

PA SCHEDULE MReconciliation of Federal-Taxable
Income (Loss) to PA-Taxable
Income (Loss)

PA-20S/PA-65 M (05-11) (FI)

2011

1107010058

OFFICIAL USE ONLY

Name as shown on PA-20S/PA-65 Information Return

FEIN

PA Sales Tax License Number

PA Schedule M, Part A. Classifying Federal Income (Loss) for PA Personal Income Tax Purposes

Classify, without adjustment, the federal income (loss) from Schedule K of federal Form 1120S or from Schedule K of federal Form 1065. The entity must allocate or apportion the amounts from the federal categories to the reportable PA PIT classes. The total of the specific federal line items should equal the total of the federal schedule.

Federal Form		Classified for Pennsylvania Personal Income Tax purposes				
Form 1120S, Schedule K line description Form 1065, Schedule K line description	(a) Federal Income (loss)	(b) PA Business Income (loss)	(c) Interest Income PA Schedule A	(d) Dividend Income PA Schedule B	(e) Gain (loss) From Sales PA Schedule D	(f) Rent & Royalty Income (loss) PA Schedule E
1 Ordinary income (loss) from trade or business activities						
2 Net income (loss) from rental real estate activities						
3 Other gross rental income (loss)						
4 Interest income						
5 Dividends						
6 Royalty income						
7 Net short-term capital gain (loss)						
8 Net long-term capital gain (loss)						
9 Net gain (loss) from disposal of IRC Section 179 property						
10 Net IRC Section 1231 gain (loss) from Form 4797						
11 Other income (loss)						
12 Total PA income (loss) by classification. Total the amounts in each column.						

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PA Schedule M, Part B. Determining PA Reportable Income (Loss) by Classification

The entity may need to prepare a PA Schedule M, Part B, if it must make adjustments to properly determine its reportable classified income (loss) for its PA-20S/PA-65 Information Return. This specific list of adjustments applies to income (loss) from a business or farm, and rental/royalty income (loss).

Enter whole dollars only.

Section A. Federal Classified Income (Loss). Income class from Part A, Column:	1	PA Allocated Income (Loss)	2	Total Rental Income (Loss) or Total Business Income (Loss) Before Apportionment
Enter the initial of Column (b) or (f) only.				

Section B. Itemize income adjustments that increase PA reportable income (reduce the loss).

a Deferred income relating to advance payments for goods and services	1		2	
b Difference in gain (loss) for each business sale of property where the proceeds were reinvested in the same line of business	3		4	
c Gain from business like-kind exchanges, see PA PIT Guide for instructions	5		6	
d Gain (loss) on involuntary conversions – IRC Section 1033	7		8	
e Income from cancellation of debt that PA treats differently from federal rules	9		10	
f Increases in income in the year of change resulting from spread in the year of change associated with IRC Section 481(a) adjustment	11		12	
g Income from obligations of other states and organizations that is not exempt for PA purposes	13		14	
h Other taxable income for PA purposes the entity does not report for federal purposes. Submit statement	15		16	
B Total	17		18	

Section C. Itemize income adjustments that decrease the PA reportable income (increase the loss).

a Difference in gain (loss) for each business sale when proceeds were reinvested in the same line of business	1		2	
b Income from obligations of the U.S. government and other organizations that is not taxable for PA purposes	3		4	
c Decreases for previously reported income in prior year resulting from spread associated with IRC Section 481(a).	5		6	
d Other PA nontaxable income the entity reported for federal purposes. Submit statement	7		8	
C Total	9		10	

Section D. Adjusted PA Reportable Income. See PA-20S/PA-65 Schedule M instructions.

	1		2	
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Section E. Itemize those expenses that PA law does not allow that the entity deducted on its federal form.

These adjustments increase PA reportable income (reduce the loss).

a Taxes paid on income from the worksheet in the PA PIT Guide. Submit worksheet	1		2	
b Differences in depreciation taken for PA and federal purposes	3		4	
c Key man life insurance premiums (owners as beneficiaries)	5		6	
d Differences in PA treatment of guaranteed payments for capital	7		8	
e Differences in depreciation for bonus depreciation (PA law does not allow bonus depreciation.)	9		10	
f Expense adjustments to qualify for the PA credits claimed in Part V of the PA-20S/PA-65	11		12	
g Other expenses the entity deducted on its federal return that PA does not allow. Submit statement	13		14	
E Total	15		16	

Section F. Itemize those expenses that PA law allows that the entity could not deduct on its federal form.

These adjustments decrease PA reportable income (increase the loss).

a 50 percent of business meals, entertainment, and club dues that the entity could not deduct	1		2	
b Sales tax on depreciable assets	3		4	
c Differences in depreciation taken for PA and federal purposes	5		6	
d IRC Section 179 expenses (the maximum for PA purposes is \$25,000)	7		8	
e Expenses for employees, including PA S corporation shareholder-employees	9		10	
f Life insurance premiums (PA S corporation or partnership as beneficiary)	11		12	
g Expense adjustments to qualify for federal credits	13		14	
h Other expenses PA allows that the entity did not deduct on the federal return. Submit statement	15		16	
i Use Tax claimed and remitted - not previously capitalized. Include a copy of the PA-1 form	17		18	
F Total	19		20	

Section G. Total Taxable Income (Loss). Add Section D, plus E, minus F.

	1		2	
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