year.
- T. Check box 1 if this corporation is a member of any partnership.

## Schedule A - S Corporation Adjusted Gross Income

**Note:** Please round all entries to the nearest whole dollar amount. Also, please do not use a comma in dollar amounts of four digits or more. For example, instead of entering "3,455" you should enter "3455."

**Line 1.** Enter the amount from the federal S Corporation Return Schedule K:

- Net ordinary business income;
- Net income from real estate activities from Form 882;
- Other rental income activities;
- Portfolio income and deductions;
- Royalties;
- Capital gains and losses; and
- Other income.

The Section 179 deduction and that portion of investment expenses included in federal Schedule K, part of line 12, and line 17 relating to investment portfolio (royalty) income, flowing through to federal Schedule E, may be tentatively deducted. Do not deduct other expenses treated as federal itemized deductions.

Use the Worksheet for S Corporation Distributive Share of Income, Deductions, and Credits to assist in this calculation. You must use the income worksheet if the corporation received any distributive income from an owned partnership interest, estate, or trust. See the instructions on page 21 and the worksheet on page 12.

## Indiana State Modifications, Lines 2a Through 2f

Enter any addbacks and deductions on lines 2a through 2e. Enter the name of the addback/deduction, its 3-digit code, and its amount. Use a minus sign to denote negative amounts. Attach additional sheets if necessary.

### New Addbacks

The 2011 Indiana General Assembly did not conform to several provisions in the IRC. Therefore, per House Enrolled Act 1001-2011, five deductions allowed at the federal level must be added back to taxpayers' Indiana AGI. These include

- The deduction for qualified environmental remediation costs;
- The deduction for qualified advanced mine safety equipment;
- The deduction for qualified leasehold improvement property;
- The deduction for a motorsports entertainment complex;
- The deduction for start-up expenditure;
- The deduction based on employment of an unauthorized alien;
- The deduction pertaining to limitations on percentage depletion of oil and gas wells; and
- The deduction for qualified electric utility amortization.

**NOTE: The Act is effective retroactively to taxable years beginning after Dec. 31, 2009.** So, if one of the modifications applies to a taxpayer's Indiana AGI for both 2011 and 2010, the taxpayer can report both on his 2011 income tax return. He does not need to file an amended return for 2010 to report the required modification, although filing an amended return is allowed.

Please note that, because these modifications/addbacks apply to both 2010 and 2011, each addback has two 3-digit codes listed for it. Codes that begin with a 1 should be used for addbacks to your AGI in 2011; codes that begin with a 3 should be used for addbacks to your AGI in 2010.

The following addbacks and deductions should be entered on lines 2a through 2e:

- **Addback for certain taxes deducted from federal AGI** – All state taxes based on or measured by income levied by any state that were deducted on the federal return must be added back. **(3-digit code: 100)**
- **Addback for bonus depreciation** – An amount attributable to bonus depreciation in excess of any regular depreciation that would be allowed if an election under IRC Section 168(k) had not been made as applied to property in the year that it was placed into service should be added or subtracted. Taxpayers who own property for which additional first-year special depreciation for qualified property was allowed in the current taxable year or in an earlier taxable year must add or subtract an amount necessary to make their adjusted gross income equal to the amount computed without applying any bonus depreciation. This includes 50% bonus depreciation. The subsequent depreciation allowance is calculated on the state's stepped-up basis until the property is disposed. Enclose a statement explaining any adjustment. **(3-digit code: 104)**

**Example:** If the IRC Section 179 deduction was elected on business equipment acquired during 2009 and costing \$200,000, the capital expensing deduction was \$100,000 with a remaining basis of \$100,000. An additional 50% bonus depreciation of \$50,000 was elected, leaving a basis of \$50,000 for a five-year Modified Accelerated Cost Recovery System (MACRS) property (half-year convention) depreciation deduction of 20% (\$10,000). The total amount of the federal deduction was \$160,000.

For state purposes, the bonus depreciation of \$50,000 was not allowed and must be added back. The IRC Section 179 deduction was capped at \$25,000. Therefore, the \$75,000 excess amount must be added back. These adjustments result in a stepped-up basis of \$175,000 for the state return on which to figure the allowable first-year MACRS property depreciation deduction of 20% (\$35,000) for 2009. This was a total state deduction of \$25,000 more than already deducted under the General Depreciation System (GDS). The additional depreciation can be excluded in subsequent years from the amounts to be added back when excess IRC Section 179 deduction or bonus depreciation was elected.

Commissioner's Directive #19 ([www.in.gov/dor/3617.htm](http://www.in.gov/dor/3617.htm)) explains this initial required modification on the allowance of depreciation for state tax purposes.

- **Addback for Section 179 expense excess** – Enter any IRC Section 179 adjustment claimed for federal tax purposes that exceeds the amount recognized for state tax purposes. **(3-digit code: 105)**

Indiana adopted the former expensing limit provided by The Jobs Creation and Workers Assistance Act of 2002 and has since specified an expensing cap of \$25,000. This modification affects the basis of the property if a higher Section 179 limit was applied. The increase to a \$100,000 deduction and a beginning \$400,000 phase-out limitation was not allowed for purposes of calculating Indiana adjusted gross income. The depreciation allowances in the year of purchase and in later years must be adjusted to reflect the additional first-year depreciation deduction, including the special depreciation allowance for 50% bonus depreciation property, until the property is sold.

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

**Note:** The net amount determined for the net bonus depreciation or the IRC Section 179 addback might be a negative figure (because of a higher depreciation basis in subsequent years). If it is, use a minus sign to denote that. (If the taxable income is a loss, this adjustment increases a loss when added back.) Enclose a statement to explain your adjustment.

- **Deduction for interest on U.S. government obligations** – Deduct interest income, less related expenses, from certain obligations of the U.S. government included as income on the federal return. **(3-digit code: 610)**

For a listing of eligible items, get Income Tax Information Bulletin #19 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm)

- **Deduction for Indiana lottery winnings**– Deduct Indiana lottery prize money. A portion of prize money received from the purchase of a winning Indiana lottery game or ticket included in federal taxable income should be excluded. The proceeds of up to \$1,200 are deductible from each winning lottery game or ticket paid through the Hoosier State Lottery Commission. Explain the deduction on an enclosed statement. **(3-digit code: 606)**

**Note:** Entries made on federal Form 8825 should also be considered when completing entries on line 2.

- **Addback for deferral of business indebtedness discharge and reacquisition** – Add back the deduction for deferral of business indebtedness discharge and reacquisition. Enter an amount equal to the amount claimed as a deferral of income arising from business indebtedness discharged in connection with the reacquisition after Dec. 31, 2008, and before Jan. 1, 2011, of an applicable debt instrument (as provided in Section 108(i) of the IRC), for federal income tax purposes. **(3-digit code: 107)**
- **Addback for qualified restaurant property** – Add back the deduction for qualified restaurant property. Enter an amount equal to the amount claimed as a deduction for federal income tax purposes for qualified restaurant property. The property must have been placed in service during the taxable year and have been classified as 15-year property under Section 168(e)(3)(E)(v) of the IRC. **(3-digit code: 108)**
- **Addback for qualified retail improvement property** – Add back the deduction for qualified retail improvement property. Enter an amount equal to the amount claimed as a deduction for federal income tax purposes for qualified retail improvement property. The property must have been placed in service during the taxable year and have been classified as 15-year property under Section 168(e)(3)(E)(ix) of the IRC. **(3-digit code: 109)**
- **Addback for qualified disaster assistance property** – Add back the deduction for qualified disaster assistance property. Add or subtract an amount equal to the amount claimed as a deduction for the special allowance for qualified disaster assistance property under Section 168(n) of the IRC for federal income tax purposes. **(3-digit code: 110)**
- **Addback for qualified refinery property** – Add back the deduction for qualified refinery property. Enter an amount equal to the amount claimed as a deduction for expense costs for qualified refinery property under Section 179C of the IRC for federal income tax purposes. **(3-digit code: 111)**



- **Addback for qualified film or television production** – Add back the deduction for qualified film or television production. Enter an amount equal to the amount claimed as a deduction for expense costs for qualified film or television production under Section 181 of the IRC for federal income tax purposes. **(3-digit code: 112)**

- **Addback for qualified preferred stock** – Add back the deduction for qualified preferred stock. Enter an amount equal to the amount claimed as a deduction for a loss from the sale or exchange of preferred stock that was treated as an ordinary loss under Section 301 of the Emergency Economic Stabilization Act of 2008 in the current taxable year or in an earlier taxable year. **(3-digit code: 113)**

The stock must be preferred stock in one of the following:

- The Federal National Mortgage Association, established under the Federal National Mortgage Association Charter Act (12 U.S.C. 1716 et seq.); or
- The Federal Home Loan Mortgage Corporation, established under the Federal Home Loan Mortgage Corporation Act (12 U.S.C. 1451 et seq.);

- **Addback for qualified environmental remediation costs** – Add back the deduction for qualified environmental remediation costs. If you claimed a deduction for qualified environmental remediation costs under Section 198 of the IRC, enter an amount equal to the amount claimed as a deduction. **(3-digit code: 121 for current tax year; use 321 for prior tax year)**

- **Addback for qualified advanced mine safety equipment** – Add back the deduction for qualified advanced mine safety equipment. If you claimed a deduction for the expense of qualified advanced mine safety equipment under Section 179 of the IRC, enter an amount equal to the amount claimed as a deduction. **(3-digit code: 126 for current tax year; use 326 for prior tax year)**

- **Addback for qualified leasehold improvement property** – Add back the deduction for qualified leasehold improvement property. If you excluded income because of qualified leasehold improvement property (as provided in Section 168(e)(3)(E)(iv) of the IRC) placed into service in the taxable year, add the amount claimed as a deduction. **(3-digit code: 129 for current tax year; use 329 for prior tax year)**

- **Addback for motorsports entertainment complex** – Add back the deduction for a motorsports entertainment complex. If you excluded income because of any motorsports entertainment complex (as provided in Section 168(e)(3)(C)(ii) of the IRC) placed into service in the taxable year, add the amount claimed as a deduction. **(3-digit code: 130 for current tax year; use 330 for prior tax year)**

- **Addback for start-up expenditure** – Add back the deduction for start-up expenditure. If you claimed a deduction for interest start-up expenditures under Section 195 of the IRC, add the amount, if any, by which the deduction you claimed exceeds the amount you would have been entitled to deduct prior to the enactment of the Small Business Jobs Act of 2010 (P.L. 111-240). **(3-digit code: 131 for current tax year; use 331 for prior tax year)**

- **Addback for trade or business deductions based on employment of an unauthorized alien** – For taxable years beginning after June 30, 2011, add back the amount allowed under the IRC for wages, reimbursements, or other payments made for services provided in Indiana by a financial institution if the person was prohibited from being hired as an employee because the person was an unauthorized alien. **(3-digit code: 132)**

- **Addback for oil and gas well depletion** – Section 613A(c)(6)(H)(ii) of the IRC was treated as though it was not amended. It pertains to the limitations on percentage depletion in the case of oil and gas wells. The federal amendment extends the suspension of the ability to deduct more than 100% of the net income from that property for marginal production (less than 15 barrels per day and heavy oil). **(3-digit code: 134 for current tax year; use 334 for prior tax year)**

- **Addback for qualified electric utility amortization** – Section 451(i)(3) of the IRC was treated as though it was not amended. It pertains to the special rule for sales or dispositions to implement Federal Energy Regulatory Commission of state electric restructuring policy for qualified electric utilities. The federal amendment provides that the sale or other disposition of property used by a qualified electric utility to an independent transmission company will allow the electric utility to elect to recognize gain from the transaction ratably over an 8-year period beginning in the year of the sale if the amount realized from the sale is used to purchase exempt utility property within the applicable period. This amortization is disallowed for Indiana purposes for 2010 and 2011. **(3-digit code: 135 for current tax year; use 335 for prior tax year)**

**Line 2f.** Enter the total amount of addbacks and deductions from any additional sheets. If you need to claim more than five addbacks and/or deductions, attach more sheets detailing them. Total the amounts from the additional sheets and enter it here (use a minus sign to denote a negative amount).

**Line 3.** Add lines 1 through 2f.

**Line 4.** Enter the Indiana apportionment percentage if the corporation has any multistate business activities. If apportioning income, enter the Indiana percentage (rounded to two decimal places) from line 8 of IT-20S Schedule E, Apportionment of Income for Indiana. Do not enter 100%.

Under the Adjusted Gross Income Tax Act, taxable income from a trade or business carried on within and outside Indiana was previously figured using a three-factor formula—property, payroll, and weighted sales factor. PL 162-2006 SECTIONS 25 and 56 amended IC 6-3-2-2(b), effective Jan. 1, 2007, to transition to a single-factor formula based on sales to apportion business income. The apportionment percentage determines the Indiana net income of the nonresident individual shareholders, trusts, and estates that pass through as a result of the S corporation's activities everywhere.

**For 2011, Schedule E, Apportionment of Income for Indiana, has been revised to reflect the single-factor formula. See IT-20S Schedule E instructions beginning on page 19.**

For more information, get Income Tax Information Bulletin #12 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm)

Before continuing to lines 5 through 25, complete IT-20S Schedule IN K-1 for each shareholder.

## Form IT-20S Schedule B - Tax on Excess Net Passive Income and Built-in Gains

To the extent that the S corporation's excess net passive income and built-in capital gains are subject to income tax under the Internal Revenue Code, the Indiana AGI tax is imposed on such income of the corporation derived from Indiana sources. Use the following guidelines to calculate the corporation's tax liability. The corporation must make quarterly estimated tax payments if its Indiana tax liability exceeds \$2,500.

All references are from the federal forms. Use updated versions where applicable.

**Line 5.** Enter the excess net passive income or LIFO recapture tax reported on federal Form 1120S, line 22a.

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

**Line 7.** Enter the lesser amount of the excess net passive income from line 7 or the taxable income from line 8, as calculated on the federal excess net passive income tax worksheet. Use the appropriate line from the latest federal update. Enclose the worksheet with the return.

**Line 8.** Enter the net amount: Line 16 from federal Schedule D, Part III, reduced by the portion of Section 1374 (b)(2) deduction, if any, from line 17 that is attributable to Indiana. If it is zero or less, enter 0 on line 8. Use the appropriate lines from the latest federal update. Enclose Schedule D (1120S) with the return.

**Line 10.** If the taxable amount on line 9 is not or cannot be wholly allocated to Indiana, use the apportionment percentage from line 4 to attribute the business income to Indiana. Enclose IT-20S Schedule E with your return. Multiply the amount on line 9 by the Indiana apportionment percentage on line 4. If apportionment of income is not applicable, enter the total amount from line 9.

**Line 12.** Multiply the amount on line 10 by the corporate AGI tax rate of 8.5%, if not otherwise qualified for a reduced rate of tax. (Note: Beginning on July 1, 2012, the corporate tax rate will decrease by 0.5% each year, until July 1, 2015, when it will be 6.5%.)

Effective Jan. 1, 2005, qualified taxable income derived from a designated Indiana Military Base Enhancement Area (MBEA) is subject to tax at the rate of 5%. This tax rate is applicable to businesses that locate new operations in a completely or partially inactive or closed military base during the taxable year and the next succeeding four taxable years.

If you qualify as an MBEA taxpayer under IC 6-3-2-1.5, complete and enclose a copy of Schedule M, Alternate Adjusted Gross Income Tax Calculation. Also, check question box P5, Schedule M, on the front of form IT-20S. This form is available in the current Indiana Corporate Income Tax Booklet, available at [www.in.gov/dor/4570.htm](http://www.in.gov/dor/4570.htm)

On line 12, enter your total computed AGI tax based on the taxable income reported on line 10 of Schedule B.

If the tax exceeds \$2,500 for 2011, enclose the completed Indiana Schedule IT-2220 to compute any underpayment of estimated tax penalty or to show an exception to the penalty.

## Summary of Calculations

### Sales/Use Tax Worksheet

IC 6-2.5-3-2 imposes a use tax at the rate of 7% on purchases made after April 1, 2008. This tax applies to the use, storage, or consumption of tangible personal property in Indiana that was purchased or rented in a retail transaction, wherever located, and sales tax was not paid.

Examples of taxable items include:

- Magazine subscriptions;
- Office supplies;
- Electronic components; and
- Rental equipment.

Also, any property purchased free of tax using an exemption certificate or from out-of-state that is converted to a nonexempt use by the business is subject to the use tax. Complete the Sales/Use Tax Worksheet on page 12 to compute any sales/use tax liability. For further information about use tax, call (317) 232-0129.

**Note:** If you are a registered retail sales or out-of-state use tax agent for Indiana, you must report the 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, 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.

**Line 13.** Enter the use tax due from the completed Sales/Use Tax worksheet.

**Line 14.** Enter the total tax liability of the nonresident members included in the Composite Adjusted Gross Income Tax Return, column G. Enclose Schedule IT-20SCOMP.

**Line 15.** Total tax. Add the tax shown on lines 12, 13, and 14. Continue to page 2 of the return.

**Line 17.** Enter the total amount of withholding for all nonresident members included in the composite return. (Enclose a 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.

**Line 18.** Enter any other payments/credits belonging to the corporation. This may be estimated payments for passive income and built-in gains tax, an Economic Development for a Growing Economy (EDGE) job retention credit, or a media production credit that was not otherwise passed through to the shareholders. For EDGE credit information, see page 24. For information on the media production credit, get Commissioner's Directive #36 ([www.in.gov/dor/3617.htm](http://www.in.gov/dor/3617.htm)). **Note:** The media production credit will not be awarded for taxable years ending after Dec. 31, 2011.

A detailed explanation must be enclosed for any credits claimed on this line.

**Line 19.** Subtotal: Subtract lines 17 and 18 from line 16. If a balance due remains, proceed to lines 20, 21, and 22.

**Line 20.** Enter the 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 19, paid after the 15th day of the third month following the end of the corporation's taxable year. Interest is calculated from the day following the due date for payment of the composite tax to the actual date the balance is paid with the IT-20S return.
2. Interest on the use tax and Schedule B tax is calculated on the remaining amount of tax on line 19 that is paid after the original due date of the IT-20S return.

For the current rate of interest charged, call the Department at (317) 232-0129 or get Departmental Notice #3 from our website ([www.in.gov/dor/3618.htm](http://www.in.gov/dor/3618.htm)).

**Line 21.** Enter the total penalty due. The penalty for late payment is 10% of the amount (but not less than \$5) of any composite tax due on line 19 paid after the 15th day of the third month following the end of the corporation's taxable year. If a composite tax is due because of a failure to withhold on income distributions to nonresident shareholders, a penalty of 20% is added. (See the previous caution on line 20.) The penalty is still due on those taxes paid after the original due date of the return. This penalty equals the greater of \$5 or 10% of the amount of the use tax and the Schedule B tax on line 19.

If a return showing no liability on line 16 is filed late, the penalty for failure to file by the due date is \$10 per day the return is past due, up to a maximum of \$250. If the tax on line 19 exceeds \$2,500, add any underpayment of estimated tax penalty computed on Schedule IT-2220 or enclose a completed schedule to show your exception to this penalty.

In addition, a separate \$10 penalty is assessed on each IT-20S Schedule IN K-1 information return that is late.

**Line 22.** A penalty of \$500 is assessed to any S corporation that fails to file a composite return for all of its nonresident shareholders\* (PL 211-2007 SEC. 27, 44, 58). If you fail to include all nonresident shareholders on your composite return, remit that penalty here.

**\*Exception:** Certain shareholders will not be included in the composite filing. See the exceptions listed under "Filing Requirements for 2011 IT-20SCOMP Composite Return" on page 20.

Keep track of the names of the shareholders not included on the composite return and who do not meet the previous exceptions. The Department may request this information at a later date.

**Line 23.** Amount due: If line 19 is greater than zero, add lines 19 through 22 and enclose a separate remittance for the total amount owed for each Form IT-20S filed. Payment to the Department of Revenue must be made in U.S. funds.

**Line 24.** Overpayment: If the total of lines 17 and 18 exceeds line 16, subtract lines 20, 21, and 22 from line 19. 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 23.

**Line 25.** Refund: Enter the amount from line 24 to be refunded directly to you. An overpayment credit may not be carried over to the following year.

## Certification of Signatures and Authorization Section

Be sure to sign and date your return and print your name on it. If a paid preparer completes your return, you can authorize the

Department to discuss your tax return with the preparer by checking the authorization box above the signature line.

An officer of the corporation must show his or her title and sign and date the tax return. Please enter your daytime telephone number so we can call you if we have any questions about your tax return. Also, enter your e-mail address if you would like us to contact you by e-mail.

## Personal Representative Information

Typically, the Department contacts you if there are any questions or concerns about your tax return. If you want the Department to be able to discuss your tax return with someone else (such as the person who prepared it or a designated person), you must complete this area.

First, check the "Yes" box that follows the sentence "I authorize the Department to discuss my tax return with my personal representative."

Next, enter the following:

- The name of the individual you are designating as your personal representative;
- The individual's telephone number; and
- The individual's complete address.

If you complete this area, you authorize the Department to contact your personal representative instead of you concerning information about this tax return. After your return is filed, the Department will primarily communicate with your designated personal representative.

**Note:** You can decide at any time to **revoke** the authorization for the Department to be in contact with your personal representative. To do so, you must tell us that in a signed statement. Include your name, your Social Security number, and the year of your tax return. Mail your statement to Indiana Department of Revenue, P.O. Box 40, Indianapolis, IN 46206-0040.

## Paid Preparer Information

Fill out this area if a paid preparer completed this tax return.

**Note:** This area needs to be completed even if the paid preparer is the same individual designated as your personal representative.

The paid preparer must provide the following:

- The name and address of the firm he/she represents;
- His/her identification number (check one box for federal ID number, PTIN, or Social Security number);
- His/her telephone number;
- His/her complete address; and
- His/her signature with the date.

**Be sure you keep a copy of your completed return.**

## Mailing Options

If you owe taxes, please mail your completed return to:

**Indiana Department of Revenue  
P.O. Box 7205  
Indianapolis, IN 46207-7205**

If you do not owe taxes, please mail your completed return to:

**Indiana Department of Revenue  
P.O. Box 7147  
Indianapolis, IN 46207-7147**

## Worksheet for S Corporation Distributive Share Income, Deductions, and Credits

Use this worksheet to compute the entry for line 1 of Form IT-20S and to assist in computing amounts reportable on or for IT-20S Schedule IN K-1. Enter the total distributive share of income from each item reportable on Form 1120S, Schedule K. Do not complete column B and C entry lines unless the corporation received distributive share or tiered income from other entities.

	A. S Corporation Income All Sources	B. Distributions from Partnerships/ Estates/Trusts	C. Distributions Attributed to Indiana
<b>Distributive Share Amounts:</b>			
<b>S Corporation's Distributive Share of Items</b>			
1. Ordinary business income (loss) .....		Enter below for line 13B total distributive share income received by the corporation from all non-unitary partnerships, estates, and trusts. Enter for line 14B an amount equal to required state modifications for Indiana Adjusted Gross Income. (See page 7 for instructions.)  ↓	Enter below for line 13C total distributive share income received by the corporation from partnerships, estates and trusts that were derived from or allocated to Indiana. Enter on line 14C an amount equal to the Indiana modifications for Adjusted Gross Income attributed to Indiana.  ↓
2. Net rental real estate income (loss) .....			
3. Other net rental income (loss) .....			
4. Interest income .....			
5a. Ordinary dividends .....			
6. Royalties .....			
7. Net short-term capital gain (loss) .....			
8. Net long-term capital gain (loss) .....			
9. Net IRC Section 1231 gain (loss) .....			
10. Other income (loss) .....			
<b>Less allowable deductions for state tax purposes:</b>			
11. IRC Section 179 expense deduction .....			
12A. Portion of expenses related to investment portfolio income, including investment interest expense and other (federal non-itemized) deductions .....			
12B. Other information from line 17 of federal K-1 related to investment interest and expenses not listed elsewhere .....			
13. <b>Carry total on line 13A to Form IT-20S line 1 on front page of return</b> .....	13A	13B	13 C
14. Total of Indiana state modifications to distributive share income (see line 2, Form IT-20S) .....		14B	14 C
15. Net Indiana adjusted gross income distributions from partnerships, estates, and trusts (add lines 13C and 14C) .....			15 C
16. Enter amount of Indiana pass-through credits attributed from partnerships, estates, and trusts, if any .....			16 C

## Sales/Use Tax Worksheet

List all purchases made during 2011 from out-of-state companies.

Column A Description of personal property purchased from out-of-state retailer	Column B Date of Purchase(s)	Column C Purchase Price
Magazine subscriptions:		
Mail order purchases:		
Internet purchases:		
Other purchases:		
1. Total purchase price of property subject to the sales/use tax .....		1
2. Sales/use tax: Multiply line 1 by .07 (7%) .....		2
3. Sales tax previously paid on the above items (up to 7% per item) .....		3
4. Total amount due: Subtract line 3 from line 2. Carry to Form IT-20S, line 13. If the amount is negative, enter zero and put no entry on line 13 of the IT-20S .....		4

**Form IT-20S**

State Form 10814 (R10 / 8-11)

**Indiana Department of Revenue**  
**Indiana S Corporation Income Tax Return**  
 for Calendar Year Ending December 31, 2011

**2011**

or Other Tax Year Beginning   2011 and Ending

Check box if amended.

Check box if name changed.

Name of Corporation		Federal Identification Number
Number and Street	Indiana County or O.O.S.	Principal Business Activity Code
City	State	ZIP Code
		Telephone Number

- K. Date of incorporation \_\_\_\_\_ in the State of \_\_\_\_\_
- L. State of commercial domicile \_\_\_\_\_
- M. Year of initial Indiana return \_\_\_\_\_
- N. Accounting method:  
 Cash  
 Accrual  
 Other
- O. Date of election as S corporation \_\_\_\_\_
- P. Check all that apply to entity:  Initial Return  Final Return  In Bankruptcy  
 Composite Return  Schedule M
- Q. Enter total number of shareholders:   
 Enter number of nonresident shareholders:
- R. Do you have on file a valid extension of time to file your return?  
 (federal Form 7004 or an electronic extension of time)  Y  N
- S. Did the corporation file as a C corporation for the prior tax period?  Y  N
- T. Is this corporation a member of any partnerships?  Y  N

**Schedule A - S Corporation Adjusted Gross Income**

Round all entries

1. Total net income (loss) from U.S. S corporation return, Form 1120S Schedule K, lines 1 through line 10, less line 11 and a portion of line 12 related to investment income (see instructions); use minus sign for negative amounts.....	1	00
2a. Enter name of addback or deduction (see instructions) _____ Code No. ___ _ _	2a	00
2b. Enter name of addback or deduction _____ Code No. ___ _ _	2b	00
2c. Enter name of addback or deduction _____ Code No. ___ _ _	2c	00
2d. Enter name of addback or deduction _____ Code No. ___ _ _	2d	00
2e. Enter name of addback or deduction _____ Code No. ___ _ _	2e	00
2f. Enter the total amount of addbacks and deductions from any additional sheets (use a minus sign for negative amounts)	2f	00
3. Total S corporation income, as adjusted (add lines 1 through 2f) .....	3	00
4. Enter percentage for Indiana apportioned adjusted gross income from IT-20S Schedule E line 8 .....	4	%
<b>Schedule B - Excess Net Passive Income &amp; Built-In Gains</b>		
5. Excessive net passive income or LIFO recapture tax as reported on federal Form 1120S, line 22a.....	5	00
6. Tax from federal Schedule D as reported on federal Form 1120S, line 22b.....	6	00
7. Excess net passive income from federal worksheet .....	7	00
8. Built-in gains from federal Schedule D (1120S).....	8	00
9. Add the amounts on lines 7 and 8.....	9	00
10. Taxable income apportioned to Indiana (multiply line 9 by line 4) (if applicable).....	10	00
11. Corporate adjusted gross income tax rate (*see instructions for line 12).....	11	X 8.5%*
12. Total income tax from Schedule B (multiply line 10 by percent on line 11 or enter amount from Schedule M).....	12	00
<b>Summary of Calculations</b>		
13. Sales/use tax on purchases subject to use tax from Sales/Use Tax Worksheet .....	13	00
14. Total composite tax from completed Schedule IT-20SCOMP (15G). Attach schedule .....	14	00
15. Total tax (add lines 12 - 14). Enter here and carry to page 2, line 16. If line 15 is zero, see line 21 .....	15	00



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Summary of Calculations continued

16. Enter total tax shown from front page of this return .....	16		00
17. Total amount of withholding (attach WH-18 statement(s) for composite members).....	17		00
18. Other payments/credits belonging to the corporation (attach documentation) .....	18		00
19. Subtotal (line 16 minus lines 17 and 18). If total is greater than zero, proceed to lines 20, 21, and 22 .....	19		00
20. Interest: Enter total interest due; see instructions (contact the Department for current interest rate) .....	20		00
21. Penalty: If paying late, enter 10% of line 19; see instructions. If line 16 is zero, enter \$10 per day filed past due date ..	21		00
22. Penalty: If failing to include all nonresident shareholders on composite return, enter \$500; see instructions .....	22		00
23. Total Amount Due: Add lines 19 - 22. If less than zero, enter on line 24. Make check payable to: <b>Indiana Department of Revenue.</b> Make payment in U.S. funds .....	23		00
24. Overpayment: Line 17 plus line 18, minus lines 16, 20 through 22.....	24		00
25. Refund: Amount from line 24. No carryforward allowed. Enter as a positive figure .....	25		00

Certification of Signatures and Authorization Section

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

I authorize the Department to discuss my return with my personal representative (see page 11)  Y  N

Corporation's E-mail Address	
------------------------------	--

Signature of Corporate Officer \_\_\_\_\_ Date \_\_\_\_\_

Print or Type Name of Corporate Officer \_\_\_\_\_ Title \_\_\_\_\_

Personal Representative's Name (Print or Type) \_\_\_\_\_

Telephone \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_

State \_\_\_\_\_ Zip Code + 4 \_\_\_\_\_

Paid Preparer: Firm's Name (or yours if self-employed) \_\_\_\_\_

Check One  Federal ID Number  PTIN  Social Security Number

--

Telephone Number \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_

State \_\_\_\_\_ Zip Code + 4 \_\_\_\_\_

Paid Preparer's Signature \_\_\_\_\_ Date \_\_\_\_\_

If you owe tax, please mail your return to IN Department of Revenue, PO Box 7205, Indianapolis, IN 46207-7205.  
If you do **not** owe any tax, mail it to IN Department of Revenue, PO Box 7147, Indianapolis, IN 46207-7147.



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**Schedule E**

Form IT-20/20S/20NP/IT-65

State Form 49105

(R10 / 8-11)

**For Tax Year Beginning**

**Indiana Department of Revenue  
Apportionment of Income for Indiana**

**2011 and Ending**

Name as shown on return

Federal Identification Number

Each filing entity having income from sources both within and outside Indiana must complete an apportionment schedule except financial institutions and certain insurance companies that use a single receipts factor. Interstate transportation entities must use Schedule E-7. Combined unitary filers must use the apportioning method (relative formula percentage) as outlined in Information Bulletin #12 and Tax Policy Directive #6. Omit cents; percents should be rounded two decimal places; read apportionment instructions.

**Part I - Indiana Apportionment of Adjusted Gross Income**

**Sales/Receipts (less returns and allowances)**

Include all non-exempt apportioned gross business income. Do not use non-unitary partnership income of previously apportioned income that must be separately reported as allocated income.

	Column A Total Within Indiana		Column B Total Within and Outside Indiana		Column C Indiana Percentage	
Sales delivered or shipped to Indiana:						
1. Shipped from within Indiana.....		00				
2. Shipped from outside Indiana .....		00				
<b>Sales shipped from Indiana to:</b>						
3. The United States government .....		00				
4. Purchasers in a state where the taxpayer is not subject to income tax (under P.L. 86-272).....		00				
5. Interest & other receipts from extending credit attributed to Indiana		00				
6. Other gross business receipts not previously apportioned .....		00				
7. <b>Total Receipts:</b> Add column A receipts lines 1A through 6A and enter in line 7A. Enter all receipts on line 7B.....	<b>7A</b>	00	<b>7B</b>	00		
<b>Apportionment of income for Indiana:</b>					<b>8</b>	%
8. <b>Apportionment Percentage:</b> Divide line 7A by line 7B (insert as percent, not decimal).....						

**Part II - Business/Other Income Questionnaire**

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

(a) Location City and State	(b) Nature of Business Activity at Location	(c) Accepts Orders?		(d) Registered to Do Business?		(e) Files Returns in State?		Property in State			
		Yes	No	Yes	No	Yes	No	(f) Leased?		(g) Owned?	
								Yes	No	Yes	No

2. Briefly describe the nature of Indiana business activities, including the exact title and principal business activity of any partnership in which the taxpayer has an interest:

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

4. Briefly describe the nature of activities of sales personnel operating and soliciting business in Indiana:

5. Do Indiana receipts for line 3A include all sales shipped from Indiana to (1) the U.S. government; or (2) locations where this taxpayer's only activity in the state of the purchaser consists of the mere solicitation of orders?  Y  N If no, please explain:

6. List the source of any directly allocated income from partnerships, estates, and trusts not in the taxpayer's apportioned tax base:



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Name of S Corporation	Federal Identification Number
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**Shareholders' Composite Indiana Adjusted Gross Income Tax Return**

For S Corporation's Tax Year 2011 or Other Year Beginning   2011 and Ending

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

List name, distributive amount, composite tax, and credits for each composite return member. **(omit cents)**

<b>Attach WH-18, copy C, for each nonresident composite shareholder.</b>	Enter Pro Rata Share		Composite Adjusted Gross Income Tax			Credits	Total Tax
	A	B	C	D	E	F	G
Name	Apportioned distributive income attributed to Indiana from IN K-1, line 13	Indiana modifications from IN K-1, line 26	Adjusted gross income (add A + B)	State tax multiply C x 3.4% (cannot be less than zero)	County tax multiply C by nonresident county tax rate (if applicable)	Enter pro rata credits from IN K-1, line 28 (may not exceed D)	Enter shareholder's tax liability (D + E - F)
1.							
2.							
3.							
4.							
5.							
6.							
7.							
8.							
9.							
10.							
11.							
12.							
13. Subtotals for columns D, E, F, and G.....							
14. Carryover totals from additional sheets .....							
15. Total tax (13G + 14G) .....							

Carry total tax and credits from line 15G to Summary of Calculations.

Enter total tax on Form IT-20S, line 14.





**IT-20S 2011 Schedule IN K-1**

State Form 49193 (R11 / 2-12)

Indiana Department of Revenue

**Shareholders's Share of Indiana Adjusted Gross Income, Deductions, Modifications, and Credits**

Tax Year Beginning   2011 and Ending

Name of S Corporation \_\_\_\_\_

Federal Identification Number \_\_\_\_\_

**Distributions** - Provide IN K-1 to each shareholder. Enclose IN K-1 with IT-20S return. For information on the acceptable electronic data file format, visit the Department's website at [www.in.gov/dor/3772.htm](http://www.in.gov/dor/3772.htm) Pro rata amounts for lines 1 through 25 of any nonresident shareholder must be multiplied by the Indiana apportionment percent, if applicable, from IT-20S, line 4.

**Part 1 – Shareholder's Identification Section**

(a) If Shareholder Is an Individual (please print clearly)

Last Name:

First Name:

a1 \_\_\_\_\_

a2 \_\_\_\_\_ a3 \_\_\_\_\_

(b) If Shareholder Is an Other Entity (please print clearly)

Name:

b1 \_\_\_\_\_ b2 \_\_\_\_\_

(c) Shareholder's State of Residence or Commercial Domicile ..... c1 \_\_\_\_\_

(d) Indiana Tax Withheld for Nonresident Shareholder (on WH-18) ..... d \_\_\_\_\_

(e) Shareholder's Federal Pro Rata Percentage ..... e \_\_\_\_\_

(f) Shareholder's Tax as Computed on IT-20SCOMP Column G ..... f \_\_\_\_\_

Social Security Number: \_\_\_\_\_

Federal Identification Number: \_\_\_\_\_

00

%

00

**Part 2 - Distributive Share Amount** (use apportioned figures for nonresident shareholders)

1. Ordinary business income (loss) ..... 00

2. Net rental real estate income (loss) ..... 00

3. Other net rental income (loss) ..... 00

4. Interest income ..... 00

5. Ordinary dividends ..... 00

6. Royalties ..... 00

7. Net short-term capital gain (loss) ..... 00

8. Net long-term capital gain (loss) ..... 00

9. Net IRC Section 1231 gain (loss) ..... 00

10. Other income (loss) ..... 00

11. IRC Section 179 expense deduction ..... 00

12a. Portion of expenses related to investment portfolio income, including investment interest expense and other (federal nonitemized) deductions ..... 00

12b. Other information from line 17 of federal K-1 related to investment interest and expenses not listed elsewhere ..... 00

13. **Total pro rata distributions** (Add lines 1 through 10; subtract lines 11, 12a, and 12b when applicable.) ..... 00

Continued on next page ►



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<b>Part 3 - State Modifications</b> Add or subtract the following. Designate the distributive share amount of each modification for Indiana adjusted gross income from line 2 on the front of Form IT-20S. For nonresidents, apply apportioned figures. (Use minus sign to denote negative amounts.)				
14. State income taxes deducted .....				00
15. Net bonus depreciation allowance .....				00
16. Excess IRC Section 179 deduction .....				00
17. Interest on U.S. obligations .....				00
18. Addback/ Deduction _____ Code: _____				00
19. Addback/ Deduction _____ Code: _____				00
20. Addback/ Deduction _____ Code: _____				00
21. Addback/ Deduction _____ Code: _____				00
22. Addback/ Deduction _____ Code: _____				00
23. Addback/ Deduction _____ Code: _____				00
24. Addback/ Deduction _____ Code: _____				00
25. Addback/ Deduction _____ Code: _____				00
26. Total distributive share of modifications (add lines 14 through 25 and carry total to Column B on Schedule IT-20SCOMP).....				00
<b>Part 4 - Pro Rata Share of Indiana Pass-through Tax Credits from Corporation</b>				
27. Enter the name of the tax credit program, its three-digit ID code, and the dollar amount of the shareholder's distributive share for each allowable credit				
Name of Credit:	ID Code:			
a _____	b _____	c		00
d _____	e _____	f		00
g _____	h _____	i		00
28. Total pass-through credits (add lines 27c, 27f, and 27i) .....				00



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## Instructions for IT-20S Schedule E Apportionment of Income for Indiana

Complete the apportionment of income schedule whenever the corporation:

- Has income derived from sources both within and outside Indiana; and
- Has any nonresident shareholders.

Under the Adjusted Gross Income Tax Act, taxable income from a trade or business carried on within and outside Indiana was previously figured using a three-factor formula—property, payroll, and weighted sales factor. PL 162-2006 SECTIONS 25 and 56 amended IC 6-3-2-2(b), effective Jan. 1, 2007, to transition to a single-factor formula based on sales to apportion business income. The apportionment percentage determines the Indiana net income of the nonresident individual shareholders, trusts, and estates that pass through as a result of the S corporation's activities everywhere.

For 2011, Schedule E, Apportionment of Income for Indiana, has been revised to reflect the single-factor formula. For more information, get Income Tax Information Bulletin #12 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm)

**Note:** *Interstate transportation corporations should consult Schedule E-7 for details on apportionment of income. You can get this schedule at [www.in.gov/dor/4570.htm](http://www.in.gov/dor/4570.htm)*

### Part I - Apportionment of Adjusted Gross Income

**Sales/Receipts:** The sales factor is a fraction. The numerator is the total receipts of the taxpayer in Indiana during the tax year. The denominator is the total receipts of the taxpayer everywhere during the tax year.

The numerator of the receipts factor must include the following:

- All sales made in Indiana;
- All sales made from Indiana to the U.S. government; and
- All sales made from Indiana to a state not having jurisdiction to tax the activities of the seller.

Destination sales to locations outside Indiana by an Indiana seller that has activities in the state of destination, other than mere solicitation, are not included in the numerator of the sales factor regardless of whether the destination state levies a tax. The numerator contains intangible income attributed to Indiana, including interest from consumer and commercial loans, installment sales contracts, and credit and debit cards as prescribed under IC 6-3-2-2.2.

Total receipts include gross sales of real and tangible personal property less returns and allowances. Sales of tangible personal property are in Indiana if the property is delivered or shipped to a purchaser within Indiana regardless of the f.o.b. point or other conditions of sale or if the property is shipped from an office, a store, a warehouse, a factory, or another 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 of the use of tangible personal property are in Indiana if the property is in Indiana. If property was both within and outside Indiana during the tax year, the gross receipts are considered in Indiana to the extent the property was used in Indiana;
- (3) Gross receipts from intangible personal property are in Indiana if the taxpayer has economic presence in Indiana and such property has not acquired business sites elsewhere.

Interest income and other receipts from loans or installment sales contracts that are primarily secured by or deal with real or tangible personal property are attributed to Indiana if the security or sale property is located in Indiana; consumer loans not secured by real or tangible personal property are attributed to Indiana if the loan is made to an Indiana resident; and commercial loans and installment obligations not secured by real or tangible personal property are attributed to Indiana if the proceeds of the loan are applied in Indiana.

Interest income, merchant discounts, travel and entertainment credit card receivables, and credit card holder's fees are attributed to the state where the card charges and fees are regularly billed.

Receipts from the performance of fiduciary and other services are attributed to the state where the benefits of the services are consumed. Receipts from the issuance of traveler's checks, money orders, or United States savings bonds are attributed to the state where those items are purchased.

Receipts in the form of dividends from investments are attributed to Indiana if the taxpayer's commercial domicile is in Indiana; and

- (4) Gross receipts from the performance of services are in Indiana if the services are performed in Indiana. If such services are performed partly within and partly outside Indiana, a portion of the gross receipts from performance of the services shall be attributed to Indiana based on the ratio the direct costs incurred in Indiana bear to the total direct costs of the services, unless the services are otherwise directly attributed to Indiana according to IC 6-3-2-2.2.

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

**Other Gross Receipts:** On line 6, report other gross business receipts not included elsewhere and pro rata gross receipts from all unitary partnerships, excluding from the factors the portion of distributive share income derived from a previously apportioned partnership [45 IAC 3.1-1-153(b)].

**Total Receipts for 2011:** Complete all lines as indicated. Add all the receipts in Column A (lines 1A through 6A), and enter the total on line 7A. Also enter the total receipts everywhere on line 7B.

### Apportionment of Income for Indiana

Divide line 7A by line 7B. (Multiply by 100 to arrive at a percentage rounded to the nearest second decimal place.) This is your average Indiana apportionment percentage; carry it to the apportionment entry line on the return (line 16d on IT-20, line 4 on IT-20S, line 9 on IT-20NP, and line 4 on IT-65).

### Part II - Business/Other Income Questionnaire

Complete all applicable questions in this section. If income is apportioned, list:

- (a) All business locations where the corporation has operations;
- (b) The nature of the business activity at each location, including whether a location:
  1. Accepts orders in that state;
  2. Is registered to do business in that state; or
  3. Files income tax returns in other states.
- (c) Whether property in the other states is owned or leased.

You must enclose the completed IT-20S Schedule E, Apportionment of Income, with your return.

### Filing Procedure for 2011 IT-20SCOMP Composite Return

An S corporation that has any shareholders who are nonresidents of Indiana must file a composite return and include all its nonresident shareholders. A penalty of \$500 will be assessed to any S corporation that fails to file a composite return that includes all nonresident shareholders. See the instructions for line 22 on page 11 for more information.

The composite return, Schedule IT-20SCOMP, must 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 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 IC 6-3-2-2(b) plus Indiana modifications.

Composite filing does not negate the S corporation's requirement to file Form WH-1 (Employer's Withholding Tax Return) on a monthly, quarterly, or annual basis. This form is used for submitting withholding tax payments for all nonresident shareholders. It's also used to submit any withholding for employees. However, withholding is not required on residents of reverse credit states (Arizona; California; Oregon; and Washington, D.C.) except when a California resident is included on the Indiana composite return.

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 with Form WH-3 (Annual Withholding Reconciliation) on or before the last day of February.

### Filing Requirements for 2011 IT-20SCOMP Composite Return

Any shareholder within the following categories must, in all cases, be excluded from the 2011 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 ordinary income from the S corporation; or
- (c) Any shareholder who sold any portion of his or her interest in the corporation during the year.

The following limitations and conditions 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. However, it is subject to any "passive activity" loss limitations pursuant to IRC Section 469 and capital loss limitations imposed on noncorporate taxpayers by IRC Section 1211;
- (b) No deduction is permitted for interest paid on investment indebtedness under IRC Section 163(d);
- (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 IRC Section 170;
- (f) No credit is permitted for taxes paid to other states;
- (g) No credit carryovers are permitted; and
- (h) All other credits that flow through to shareholders on a pro rata basis are limited to the shareholder's state income tax liability. See the list of Pass-through Tax Credits on page 22.

An S corporation filing a composite return is liable not only for the tax shown on the return. It is also liable for any additional tax, interest, and penalty as a result of a subsequent audit or examination.

The S corporation should send a copy of the general Indiana filing requirements to each nonresident shareholder.

### Instructions for Completing the 2011 IT-20SCOMP

Indicate the name of each shareholder 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 is 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 whether a composite member is subject to a county tax. Use the county income tax chart for Form IT-40PNR to verify the county's tax rate. Get this form from our website at [www.in.gov/dor/4546.htm](http://www.in.gov/dor/4546.htm) You can also call our main tax line at (317) 232-0129.

**Column F.** 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.

**Column G.** The amount of tax liability for each shareholder is limited to the respective amount of tax minus the amount of credit (column D + column E - column F).

**Note:** A federal Schedule K-1 for each shareholder is not required to be enclosed. However, it must be made available for inspection upon request by the Department.

**If you have any questions, call Tax Administration at (317) 232-0129.**

## **IT-20S Schedule IN K-1 Shareholder's Share of Indiana Adjusted Gross Income, Deductions, Modifications, and Credits**

Enclose each shareholder's IN K-1 with Form IT-20S. Also, provide a completed copy of Schedule IN K-1 to each shareholder.

**Note:** Contact the Department for alternative filing options for IT-20S Schedule IN K-1 at (317) 232-0129. For information on the acceptable electronic data file format, visit the Department's website at [www.in.gov/dor/3772.htm](http://www.in.gov/dor/3772.htm)

### **Part 1 - Shareholder's Identification Section**

Complete IT-20S IN K-1 to identify each shareholder.

- (a) Enter the name of the shareholder, if an individual, and Social Security number.
- (b) Enter other entity name if the shareholder is another entity or a fiduciary, and enter the federal identification number.
- (c) Enter the shareholder's state of residence or commercial domicile.
- (d) Enter the amount of tax withheld on income distributions derived from Indiana sources for any nonresident shareholder for the taxable year. A WH-18, Indiana Miscellaneous Withholding Tax Statement for Nonresidents, must be prepared for the nonresident shareholder. Do not include any penalty or interest paid on delinquent withholding tax. If no withholding tax was paid or if additional withholding tax is due, see the instructions for filing Form DB020W-NR. Credit for any amount withheld must be claimed on the shareholder's Indiana individual, composite, or fiduciary tax return.
- (e) Enter the applicable pro rata percentage of the shareholder's interest in the S corporation. The percentage should be adjusted to an annual rate if necessary.
- (f) Enter the shareholder's tax as computed on Schedule IT-20SCOMP, column G.

### **Part 2 - Distributive Share Amount**

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

**Line 1 through Line 12b.** For full-year Indiana resident shareholders, complete these lines as shown on the federal Schedule K-1, Form 1120S.

For most nonresident shareholders, the federal Schedule K-1 amounts should be multiplied by the Indiana apportionment percentage. This is calculated on the IT-20S Schedule E (see the instructions beginning on page 19). The apportioned amounts should be entered on lines 1 through 12b.

Line 5, "Ordinary dividends," corresponds to line 5a on the federal K-1. Line 8, "Net long-term capital gain (loss)," corresponds to line 8a on the federal K-1.

On line 12a or 12b, include investment interest expenses attributed to royalty income and all other federal deductions. (This excludes those treated as itemized deductions.) Do not report any other type of investment interest expense, itemized deduction, or carryover loss on this line.

**Note:** If the corporation has received any distributions from other entities having income previously apportioned to Indiana, use the following method to report distributive share income for IT-20S IN K-1.

**Alternative Completion of IT-20S Schedule IN K-1 Information for Part 2** – You must use an alternative application of IT-20S Schedule IN K-1 if:

- A shareholder is a nonresident individual, fiduciary, or trust; and
- The corporation had income from outside Indiana.

Use the following method for completing Schedule IN K-1 when the corporation had any apportioned income from outside Indiana or is otherwise required to complete the Indiana apportionment schedule.

Modify each required Schedule IN K-1 line entry by recalculating the pro rata share of total S corporation income with required Indiana modifications to adjusted gross income reported on line 1 of Form IT-20S. Use the pro rata amount from line 13A, **Worksheet for S Corporation Distributive Share Income, Deductions, and Credits** (worksheet), by applying these steps:

**Step 1.** Deduct from the above pro rata share the respective pro rata amount of line 13B and line 14B of the worksheet.

**Step 2.** Multiply the result by the Indiana apportionment percent reported on line 4 of Form IT-20S, from Schedule E, line 8, if present. This amount should reflect the shareholder's proportionate share of this S corporation's activity in Indiana.

**Step 3.** Add to the previous amount the pro rata share of any other (entity) source income received by the corporation that was previously apportioned or allocated as distributive share income derived from Indiana (line 15C of the worksheet). The result is the modified Indiana S corporation income from Indiana sources to be reported on the appropriate lines of Schedule IN K-1 of nonresident individuals, trusts, and estates.

### **Part 3 - State Modifications**

**Lines 14 - 25.** Enter the Indiana modifications from Form IT-20S, lines 2a - 2e (and any additional sheets), as percentage applied, or apportioned in the case of nonresident individuals. List the pro rata share amount of each modification on the appropriate line. (Use a minus sign to denote negative amounts.)

**Line 26.** Enter the total distributive share of modifications. Add lines 14 through 25. Use a minus sign to denote negative amounts. Carry this total to column B of Schedule IT-20SCOMP.

## Part 4 - Pro Rata Share of Indiana Pass-through Tax Credits from Corporation

**Line 27.** If the corporation has available any eligible Indiana credits flowing through to the shareholders, enter the following:

- The name of the credit;
- Its three-digit code number; and
- The pro rata amount of credit(s) allotted to each shareholder.

You must also enclose a completed credit schedule with Form IT-20S to support the credit distribution.

See the descriptive list of pass-through tax credits that may be available to a pass-through entity. Each credit is assigned a three-digit code number for identification purposes to be used when reporting and claiming these credits. For further information, see Income Tax Information Bulletin #59 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm)

**Line 28.** Enter the total pass-through credits (add lines 27c, 27f, and 27i).

## Pass-through Tax Credits

Each shareholder is allowed a pro rata share of the income tax credits available to the S corporation. If the pass-through entity does not have a state AGI tax liability (Schedule B tax computation) against which the tax credit must be applied, the shareholders of the pass-through entity are entitled to a pro rata share of the computed credit.

**Note:** Enterprise zone credits, along with most other tax liability credits, may not be applied against the S corporation's withholding, composite, or use tax liabilities on Form IT-20S.

Each shareholder's share of an available credit is reported on IT-20S Schedule IN K-1, line 27. It also must be supported by enclosing the proper, completed tax credit form with the corporation's return. The shareholders can claim their allowable portion of Indiana credits on their respective annual income tax returns: Form IT-40, IT-40PNR, or IT-41.

**Caution:** Within a certain group of credits, a taxpayer may not be granted more than one credit for the same project. The credits included for this group are as follows:

- Capital investment credit;
- Community revitalization enhancement district credit;
- Enterprise zone investment cost credit;
- Hoosier business investment credit;
- Industrial recovery credit;
- Military base investment cost credit;
- Military base recovery credit; and
- Venture capital investment credit.

Apply this restriction first when figuring your allowable credits. See Commissioner's Directive #29 at [www.in.gov/dor/3617.htm](http://www.in.gov/dor/3617.htm) for more information.

If you are claiming more than one credit, first use the credits that cannot be carried over and applied against your state AGI in another year. These credits include

- College Credit;
- Indiana College Choice 529 Savings Plan Credit;

- Prison Investment Credit;
- School Scholarship Credit;
- Teacher Summer Employment Credit; and
- Twenty-First Century Scholars Credit.

Next, use the credits that can be carried over for a limited number of years and applied against your state AGI. These credits include

- Alternative Fuel Vehicle Manufacturer Credit;
- Airport Development Zone Employment Expense Credit;
- Airport Development Zone Loan Interest Credit;
- Blended Biodiesel Credit;
- Capital Investment Credit;
- Enterprise Zone Employment Expense Credit;
- Enterprise Zone Loan Interest Credit;
- Headquarters Relocation Credit;
- Historic Building Rehabilitation Credit;
- Hoosier Business Investment Credit;
- Indiana's Research Expense Credit;
- Residential Historic Rehabilitation Credit;
- Venture Capital Investment Credit; and
- Voluntary Remediation Credit.

Finally, use the credits that can be carried over and applied against your state AGI in another year. These credits include

- Airport Development Zone Investment Cost Credit;
- Coal Combustion Product Credit;
- Coal Gasification Technology Investment Credit;
- Community Revitalization Enhancement District Credit;
- Employer Health Benefit Plan Credit;
- Enterprise Zone Investment Cost Credit;
- Ethanol Production Credit;
- Individual Development Account Credit;
- Industrial Recovery Credit;
- Maternity Home Credit;
- Military Base Investment Cost Credit;
- Military Base Recovery Cost Credit;
- Riverboat Building Credit; and
- Small Employer Qualified Wellness Program Credit.

For more information about Indiana tax credits, get Income Tax Information Bulletin #59 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm)

The following credits have each been assigned a three-digit code number for identification purposes. Use the code numbers when reporting and claiming any of these credits. See Income Tax Information Bulletin #59 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm) for more information about Indiana tax credits.

## Airport Development Zone Tax Credits

Certain areas within Indiana have been designated as airport development zones (ADZs). These zones are established to encourage investment and job growth in distressed urban areas. Airport development zone tax credits are based on the same tax credits and benefits available within designated Indiana enterprise zones.

The Gary-Chicago ADZ was designated in July 1993. Currently, areas within Allen County are eligible to be designated airport development zones. See Income Tax Information Bulletin #66 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm) for more information about how to calculate these credits.

Following are the three available airport development zone tax credits:

### **Airport Development Zone Employment Expense Credit 800**

This credit is based on qualified investments made within Indiana. It is the lesser of 10% of qualifying wages or \$1,500 per qualified employee, up to the amount of tax liability on income derived from the airport development zone.

Use credit ID code number 800 and enclose supporting documentation if claiming this credit.

Get Indiana Schedule EZ Parts 1, 2, and 3 at [www.in.gov/dor/3515.htm](http://www.in.gov/dor/3515.htm) for more information about how to calculate this credit.

### **Airport Development Zone Investment Cost Credit 801**

This credit is based on qualified investments made within Indiana. It can be up to a maximum of 30% of the investment, depending on the following:

- The number of employees;
- The type of business; and
- The amount of investment in the airport development zone.

Get Income Tax Information Bulletin #66 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm) has more information about how to calculate enterprise zone credits. Contact the Indiana Economic Development Corporation (IEDC) for more information about this credit. You can write them at One North Capitol, Suite 700, Indianapolis, IN, 46204. You can also call them at (317) 232-8827 or visit their website at [www.in.gov/iedc](http://www.in.gov/iedc)

Use credit ID code number 801 and enclose supporting documentation if claiming this credit.

### **Airport Development Zone Loan Interest Credit 802**

This credit can be for up to 5% of the interest received from all qualified loans made during a tax year for use in an Indiana airport development zone.

Get Indiana Schedule LIC at [www.in.gov/dor/3515.htm](http://www.in.gov/dor/3515.htm) for more information about how to calculate this credit.

### **Blended Biodiesel Tax Credits 803**

Credits are available to taxpayers who produce biodiesel and/or blended biodiesel at an Indiana facility. The facility must be certified by the IEDC. These credits are also available to dealers who sell blended biodiesel at retail.

For credit verification, you must enclose an approved Indiana Department of Revenue Form BD-100. Contact the Indiana Economic Development Corporation at Biodiesel Credit Certification, One North Capitol, Suite 700, Indianapolis, IN 46204.

You can also call them at (317) 232-8827 or visit their website at [www.in.gov/iedc/](http://www.in.gov/iedc/) for more information. Also, get Income Tax Information Bulletin #91 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm) for more information.

### **Capital Investment Credit 804**

This credit is available for certain qualified capital investments made in Shelby County. The IEDC certifies this credit. It is equal to 14% of the amount of the approved qualified investment. It is ratable over a seven-year period.

For more information about this credit, contact the Indiana Economic Development Corporation, Enterprise Zone Board at One North Capitol, Suite 700, Indianapolis, IN 46204, or visit their website at [www.in.gov/iedc/](http://www.in.gov/iedc/)

### **Coal Combustion Product Tax Credit 805**

A manufacturer who uses coal combustion products in an Indiana facility for the manufacture of recycled components may be eligible for this credit. ("Coal combustion products" are the byproducts of the combustion of coal.) A taxpayer may be eligible if it:

- Is an existing business that manufactures recycled components; and
- It increases the acquisitions of coal combustion products by 10% over the average amount obtained in the previous three years.

**Note:** A taxpayer that obtains a property tax deduction for investment property purchased by the manufacturer of coal combustion products is not eligible for this credit.

For more information, contact the Indiana Department of Revenue, Coal Combustion Credit, Room N203, 100 N. Senate Ave., Indianapolis, IN, 46204, or call (317) 232-2339. Enclose your approved Form CCP-100 with your return.

### **Coal Gasification Technology Investment Tax Credit 806**

A credit is available for a qualified investment in an integrated coal gasification power plant or a fluidized bed combustion technology that serves Indiana gas utility and electric utility consumers. This can include an investment in a facility located in Indiana that converts coal into synthesis gas that can be used as a substitute for natural gas.

You must file an application for certification with the IEDC. If the credit is assigned, it must be approved by the utility regulatory commission and taken in 10 annual installments. The amount of credit for a coal gasification power plant is 10% of the first \$500 million invested and 5% for any amount over that. The amount of credit for a fluidized bed combustion technology is 7% of the first \$500 million invested and 3% for any amount over that.

For more information, contact the Indiana Economic Development Corporation at One North Capitol, Suite 700, Indianapolis, IN 46204 or visit their website at [www.in.gov/iedc/](http://www.in.gov/iedc/)

Get Income Tax Information Bulletin #99 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm)

## **Community Revitalization Enhancement District Credit 808**

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

- Ceases existing operations within the district or elsewhere in Indiana;
- Substantially reduces its operations within the district or elsewhere in Indiana; or
- Reduces other Indiana operations to relocate them into the district.

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

Contact the Indiana Economic Development Corporation at One North Capitol, Suite 700, Indianapolis, IN, 46204, or visit their website at [www.in.gov/iedc/](http://www.in.gov/iedc/) for more information about this credit.

## **Economic Development for a Growing Economy (EDGE) Job Retention Credit 839**

This credit is a refundable tax credit for businesses who conduct certain activities designed to foster job creation or job retention in Indiana. The approved credit agreement letter from the IEDC must be enclosed with the return. A computation of the credit must also be enclosed with the return. Otherwise, this credit will not be allowed.

Contact the IEDC, One North Capitol, Suite 700, Indianapolis, IN 46204, for eligibility requirements. You can also visit [www.in.gov/iedc/](http://www.in.gov/iedc/) for additional information.

An EDGE credit that passes through to the shareholder must be claimed according to the instructions on the shareholder's income tax return. A copy of the entity's approval letter must be provided to the shareholders for enclosure with their returns. Any EDGE credit that is qualified for direct refund at the entity level is claimed as a refundable credit on line 18.

## **Employer Health Benefit Plan Tax Credit 842**

A credit is available to taxpayers who begin offering health insurance to their employees. An employer who did not provide health insurance to employees prior to Jan. 1, 2007, and makes health insurance available to its employees may be eligible for a credit. The amount of the credit is the lesser of \$2,500 or \$50 multiplied by the number of employees enrolled in the health benefit plan.

**Note:** Per IC 6-3.1-14-9, this credit will not be awarded for tax years that begin after Dec. 31, 2011. In addition, any credits previously awarded may not be carried forward during tax years 2012 and 2013. However, they can be carried forward during 2014 and 2015.

The employer is required to make health insurance available to the taxpayer's employees for at least two years after the employer first offers the health benefit plan. Get Income Tax Information Bulletin #101 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm) for more information. Enclose with your return proof of your continued eligibility for the credit. Also enclose proof of expenditures necessary to calculate the credit.

## **Energy Star Heating and Cooling Equipment Tax Credit 844**

This credit is no longer available. It may not be awarded to a taxpayer for taxable years beginning after Dec. 31, 2010. For more information, see Information Bulletin #100 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm)

## **Enterprise Zone Employment Expense Tax Credit 812**

This credit is available for employers based on qualified investments made within Indiana. It is the lesser of 10% of qualifying wages or \$1,500 per qualified employee, up to the amount of tax liability on income derived from an active enterprise zone. Enclose the completed Schedule EZ 2 with the IT-20S return.

Get Indiana Schedule EZ Parts 1, 2, and 3 at [www.in.gov/dor/3515.htm](http://www.in.gov/dor/3515.htm) for more information about how to calculate this credit.

## **Enterprise Zone Loan Interest Tax Credit 814**

This credit can be for up to 5% of the interest received from all qualified loans made during a tax year for use in an active Indiana enterprise zone.

Get Information Bulletin #66 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm) and Indiana Schedule LIC at [www.in.gov/dor/3515.htm](http://www.in.gov/dor/3515.htm) for more information about how to calculate this credit. Enclose the completed enterprise zone Schedule LIC with the IT-20S return.

For more information, contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN, 46204. You can also call them at (317) 232-8827 or visit their website at [www.in.gov/iedc/](http://www.in.gov/iedc/)

## **Ethanol Production Tax Credit 815**

An Indiana facility with a capacity to produce 40 million gallons of grain ethanol gallons per year may be eligible for a credit. If credit is granted, it may not be:

- Sold;
- Assigned;
- Conveyed; or
- Otherwise transferred.

Effective for tax years beginning after Dec. 31, 2007, an additional tax credit is available for cellulosic ethanol production. Taxpayers who produce at least 20 million gallons of cellulosic ethanol in a taxable year can apply this credit. But they can apply it only against the state tax liability attributable to business activity taking place at the Indiana facility where the cellulosic ethanol was produced.

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

You can also call them at (317) 232-8827 or visit their website at [www.in.gov/iedc/](http://www.in.gov/iedc/) for additional information. Proof of information for the credit calculation must be enclosed with the return to verify this credit. A copy of the Certificate of Qualified Facility issued by the Indiana Recycling and Energy Development Board must also be enclosed.



Income Tax Information Bulletin #93 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm) has more information.

### **Headquarters Relocation Tax Credit 818**

A credit is available to certain businesses. A business is eligible if it:

- Has an annual worldwide revenue of \$100 million;
- Has at least 75 employees; and
- Relocates its corporate headquarters to Indiana.

The credit can be as much as 50% of the cost incurred to relocate the headquarters.

For more information, including limitations and the application process, get Income Tax Information Bulletin #97 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm)

### **Historic Building Rehabilitation Tax Credit 819**

A credit is available for the rehabilitation or preservation of historic property. To qualify, the property must:

- Be listed on the Indiana Register of Historic Sites and Structures;
- Be at least 50 years old; and
- Produce income.

The cost of the certified rehabilitation or preservation expenses must exceed \$10,000. The credit is 20% of the qualified expenses. Any unused balance of the credit can be carried forward for up to 15 years. A certification from the Division of Historic Preservation and Archaeology must be enclosed with your return.

For more information, call the Indiana Department of Natural Resources at (317) 232-1646 or visit their website at [www.in.gov/dnr/historic](http://www.in.gov/dnr/historic)

You can also get Income Tax Information Bulletin #87 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm)

### **Hoosier Business Investment Tax Credit 820**

This credit is for qualified investments that are directly related to expanding the workforce in Indiana. These include the purchase of new equipment for:

- Telecommunications;
- Production;
- Manufacturing;
- Fabrication;
- Processing;
- Refining; or
- Finishing.

Qualified investments also include the following:

- Onsite infrastructure improvements;
- Construction costs;
- The cost of retooling existing machinery and equipment; and
- Costs associated with special-purpose buildings and foundations.

Qualified investments do not include property that can be readily moved out of Indiana.

This credit is administered by the IEDC at One North Capitol, Suite 700, Indianapolis, IN, 46204. Visit their website at [www.in.gov/iedc/](http://www.in.gov/iedc/) or call them at (317) 233-3638 for more information. Also, get Income Tax Information Bulletin #95 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm)

You must submit a copy of the IEDC certificate verifying the amount of tax credit for the taxable year with your return.

### **Indiana Research Expense Tax Credit 822**

Indiana has a research expense credit that is similar to the federal credit (Form 6765) for increasing research activities for qualifying expenses paid in carrying on a trade or business in Indiana. Compute the credit using Schedule IT-20REC.

Schedule IT-20 REC, available at [www.in.gov/dor/4570.htm](http://www.in.gov/dor/4570.htm), must be completed and enclosed with your return to claim this credit. For more information, contact the Department at [www.in.gov/dor](http://www.in.gov/dor)

### **Individual Development Account Tax Credit 823**

A credit is available for contributions made to a community development corporation participating in an Individual Development Account (IDA) program. The IDA program is designed to assist qualifying low-income residents in accumulating savings and building personal finance skills. The organization must have an approved program number from the Indiana Housing and Community Development Authority (IHCDA) for a contribution to qualify for preapproval. The credit is equal to 50% of the contribution, which must be between \$100 and \$50,000.

Applications for the credit are filed through the IHCDA by using Form IDA-10/20. An approved Form IDA-20 must be enclosed with your return if claiming this credit.

To request more information about this credit, contact the Indiana Housing and Community Development Authority at 30 S. Meridian St., Suite 1000, Indianapolis, IN 46204 or (317) 232-7777.

### **Military Base Investment Cost Tax Credit 826**

This credit is available to taxpayers who provide a qualified investment in a business located in:

- A current or former military base;
- A military base reuse area;
- An economic development area;
- A military base recovery site; or
- A military base enhancement area.

The amount of the credit depends on the type of business, the number of jobs created, and the amount of the investment.

A taxpayer making a qualified investment in a business located in a county where the Crane military base is located is also eligible for the military base investment cost tax credit. The military base enhancement area is extended to comprise portions of three counties that are outside the certified technology park adjoining the Crane military base. These counties are:

- Greene;
- Lawrence; and
- Martin.

The taxpayer's qualified investment must be in a business that meets one of the following criteria:

- (1) The business must be a participant in the technology transfer program conducted by the qualified military base; or
- (2) The business and the qualified military base must have a mutually beneficial relationship evidenced by a memorandum of understanding.

For more information about this credit, contact the Indiana Economic Development Corporation at One North Capitol, Suite 600, Indianapolis, IN, 46204. You can also call them at (317) 232-8827 or visit their website at [www.in.gov/iedc/](http://www.in.gov/iedc/)

To receive credit, you must submit documentation of qualified investment and certification of the percentage credit allowed by the Indiana Economic Development Corporation.

### **Military Base Recovery Tax Credit** **827**

A taxpayer who is an owner or a developer of a military base recovery site may be eligible for a credit. The taxpayer must be investing in the rehabilitation of real property located in a military base recovery site according to a plan approved by the IEDC. The maximum credit is 25% of the cost of the rehabilitation of the real property located in a designated military base recovery site based on the age of the building.

A lessee of property in a military base recovery site who is assigned part of the tax credit based on a qualified investment within a military recovery site may also claim this credit. The assignment must be in writing. In addition, the consideration must not exceed the value of the part of the credit assigned. Both parties must report the assignment on their state income tax returns for the year of assignment. The lessee can use the credit to offset its total state income tax liability. However, any excess credit must be carried forward to the immediately following tax year(s).

For more information about this credit, contact the Indiana Economic Development Corporation at One North Capitol, Suite 600, Indianapolis, IN, 46204. You can also call them at (317) 232-8827 or visit their website at [www.in.gov/iedc](http://www.in.gov/iedc/)

### **Neighborhood Assistance Tax Credit** **828**

If you made a contribution to the Neighborhood Assistance Program (NAP) or engaged in activities to upgrade areas in Indiana, you might be able to claim a credit for this assistance. Contact the Indiana Housing and Community Development Authority, Neighborhood Assistance Program, 30 S. Meridian St., Suite 1000, Indianapolis, IN 46204, for more information. You can also call (317) 232-7777 within Indianapolis or (800) 872-0371 outside of Indianapolis.

You must enclose approval Form NC-20 with your return. For more information, get Form NC-10 at [www.in.gov/dor/3508.htm](http://www.in.gov/dor/3508.htm) and Income Tax Information Bulletin #22 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm)

### **New Employer Credit** **850**

A credit is allowed for a corporation or pass-through entity if the business employs at least 10 new qualified employees and, after Dec. 31, 2009, the business:

- Relocates or locates its operations in Indiana;
- Incorporates in Indiana; or
- Expands its operations in Indiana.

This credit is equal to 10% of the wages paid to qualified employees.

A qualified employee is one who is:

- A full-time employee first hired by a new Indiana business;
- A resident of Indiana; and
- Not more than a 5% shareholder, partner, member, or owner of the business as determined by the IEDC.

To qualify for the credit, the taxpayer must submit an application to the IEDC. Contact the Indiana Department of Correction, Office of the Commissioner, 302 W. Washington Street, Room E334, Indianapolis, IN 46204, for additional information. You can also visit their website at [www.in.gov/idoc](http://www.in.gov/idoc)

For more information, see Income Tax Information Bulletin #106 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm)

Enter **850** on lines 29a - 31a under Other Nonrefundable Credits if claiming this credit.

### **Prison Investment Tax Credit** **829**

A credit is allowed for amounts invested in Indiana prisons to create jobs for prisoners. The amount is limited to 50% of the investment in a qualified project approved by the Department of Corrections, plus 25% of the wages paid to inmates. The maximum credit a taxpayer can claim is \$100,000 per year.

Contact the Indiana Department of Correction, Office of the Commissioner, Indiana Government Center South, Room E334, Indianapolis, IN 46204, for more information.

### **School Scholarship Credit** **849**

A credit is available for contributions to school scholarship programs. A taxpayer that makes a qualifying contribution to a scholarship granting organization (SGO) is entitled to a credit against their state tax liability in the taxable year in which the contribution is made. The amount of a taxpayer's credit is equal to 50% of the amount of the contribution made to the SGO for a school scholarship program.

To qualify for the credit, the taxpayer must:

- Make a contribution to a scholarship granting organization that is certified by the Department of Education under IC 20-51;
- Make the contribution directly to the SGO;
- Designate in writing to the SGO that the contribution is to be used solely for a school scholarship program or have written confirmation from the SGO that the contribution will be used solely for a school scholarship program.

Although there are no limits on the size of a qualifying contribution to an SGO, the entire tax credit program has a limit of \$5 million in credits per state fiscal year (July 1 – June 30). **Note:** This limit has increased—the previous limit was \$2.5 million.

You must enclose Schedule IN-SSC to claim this credit. For more information about this credit, see the instructions for Schedule IN-SSC at [www.in.gov/dor/4570.htm](http://www.in.gov/dor/4570.htm)

## Small Employer Qualified Wellness

843

### Program Credit

Small employers are entitled to a tax credit if they provide qualified wellness programs for their employees. The credit is equal to 50% of the costs the taxpayer incurred during the taxable year for providing the wellness program. To qualify, the small employer must:

- Be actively engaged in business;
- Have between 2 and 100 eligible employees; and
- Have a majority of its employees working in Indiana.

The wellness program must be certified by the State Department of Health (DOH). The certificate must be enclosed with the tax return before the credit can be approved. The credit can be carried forward but cannot be carried back or refunded. For more information, contact the DOH at [www.IN.gov/isdh](http://www.IN.gov/isdh)

**Note:** Per IC 6-3.1-14-9, this credit will not be awarded for tax years that begin after Dec. 31, 2011. In addition, any credits previously awarded may not be carried forward during tax years 2012 and 2013. However, they can be carried forward during 2014 and 2015.

Also get Income Tax Information Bulletin #102 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm)

## Venture Capital Investment Tax Credit

835

An entity that provides qualified investment capital to a qualified Indiana business may be eligible for this credit. Currently, this credit is limited to investments that occur before Jan. 1, 2015.

The carryforward provision is limited to 5 years. **Note:** Per IC 6-3.1-24-8, for calendar years beginning after Dec. 31, 2010, the maximum credit available to a qualified business is \$1 million (previously it was \$500,000).

You can get certification for this credit from the Indiana Economic Development Corporation Development Finance Office, VCI Credit Program, One North Capitol, Suite 700, Indianapolis, IN 46204. You can also call them at (317) 232-8827 or visit their website at [www.in.gov/iedc/](http://www.in.gov/iedc/)

A copy of the certificate and proof that the investment capital was provided to the qualified business within two years after the certification of the investment plan must be enclosed with your tax return.

## Voluntary Remediation Tax Credit

836

A voluntary remediation credit is available for qualified investments involving the redevelopment of a brownfield and environmental remediation. The Indiana Department of Environmental Management and the Indiana Housing and Community Development Authority must determine and certify that the costs incurred in a voluntary remediation are qualified investments.

Carryover of prior unused credit may be carried back only one year or carried forward up to five years. For more information, contact the Indiana Department of Environmental Management, Indiana Government Center North, Room N1101, Indianapolis, IN 46204, or visit their website at [www.in.gov/idem](http://www.in.gov/idem)

## Reminders

1. Complete the S corporation's identification section.
2. List the name of the Indiana county; place O.O.S. in the county box to indicate an out-of-state business operation.
3. S corporations filing on a fiscal-year basis must enter their tax year's beginning and ending dates.
4. A composite return must be filed on Schedule IT-20SCOMP.
5. Enclose IT-20S Schedule E-Appportionment of Income, if applicable.
6. Enclose copies of the first four pages of the U.S. Income Tax Return for an S Corporation, Form 1120S and Schedule M-3.
7. Use Form DB020W-NR (for an initial payment) or designated Form WH-1 to pay withholding tax on income distributions to nonresident shareholders.
8. If the corporation's name has changed, check the appropriate box at the top of the return. Enclose with the return copies of the amended Articles of Incorporation filed with the Indiana Secretary of State.

## Annual Public Hearing

In accordance with the Indiana Taxpayer Bill of Rights, the Indiana Department of Revenue will conduct an annual public hearing on Tuesday, June 5, 2012. Please come and share your ideas about how the Department can better administer Indiana tax laws. The hearing will be held from 9 a.m. to 11 a.m. in the Indiana Government Center South, Conference Center - Room 1, 402 W. Washington St., Indianapolis, Indiana. If you are unable to attend, please submit your concerns in writing to:

Indiana Department of Revenue  
Commissioner's Office  
100 N. Senate Ave.  
Indianapolis, IN 46204

To find all Indiana Department of Revenue forms, visit [www.in.gov/dor/](http://www.in.gov/dor/)

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

## Tax Forms Order Line - (317) 615-2581

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 15th day of the third month after the end of the taxable year. **Caution:** This form establishes 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.
- Enter your 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 the penalty and interest and bill you if payment is received after the due date.
- Line B: Enter the total withholding tax due for the ending tax period indicated. Do not include penalty or interest. If the remittance is equal to the total amount due, the amounts reported on A and B should be the same.
- Sign and date the form. List your daytime telephone number, and enter your 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 the end of February. The Department may permit an entity paying or crediting amounts to its nonresidents an extension of time to file Form WH-3 only one time each year. This extends the deadline 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) 3 1/2 months after the end of the entity's taxable year.

An extension of time to file Form WH-3 can 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 Form WH-1 or DB020W-NR.

If you have any questions regarding this form or the withholding tax, please call the Indiana Department of Revenue, Tax Administration at (317) 232-0129.

**FORM DB020W-NR**  
**Payment of Indiana Withholding Tax for Nonresident**  
**Shareholders, Partners, or Beneficiaries of Trusts and Estates**

INDIANA TAXPAYER IDENTIFICATION NUMBER:

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(IF NONE, INDICATE FEDERAL ID NUMBER BELOW)

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LOCATION

TAX PERIOD ENDING:

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Y Y Y Y

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(CODE-DEPT. USE ONLY)

TAXPAYER'S NAME AND ADDRESS:

NAME \_\_\_\_\_

STREET \_\_\_\_\_

CITY \_\_\_\_\_

STATE \_\_\_\_\_ ZIP CODE \_\_\_\_\_

ENTER YOUR FEDERAL IDENTIFICATION NUMBER:

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IS THIS A ONE-TIME ANNUAL DISTRIBUTION?  YES  NO

X \_\_\_\_\_  
AUTHORIZED SIGNATURE

DATE \_\_\_\_\_ DAYTIME TELEPHONE NUMBER ( ) \_\_\_\_\_

A. \_\_\_\_\_  
TOTAL AMOUNT OF PAYMENT

B. \_\_\_\_\_  
TOTAL AMOUNT DUE

*DO NOT SEND CASH*  
MAKE CHECK OR MONEY ORDER  
IN U.S. FUNDS PAYABLE TO:  
**INDIANA DEPARTMENT OF REVENUE**  
**MAIL COMPLETED FORM TO:**  
**INDIANA DEPARTMENT OF REVENUE**  
**P.O. BOX 7228**  
**INDIANAPOLIS, IN 46207**

*DO NOT USE THIS FORM FOR REPORTING PAYROLL WITHHOLDING TAX*

Use this form (if you have not established a separate non-resident 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 non-resident'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 non-resident shareholders, partners, or beneficiaries one time each year, the withholding payment is due on or before the 15th 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.
- Enter your 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 received after the due date.

- Line B: Enter the total withholding tax due for the ending tax period indicated. Do not include penalty or interest. If the 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 your daytime telephone number and enter your 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 the end of February. 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 in writing 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 Form WH-1 or DB020W-NR.

If you have any questions regarding this form or the withholding tax, please call the Indiana Department of Revenue, Tax Administration at (317) 232-0129.



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