R pennsylvania
DEPARTMENT OF REVENUE

1050014105

File with RCT-101

COMMONWEALTH OF PENNSYLVANIA
THREE-FACTOR CAPITAL STOCK/FOREIGN FRANCHISE TAX
MANUFACTURING EXEMPTION SCHEDULE

TAX YEAR BEGINNING _____

CORPORATION NAME _____   **REVENUE ID** _____   **TAX YEAR ENDING** _____

PREPARATION INSTRUCTIONS FOR EXEMPTION SCHEDULE

This schedule is to be completed by corporations actually engaged in producing a manufactured article; any processing operation as enumerated in Section 601(a) of the Tax Reform Code of 1971; or research and development as defined in Section 601(a) of the Tax Reform Code of 1971 and electing to utilize the three-factor apportionment formula in accordance with the provisions of the Tax Reform Code of 1971. This schedule is also to be completed by domestic companies claiming the manufacturing, processing or research and development exemption and electing to utilize the three-factor apportionment formula in accordance with the provisions of the Tax Reform Code of 1971. All parts of the PA Corporate Tax Report, RCT-101, must also be completed. Tables 1, 2 and 3 of the Insert Sheet, RCT-106, are to be used for corporate net income tax apportionment fractions. The processing and research and development exemptions do not apply to the corporate net income tax. Foreign corporations not engaged in manufacturing should not use this schedule.

The manufacturing exemption is allowable for tangible property exclusively used in manufacturing and for wages and salaries of employees exclusively engaged in manufacturing. Corporations having tangible property within Pennsylvania or salaries and wages, etc., assigned to Pennsylvania that are used for both manufacturing and nonmanufacturing activities may claim an exemption for that portion that is used in manufacturing. See Column B-2, Table 1 and Table 2, Page 2, of this schedule.

Compliance with these instructions and submission of all required data by the person responsible for the preparation of this schedule will facilitate processing. See the note at the top of Page 4 of this schedule regarding a description of the corporation's activities. This description must be completed each year.

TABLE I - TANGIBLE PROPERTY

The average value of tangible property located outside of Pennsylvania should be excluded from the numerator of the tangible property fraction. In addition, the average value of tangible property used exclusively in manufacturing should also be excluded from the numerator. Thus, the numerator shall consist of the average value of tangible property in Pennsylvania not used in producing a manufactured article. The denominator is the average value of all tangible property wherever situated.

Column B should include the average value of all tangible property within Pennsylvania used in both a manufacturing and nonmanufacturing activity.

Property owned by the taxpayer is valued at its original cost. Property rented by the taxpayer is valued at eight times the net annual rental rate. Net annual rental rate is the annual rate paid by the taxpayer less any annual rental rate received by the taxpayer from sub-rentals. The average value of property is determined by averaging the values at the beginning and end of the tax period, but the Department of Revenue may require the averaging of monthly values during the tax period if reasonably required to reflect properly the average value of the taxpayer's property.

No exemption will be allowed for raw materials and supplies in an amount exceeding one year's requirement for manufacturing activity, unless the need therefore is properly substantiated by an attached schedule. Inventories that exceed one year's supply should appear in Column A. Goods, wares, merchandise and all forms of tangible personal property located within Pennsylvania purchased for the purpose of resale should also be included in Column A.

TABLE II - WAGES AND SALARIES

Wages, salaries, commissions and other compensation of employees not apportioned to Pennsylvania should be excluded from the numerator. In addition, wages, salaries, commissions and other compensation paid to employees exclusively engaged in manufacturing should be excluded from the numerator. Thus, the numerator shall consist of wages, salaries, commissions and other compensation of employees apportioned to Pennsylvania and not engaged exclusively in manufacturing. The denominator is total expenditures for wages, salaries, commissions and other compensation to all employees.

TABLE III - SALES

All PA sales must be included in the numerator of the sales fraction. Thus, the numerator shall consist of all sales attributable to Pennsylvania of both manufactured and nonmanufactured goods. The denominator is the amount of all taxpayer's sales subject to apportionment.

> **THIS SCHEDULE MUST BE COMPLETED IN DETAIL AND ATTACHED TO THE LAST PAGE OF THE RCT-101.**

TABLE 1 – TANGIBLE PROPERTY – USE WHOLE DOLLARS ONLY (Attach additional schedule(s) if necessary)

DESCRIPTION AND LOCATION OF TANGIBLE PROPERTY OWNED - ORIGINAL COST VALUE RENTED - EIGHT TIMES NET ANNUAL RENTAL RATE	A - IN PENNSYLVANIA AND NOT USED IN MANUFACTURING (Include in Numerator)		B - IN PENNSYLVANIA, BUT USED BOTH IN MANUFACTURING AND NONMANUFACTURING ACTIVITIES			
			B-1 - AMOUNT OF COLUMN B USED IN NONMANUFACTURING ACTIVITIES (Include in Numerator)		B-2 - AMOUNT OF COLUMN B USED IN MANUFACTURING ACTIVITIES (Exclude from Numerator)	
	BEGINNING OF YEAR	END OF YEAR	BEGINNING OF YEAR	END OF YEAR	BEGINNING OF YEAR	END OF YEAR
1. Inventory						
2. Buildings and Other Depreciable Assets						
3. Land						
4. Other Tangible Property						
5. Partner's Share of Property Owned by Partnerships						
6. Less Construction in Progress (if included above)	( )	( )	( )	( )	( )	( )
7. Totals						
8. Total Beginning and End of Year						
9. Average Value (1/2 of Above)						
10. Add: Corporate Tangible and/or Real Property Rented*						
Partnership Tangible and/or Real Property Rented*						
11. Total Average Value						

(A) Average value of tangible property apportioned to Pennsylvania (Line 11, Column A plus B-1)
Carryover to RCT-101, Schedule A-1, Line (1a), ... $_____

(B) Average value of all tangible property (Line 11, Column E)
Carryover to RCT-101, Schedule A-1, Line (1b), ... $_____

TABLE 2 - WAGES, SALARIES, COMMISSIONS AND OTHER COMPENSATION PAID TO EMPLOYEES - USE WHOLE DOLLARS ONLY (Attach additional schedule(s) if necessary)

DESCRIPTION WAGES, SALARIES, COMMISSION AND OTHER COMPENSATION TO EMPLOYEES IN:	A - TOTAL APPORTIONED TO PENNSYLVANIA FOR EMPLOYEES NOT ENGAGED IN MANUFACTURING (Include in Numerator)	B - AMOUNT ATTRIBUTABLE TO EMPLOYEES ENGAGED BOTH IN MANUFACTURING AND NONMANUFACTURING ACTIVITIES	
		B-1 - AMOUNT OF COLUMN B ATTRIBUTABLE TO NONMANUFACTURING ACTIVITIES (Include in Numerator)	B-2 - AMOUNT OF COLUMN B ATTRIBUTABLE TO MANUFACTURING ACTIVITIES (Exclude from Numerator)
1. Cost of Goods Sold			
2. Compensation of Officers			
3. Salesmen's Salaries and Commissions			
4. Repairs			
5. Other			
6. Partner's Share of Payroll from Partnerships			
7. Total Wages and Salaries			

(A) Payroll apportioned to Pennsylvania (Column A plus B-1)
Carryover to RCT-101, Schedule A-1, Line (2a), ... $_____

(B) Total payroll (Column E)
Carryover to RCT-101, Schedule A-1, Line (2b), ... $_____

TABLE 3 - SALES - USE WHOLE DOLLARS ONLY (Exclude receipts from the sale, redemption, maturity or exchange of securities, except those held by the taxpayer primarily for sale to customers in the ordinary course of its trade or business.)

DESCRIPTION	A - INSIDE PENNSYLVANIA	B - INSIDE AND OUTSIDE PENNSYLVANIA
1. Sales (Net of Returns & Allowances)		
2. Interest, Rents, Royalties		
3. Other Income (receipts only)		
4. Gross Sales Price of Assets (except securities)**		
5. Partner's Share of Receipts from Partnerships		
6. Total Sales		

(A) Total sales apportioned to Pennsylvania (Total of Column A)
Carryover to RCT-101, Schedule A-1, Line (3a)· $_____

(B) Total sales (Total of Column B)
Carryover to RCT-101, Schedule A-1, Line (3b)· $_____

C - ACTUALLY AND EXCLUSIVELY USED IN MANUFACTURING (Exclude from Numerator)		D - OUTSIDE PENNSYLVANIA (Exclude from Numerator)		E - TOTAL TANGIBLE PROPERTY (Columns A, B-1, B-2, C, D)	
BEGINNING OF YEAR	END OF YEAR	BEGINNING OF YEAR	END OF YEAR	BEGINNING OF YEAR	END OF YEAR
1.					
2.					
3.					
4.					
5.					
6. ( )	( )	( )	( )	( )	( )
7.					
8.					
9.					
10.					
11.					

➤ Property Factor - Divide A by B (calculate to six decimal places) and carryover to Schedule A-1, Line (1c), of RCT-101. _____

C - AMOUNT ATTRIBUTABLE TO EMPLOYEES EXCLUSIVELY ENGAGED IN MANUFACTURING (Exclude from Numerator)	D - TOTAL APPORTIONED OUTSIDE OF PENNSYLVANIA (Exclude from Numerator)	E - TOTAL WAGES, SALARIES, ETC. (Columns A, B-1, B-2, C, D)
1.		
2.		
3.		
4.		
5.		
6.		
7.		

➤ Payroll Factor - Divide A by B (calculate to six decimal places) and carryover to Schedule A-1, Line (2c), of RCT-101. _____

* Eight times net annual rental rate (Attach Schedule).

** Unless you are a securities dealer.

➤ Sales Factor - Divide A by B (calculate to six decimal places) and carryover to Schedule A-1, Line (3c), of RCT-101. _____

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MANUFACTURING, PROCESSING OR RESEARCH AND DEVELOPMENT ACTIVITY INFORMATION

1. **During this reporting period, did any of the following changes occur?**

   a.   Change from nonmanufacturing activities to manufacturing activities?   Yes ☐   No ☐

   b.   Change from manufacturing activities to nonmanufacturing activities?   Yes ☐   No ☐

   c.   Change during this reporting period due to plant(s) beginning or terminating a manufacturing operation?

   Yes ☐   No ☐

   If yes to a, b or c above, give date(s) change(s) occurred and submit details explaining such change(s).

   _____

2. **Did manufacturing activities cease anytime during the year (other than normal shutdowns, e.g., vacation time, retooling time, etc.)?**

   Yes ☐   No ☐

   If yes, indicate reason for inactivity and period(s) of inactivity, and submit time(s) company became inactive and resumed operation(s).

   ▶   The PA Department of Revenue requires a description of the corporation's activities be furnished in sufficient detail to enable the taxing officials to make a determination of the validity of the claim for the manufacturing exemption. **Attach additional schedule(s) if necessary. (Must be completed in full each year).**