



pennsylvania

DEPARTMENT OF REVENUE

BUREAU OF CORPORATION TAXES
PO BOX 280703
HARRISBURG PA 17128-0703
www.revenue.pa.gov

CT-1 PA CORPORATION TAX INSTRUCTIONS 2015

FOR CALENDAR YEAR 2015 AND FISCAL YEARS BEGINNING IN 2015

**PLEASE CAREFULLY REVIEW HIGHLIGHTS BEFORE COMPLETING
ANY TAX REPORTS OR SCHEDULES.**

HIGHLIGHTS

1. **New:** Act 52 of 2013 increased the limitation of the net loss deduction from the greater of 25 percent of PA taxable income or \$4 million to the greater of 30 percent of PA taxable income or \$5 million.
2. **IMPORTANT:** Taxpayers granted an extension to file the federal income tax return will automatically be granted an extension to file the PA Corporate Tax Report, RCT-101. Corporate taxpayers granted a federal extension **must indicate this by checking the "Federal Extension Granted" box under Step B on Page 1 of RCT-101**, and include a copy of the federal extension request with the report.
3. The penalty imposed for failure to file reports when due is now a minimum of \$500, regardless of the determined tax liability, plus an additional 1 percent of any determined tax liability over \$25,000.
4. The PA Corporate Tax Report, RCT-101, is no longer year specific. This form must be used for all corporate tax reports filed on or after Jan. 1, 2012, regardless of tax year.
5. Taxpayers filing amended reports must use RCT-101 and check the "Amended Report" box on Page 1, Step B. See Page 8 for details.
6. Loans tax has been repealed for tax periods beginning on or after Jan. 1, 2014. Do not complete Section D.
7. **Revenue ID:** A corporation's Revenue ID is a unique, 10-digit number assigned by the department to a taxpayer, separate from any federally issued identification number(s) or Pennsylvania license number(s).
8. Corporations participating in a consolidated federal tax filing must provide consolidating income statements and balance sheets to the department, including separate company schedules and all eliminations.
9. Business income will be apportioned to Pennsylvania by use of the sales factor only. This does not affect the apportionment formula used for capital stock/foreign franchise tax.
10. The electronic funds transfer requirement was reduced from \$10,000 to \$1,000; all payments of \$1,000 or more must be made electronically.
11. The PA corporate tax report and schedules are available on the PA Department of Revenue's website at www.revenue.pa.gov and are indexed by form number. The form numbers for supporting schedules begin with "REV". These numbers can be found on Page 3 of the instructions.

IMPORTANT - Use the department's website to stay up-to-date on tax law changes, tax rates and special instructions regarding form changes.

Estimated payments and requests for extension of time to file should be made online. Visit the e-Services Center at www.revenue.pa.gov.

All third party preparers who prepared 11 or more PA corporate tax reports in the prior calendar year are required to electronically file all PA corporate tax reports in subsequent years. Once a third-party preparer is subject to this filing mandate, the third-party preparer shall continue to be subject to the mandate regardless of how many PA corporate tax reports the individual prepares during a calendar year.

Reports requiring a special calculation of tax liability cannot be electronically filed. These reports must be filed in paper form with a complete explanation of the filing. See Page iii (Special Handling) for the mailing address.

Corporations filing a report for any of the conditions listed below must file a paper form, RCT-101, to ensure timely processing of the report. Examples of reports having special handling status include those filed by

- Corporations requesting extra-statutory treatment beyond that provided by law;
- Corporations with two distinct activities like warehousing/trucking & distribution/trucking or persons/transportation & property/transportation;
- Regulated investment companies (RICs);
- Corporations having net operating loss (NOL) limitations under IRC Section 381 and IRC Section 382; and
- Corporations filing any tax report for a tax year beginning prior to 2001.

Page 1 of RCT-101 contains a check box labeled "E-File Opt Out." This box is used to indicate that the taxpayer has instructed the preparer to not file the report electronically. A list of software vendors approved for electronic filing of the PA corporate tax report can be found by visiting the e-Services Center at www.revenue.pa.gov.

For information on refunds and transfers of overpayment, see Page 10.

| Tax rates for years beginning in | 2015 | 2016 |
|-------------------------------------|-----------|--------|
| Capital Stock/Foreign Franchise Tax | .45 mills | N/A |
| Corporate Net Income Tax | 9.99 % | 9.99 % |

TABLE OF CONTENTS

GENERAL INSTRUCTIONS

| | PAGE | | PAGE |
|--|------|--|------|
| What must be included with the PA Corporate Tax Report | 1 | Reinstatement | 6 |
| Assembly of the Corporate Tax Report RCT-101 | 4 | Recording Dollar Amounts | 6 |
| Federal S Corporations | 5 | Filing Period | 7 |
| Inactive Corporations | 5 | Extension of Time to File | 7 |
| Copy of Federal Form 1120 or 1120S | 5 | Penalties | 7 |
| Confirmation of "Deposits on Account" for a Non-Filed Year | 5 | Interest | 7 |
| Where to File/Pay | 5 | Transfers/Refunds of Corporate Taxes | 7 |
| Electronic Payment Requirement | 6 | Assignment of Tax Credit (Overpayment) | 7 |
| Due Date of Report and Payment | 6 | Department Notices | 7 |
| Filing Requirements | 6 | Amended Reports/Reports of Change | 8 |
| Out of Existence/Withdrawal | 6 | Changes In Federal Taxable Income | 8 |

SPECIFIC INSTRUCTIONS

| | PAGE | | PAGE |
|--|------|---|------|
| LINE BY LINE INSTRUCTIONS FOR THE PA CORPORATE TAX REPORT RCT-101 | | SECTION C: CORPORATE NET INCOME TAX | 11 |
| RCT-101-PAGE 1 | | Business Trust | 11 |
| STEP A Tax Period | 9 | Solicitation Only | 11 |
| STEP B Check Special Filing Status | 9 | LLC | 12 |
| STEP C Name, Address, Business Activity Code & Revenue ID | 9 | PA-S | 12 |
| STEP D Tax Summary | 9 | Taxable Built-in Gains | 12 |
| STEP E Payment Due/Overpayment | 9 | Deductions from and Additions to Income | 12 |
| STEP F Transfer/Refund Methods | 10 | Apportionment and Allocation | 13 |
| STEP G Signature | 10 | Net Operating Loss Deduction | 13 |
| RCT-101-PAGE 2 | | Determination of Tax | 13 |
| SECTION A: CAPITAL STOCK/FOREIGN FRANCHISE TAX | 10 | RCT-101-PAGE 4 | |
| Investment in LLC | 10 | SECTION D: LOANS TAX | 13 |
| Holding Company | 10 | SCHEDULE A-1: APPORTIONMENT SCHEDULE FOR CAPITAL STOCK/FOREIGN FRANCHISE TAX | 13 |
| Family Farm | 10 | SCHEDULE C-1: APPORTIONMENT SCHEDULE FOR CORPORATE NET INCOME TAX | 13 |
| Average Book Income | 10 | RCT-101-PAGES 5 and 6 | |
| Net Worth | 11 | SECTION E: CORPORATE STATUS CHANGES | 14 |
| Capital Stock Value/Taxable Value/Tax Calculation | 11 | SECTION F: GENERAL INFORMATION QUESTIONNAIRE | 14 |
| RCT-101-PAGE 3 | | Paid Preparer's Mailing Address | 14 |
| SECTION B | 11 | | |

SUPPLEMENTAL SCHEDULES

| | PAGE | | PAGE |
|-----------------------------|------|-------------------------------|------|
| Schedule A-2 | 15 | Schedule DA, Schedule REV-861 | 17 |
| Schedule A-3 | 15 | Installment Sales | 17 |
| Schedule C-2 | 16 | REV-934 | 17 |
| Schedule X | 16 | REV-986 | 17 |
| PA Schedules L, M-1 and M-2 | 16 | RCT-101D | 17 |
| RCT-103 | 16 | Schedule C-3 | 17 |
| Schedule C-5 | 16 | Schedule C-4 | 18 |
| Schedule OA, Schedule OD | 17 | Schedule AR, REV-1175 | 18 |

APPORTIONMENT, EXEMPTIONS AND ALLOCATION

| | PAGE | | PAGE |
|---|------|--|------|
| Apportionment of Taxable Income | 19 | Payroll Factor | 20 |
| Special Apportionment Fractions | 19 | Sales Factor | 20 |
| Railroad, Truck, Bus or Airline Companies | 19 | Apportionment & Investments in Unincorporated Entities | 20 |
| Pipeline or Natural Gas Companies | 19 | Claiming Exemptions to Capital Stock/Foreign Franchise Tax | 21 |
| Water Transportation Companies Operating on High Seas | 19 | Exemptions to Capital Stock Tax | 21 |
| Water Transportation Companies Operating on Inland Waters | 19 | Constitutional Exemptions | 21 |
| Apportionment of Capital Stock/Foreign Franchise Tax | 20 | Statutory Exemptions | 21 |
| Three-Factor Apportionment | 20 | Holding Companies | 21 |
| Property Factor | 20 | Family Farm | 22 |
| | | Nonbusiness Income | 22 |

MISCELLANEOUS

| | PAGE | | PAGE |
|--------------------------------|------|--------------------|------|
| Regulated Investment Companies | 23 | Restricted Credits | 23 |

CONTACT NUMBERS

| | |
|---------------------------------------|--------------------------|
| ESTIMATED PAYMENTS | 1-888-PATAXES (728-2937) |
| GENERAL BUSINESS TAX QUESTIONS | 717-787-1064 |
| EXTENSION TO FILE ANNUAL REPORT | 717-705-6225 |
| TRANSFER/REFUND OF OVERPAYMENTS | 717-705-6225 |
| E-FILED REPORTS | 717-346-9421 |

TAX CREDITS CONTACT NUMBERS

| | |
|--|-----------------------------------|
| KEYSTONE OPPORTUNITY ZONE CREDIT | 717-787-1064 |
| EDUCATIONAL IMPROVEMENT/OPPORTUNITY SCHOLARSHIP TAX CREDIT | 1-800-379-7448 or 717-787-1984 |
| NEIGHBORHOOD ASSISTANCE CREDIT | 1-800-379-7448 or 717-787-1984 |
| EMPLOYMENT INCENTIVE PAYMENT CREDIT | 1-800-345-2555 |
| JOBS CREATION TAX CREDIT | 1-800-379-7448 or 717-787-7120 |
| PENNSYLVANIA RESEARCH & DEVELOPMENT TAX CREDIT | 717-783-6031 |
| ORGAN AND BONE MARROW DONOR ACT | 717-787-1064 |

FORMS ORDERING SERVICE

To obtain tax instructions, single copies of PA corporation tax forms, coupons or brochures, use one of these services:

Internet: www.revenue.pa.gov

Toll-Free Phone Services

1-888-PATAXES (1-888-728-2937)

Touch-tone service is required for this automated 24-hour toll-free line.
Call to order forms or check the status of a corporate tax account.

Automated 24-hour Forms Ordering Message Service

1-800-362-2050 Serves taxpayers without touch-tone phone service.

Services for Taxpayers with Special Hearing and/or Speaking Needs

1-800-447-3020 (TTY only)

Written Requests:

PA DEPARTMENT OF REVENUE
TAX FORMS SERVICE UNIT
1854 BROOKWOOD ST
HARRISBURG PA 17104-2244

Online Customer Service Center

Find the answer to your question using the department's Online Customer Service Center at www.revenue.pa.gov.

Pennsylvania Tax Update

Stay up-to-date on Department of Revenue news with the *PA Tax Update*, a free, bi-monthly e-newsletter. Visit www.revenue.pa.gov to sign up for a *PA Tax Update* e-alert.

MAILING ADDRESSES

**RCT-101-PA CORPORATE TAX REPORT,
RCT-101-I-INACTIVE PA CORPORATE TAX REPORT,
RCT-101D-DECLARATION OF DE MINIMIS ACTIVITY,
RCT-128C-REPORTS OF CHANGE IN CORPORATE NET
INCOME TAX**

If you are including payment, please use the following address:

PA DEPARTMENT OF REVENUE
PAYMENT ENCLOSED
PO BOX 280427
HARRISBURG PA 17128-0427

If you are requesting a refund or transfer of credit, please use the following address:

PA DEPARTMENT OF REVENUE
REFUND REQUESTED
PO BOX 280706
HARRISBURG PA 17128-0706

If you are neither including payment nor requesting a refund or transfer of credit, please use the following address:

PA DEPARTMENT OF REVENUE
NO PAYMENT, NO REFUND
PO BOX 280708
HARRISBURG PA 17128-0708

REV-857-ESTIMATED TAX PAYMENTS

PA DEPARTMENT OF REVENUE
BUREAU OF CORPORATION TAXES
327 WALNUT ST FL 3
PO BOX 280422
HARRISBURG PA 17128-2005

CT-V-FED/STATE PAYMENT VOUCHER

PA DEPARTMENT OF REVENUE
BUREAU OF CORPORATION TAXES
327 WALNUT ST FL 3
PO BOX 280427
HARRISBURG PA 17128-2005

REV-853-ANNUAL EXTENSION

PA DEPARTMENT OF REVENUE
BUREAU OF CORPORATION TAXES
327 WALNUT ST FL 3
PO BOX 280425
HARRISBURG PA 17128-2005

REV-854-EIN/FILING PERIOD/ADDRESS CHANGE

PA DEPARTMENT OF REVENUE
BUREAU OF CORPORATION TAXES
327 WALNUT ST FL 3
PO BOX 280701
HARRISBURG PA 17128-2001

**REV-1605-SCHEDULE CO-NAME OF CORPORATE
OFFICERS**

PA DEPARTMENT OF REVENUE
BUREAU OF CORPORATION TAXES
327 WALNUT ST FL 3
PO BOX 280701
HARRISBURG PA 17128-0701

**REV-976-ELECTION NOT TO BE TAXED AS A
PENNSYLVANIA S CORPORATION**

PA DEPARTMENT OF REVENUE
BUREAU OF CORPORATION TAXES
PA "S" UNIT
PO BOX 280701
HARRISBURG PA 17128-0701

**PA-20S/PA-65, PA S CORPORATION/ PARTNERSHIP
INFORMATION RETURN**

PA DEPARTMENT OF REVENUE
BUREAU OF INDIVIDUAL TAXES
PO BOX 280509
HARRISBURG PA 17128-0509

OVERNIGHT MAILING

PA DEPARTMENT OF REVENUE
BUREAU OF IMAGING AND
DOCUMENT MANAGEMENT
1854 BROOKWOOD ST
HARRISBURG PA 17104-2244

SPECIAL HANDLING *(see cover page for instruction and examples)*

PA DEPARTMENT OF REVENUE
BUREAU OF CORPORATION TAXES
PO BOX 280704
HARRISBURG PA 17128-0704

EMAIL ADDRESSES

NOTICE OF ADJUSTMENT LETTER

If you believe the adjustments are in error, please contact the department via email at:

RA-PANOTICEOFADJUSTMENT@PA.GOV

NEW FOR 2015

- Act 52 of 2013 requires the add-back of intangible expenses to income for interest, royalties, patents, trademarks, etc., between affiliated companies in certain instances.

NEW FOR TAX YEARS BEGINNING ON OR AFTER JAN 1, 2016

**ATTENTION PENNSYLVANIA BUSINESSES:
YOU MAY OWE USE TAX**

If you purchase items or services subject to sales tax for which the seller does not charge and collect sales tax on the invoice or receipt, you are personally responsible for remitting the use tax directly to the PA Department of Revenue.

Use tax is often due when sales tax was underpaid or not paid on purchases made over the internet, through toll-free numbers (800, 888, 866 and 877), from mail order catalogs and from out-of-state locations. Use tax also applies to purchases of taxable items and services in Pennsylvania when sales tax was not paid. The use tax rate is the same as the sales tax rate: 6 percent state, with an additional 1 percent local tax for items purchased or used in Allegheny County. Two percent local tax applies to items purchased or used in Philadelphia.

Businesses currently registered for sales tax should report and remit use tax liabilities when filing sales and use tax returns. Use tax liabilities can be reported on a PA-1 Use Tax Return. Use tax is due on or before the 20th day of the month after the month in which the purchase was made.

The department can identify businesses that report minimal use tax, and underreporting of use tax can trigger an audit by the department.

For detailed information on use tax reporting responsibilities and options, visit www.revenue.pa.gov/usetax.

UNAUTHORIZED INSURANCE

Any individual or business purchasing insurance for coverage within Pennsylvania from insurance companies or agents not licensed to do business in Pennsylvania must file an Unauthorized Gross Premiums Tax Report (RCT-122) within 30 days of each purchase or renewal. Such purchases are subject to a 2 percent premiums tax for life insurance (the rate is applied against the premium), and 3 percent premiums tax for all other types.

Any questions on the reporting and payment of unauthorized insurance gross premiums tax can be directed to 717-783-6031.

BANK SHARES TAX

Institutions, as defined in 72 P.S. § 7701.5, doing business in this commonwealth and having PA gross receipts in excess of \$100,000, must file a complete Bank Shares Tax Report, RCT-132B, for tax years beginning on or after Jan. 1, 2014. Institutions which are corporations may also be subject to capital stock/foreign franchise and corporate net income tax and have a corporate tax filing requirement for tax years when their PA gross receipts are \$100,000 or less.

WHAT MUST BE INCLUDED WITH THE PA CORPORATE TAX REPORT

When filing a PA Corporate Tax Report, RCT-101, all corporate taxpayers are required to attach forms and schedules to support the calculation of the tax liability. The type of information required depends on how the entity reports income to the IRS. The following chart lists the forms and schedules the taxpayer must include with the RCT-101 each year. This list is not meant to be all-inclusive. Explanation of forms appears on Pages 15-18. **IMPORTANT:** Taxpayers filing amended PA corporate tax reports must include Schedule AR, REV-1175, in addition to the listed items.

| IF TAXPAYER IS ORGANIZED AS | TAXPAYER FILES WITH THE IRS | TAXPAYER MUST PROVIDE THE FOLLOWING WITH RCT-101 |
|---|--|--|
| Corporation Business Trust Limited Liability Company or Any other entity electing to file as a corporation under federal Check the Box rules | Federal Form 1120, Federal Form 1120C, Federal Form 1120S, (Taxpayer elected to not be taxed as a Pennsylvania S Corporation) Federal Form 1120F, or Any other Corporate Income Tax Return | <ol style="list-style-type: none"> 1. Complete copy of federal income tax return, on separate company basis, with all supporting schedules. Corporations participating in a consolidated federal income tax filing must provide consolidating income statements and balance sheets to the department, including separate company schedules and all eliminations. 2. Completed federal Schedules L, M-1 & M-2 regardless of federal requirements.* 3. Consolidated balance sheet (Corporation owns more than 50 percent of another corporation). See Page 11 of these instructions. 4. RCT-103 to support net operating loss carry-forward, if applicable. 5. Schedule C-5—Schedule of Taxes. 6. Schedule OA, Other Additions, and Schedule OD, Other Deductions, if applicable. 7. RCT-106 to support apportionment factors, if applicable. 8. RCT-102 or RCT-105 to support the manufacturing exemption, if applicable. 9. Schedule C-2 to support the dividend deduction, if applicable. 10. Schedules C-3 and C-4 to support adjustments for bonus depreciation, if applicable. 11. Schedule X, if applicable. 12. Other supporting statements if necessary, with references to supporting statements on the applicable form. 13. Schedule A-2—Reconciliation of Retained Earnings of a Federal Subchapter S Corporation, if applicable. 14. Schedule A-3—Adjustment to Net Income per Books, if applicable. 15. REV-934—Schedule of Non-Business Income, if applicable. 16. REV-986—Schedule to Support Claim of Exemption From Corporate Net Income Tax Under P.L. 86-272, if applicable. |
| Corporation Business Trust Limited Liability Company or Any other entity electing to file as a corporation under federal Check the Box rules | Federal Form 1120S | <ol style="list-style-type: none"> 1. Complete copy of federal income tax return, on separate company basis, with all supporting schedules. Corporations participating in a consolidated federal income tax filing must provide consolidating income statements and balance sheets to the department, including separate company schedules and all eliminations. 2. Completed federal Schedules L, M-1 & M-2, regardless of federal requirements.* 3. RCT-102 or RCT-105 to support the manufacturing exemption, if applicable. 4. RCT-106 to support apportionment factors, if applicable. 5. Schedule X, if applicable. 6. Other supporting statements if necessary, with references to supporting statements on the applicable form. 7. Must separately file the PA-20S/PA-65 with the Pass-Through Business Office at the address noted in the instructions. 8. Schedule A-2—Reconciliation of Retained Earnings of a Federal Subchapter S Corporation, if applicable. 9. Schedule A-3—Adjustment to Net Income per Books, if applicable. |
| Business Trust or Limited Liability Company | Federal Form 1065 | <ol style="list-style-type: none"> 1. Complete copy of federal Form 1065 on a separate company basis with all supporting schedules. 2. Completed federal Schedules L, M-1 & M-2 regardless of federal requirements.* 3. RCT-106 to support apportionment factors, if applicable. 4. RCT-102 or RCT-105 to support the manufacturing exemption, if applicable. 5. Schedule X, if applicable. 6. Other supporting statements if necessary, with references to supporting statements on the applicable form. 7. Must separately file the PA-20S/PA-65 with the Pass Through Business Office at the address noted in the instructions. 8. Schedule A-3—Adjustment to Net Income per Books, if applicable. |
| Business Trust or Limited Liability Company (Single-Member) | Disregarded Entity: Income reported on Personal Income Tax Return of the Single Member | <ol style="list-style-type: none"> 1. PA Schedule L—Balance Sheets for the Beginning and End of the Tax Period. 2. PA Schedule M-1, Reconciliation of Income (Loss) per Books to Income (Loss) per Return. 3. PA Schedule M-2, Reconciliation of Member's Capital Account. 4. Federal Schedule C, E or F of federal Form 1040. 5. Schedule X. 6. RCT-106 to support apportionment factors, if applicable. 7. RCT-102 or RCT-105 to support the manufacturing exemption, if applicable. 8. Schedule A-3—Adjustments to Net Income per Books, if applicable. 9. Other supporting statements if necessary, with references to supporting statements on the applicable form. |

*Taxpayers required to file federal Schedule M-3 may submit such in lieu of federal Schedule M-1.

| IF TAXPAYER IS ORGANIZED AS | TAXPAYER FILES WITH THE IRS | TAXPAYER MUST PROVIDE THE FOLLOWING WITH RCT-101 |
|---|---|---|
| Business Trust or Limited Liability Company (Single-Member) | Disregarded Entity: Income reported on federal return of another business entity | <ol style="list-style-type: none"> 1. Proforma federal tax return.* 2. Completed federal Schedules L, M-1 & M-2 regardless of federal requirements. 3. RCT-106 to support apportionment factors, if applicable. 4. RCT-102 or RCT-105 to support the manufacturing exemption, if applicable. 5. Schedule of Net Income per Books if different than Line 1 of federal Schedule M-1, if applicable. 6. Schedule X, if applicable. 7. Other supporting statements if necessary, with references to supporting statements on the applicable form. 8. Schedule A-2—Reconciliation of Retained Earnings of a Federal Subchapter S Corporation, if applicable. 9. Schedule A-3—Adjustment to Net Income per Books, if applicable. |
| *If the single member of the LLC or business trust is a corporation for federal income tax purposes, the LLC or business trust shall attach a pro forma separate company federal Form 1120 or 1120S. If the single member of the LLC is a partnership for federal income tax purposes, the LLC shall attach a pro forma separate company federal Form 1065. | | |

In certain situations corporate taxpayers are also required to provide additional information when filing RCT-101. Examples of these are as follows.

| IF THE CORPORATE TAXPAYER IS | TAXPAYER MUST ALSO PROVIDE |
|--|--|
| A non-PA Corporation, with activity outside of PA in prior years, filing a PA Corporate Tax Report for the first time. | A five-year history of earnings. (If the corporation has not been in existence for five years, a schedule of the Net Income per Books for all tax periods since incorporation must be provided). |
| Claiming a Manufacturing, Processing or Research and Development Exemption. | <ol style="list-style-type: none"> 1. A detailed description of activity from raw materials to finished product (i.e., company or product brochures in first year). 2. A schedule reporting the end-of-month balance of interest generating accounts (single-factor manufacturing exemption only). |
| Apportioning income for the first time. | A copy of a tax return from another state. |
| Filing the final PA Corporate Tax Report. | A complete Schedule DA - Disposition of Assets Schedule (REV-861). |
| Apportioning income or Capital Stock Value, or claiming a Manufacturing, Processing, or Research and Development Exemption, and has an investment in pass-through entities. See Pages 19, 20 and 21 for details. | A complete copy of federal Form 1065 for the investee partnership. If the investee partnership provided the corporate taxpayer with Schedule H-Corp of the PA 20S/PA-65, the corporate taxpayer should submit a copy of this schedule, along with federal Schedule-K, in lieu of the federal Form 1065 for the investee partnership. |
| Claiming the Keystone Opportunity Zone/Keystone Opportunity Expansion Zone or Strategic Development Area Credit. | <ol style="list-style-type: none"> 1. A completed RCT-101 KOZ, showing the calculation of the credit. 2. A copy of the Keystone Opportunity Zone approval letter issued by the Department of Community and Economic Development for the current year. |
| Claiming an Employment Incentive Payment Credit. | Schedule W – Certifications for New Employees. |

REMINDER

- If an amended report must be filed, taxpayers must complete the most current non-year specific RCT-101, completing all sections of the report. This includes those sections originally filed and those sections being amended. The amended report check box under Step B, Page 1 of RCT-101 must be checked and REV-1175 must be included with the report.
- Use ONLY the most current non-year specific RCT-101 form for filing ALL tax years.

| WHEN IS A FORM OR SCHEDULE REQUIRED? | | |
|--|--|--|
| FORM | USED FOR | REQUIRED WHEN CORPORATE TAXPAYER |
| RCT-106, Page 1 | Calculating Proportion of Taxable Assets | Is claiming exemption for the following assets when calculating capital stock foreign/franchise tax: 1. Real and tangible personal property located outside PA 2. Stock of corporations incorporated under the laws of PA 3. Net worth of corporation of which the taxpayer owns more than 50 percent interest 4. U.S. Government Securities 5. PA Municipal Securities 6. Investment in the stock of a National Bank or Student Loan Assets |
| RCT-106, Page 2 | Support of Three-Factor Apportionment or Special Apportionment | Has taxable activity in at least one other state and is apportioning income to the other state based on property, payroll and sales. RCT-106 is also required by taxpayers who are required to utilize special apportionment methods (revenue miles, etc.). |
| RCT-102 | Support of Single-Factor Manufacturing Exemption | Qualifies for the manufacturing exemption and either elects to use the single-factor manufacturing exemption or does not qualify for the three-factor manufacturing exemption. Only applies to capital stock/foreign franchise tax. |
| RCT-105 | Support of Three-Factor Manufacturing Exemption | Has taxable activity in at least one other state and qualifies for the manufacturing exemption. Only applies to capital stock/foreign franchise tax. |
| RCT-103 | Support of Net Operating Loss Deduction | Is deducting a net operating loss carry-forward in the calculation of corporate net income tax. |
| Schedule C-2 REV-798 | Support of Dividend Deduction | Is claiming a Dividend Received Deduction in the calculation of corporate net income tax. |
| Schedule C-3 REV-799 | Bonus Depreciation Adjustment | Is claiming a deduction to recover disallowed federal bonus depreciation in the calculation of corporate net income tax. |
| Schedule C-4 REV-799 | Adjustment for Sale of Sec. 168(k) Property | Is claiming a deduction to recover remaining federal bonus depreciation in the calculation of corporate net income tax in the year an asset is sold. |
| Schedule C-5 REV-860 | Schedule of Tax Expense | Is subject to corporate net income tax and reports taxes paid as an expense on the federal income tax return. |
| Schedule OA REV-860 | Other Additions | Is reporting an "Other Addition" on RCT-101, Section C, Line 3E. |
| Schedule OD REV-860 | Other Deductions | Is reporting an "Other Deduction" on RCT-101, Section C, Line 2D. |
| REV-860 PA Schedule L PA Schedule M-1 PA Schedule M-2 | Beginning and Ending Balance Sheets Reconciliation of Income (Loss) per Books to Income (Loss) per Return Reconciliation of Member's Capital Account | Is a single-member limited liability company. Income reported on personal income tax return of member. |
| Schedule X REV-798 | Parent and Subsidiary Corporations | Has more than 50 percent of its stock owned by another corporation, individual or other business entity or owns more than 50 percent of another corporation. |
| Schedule A-2 REV-961 | Reconciliation of Beginning and Ending Retained Earnings reported on Schedule L of federal Form 1120S | Is filing federal Form 1120S and the change in the retained earnings plus distributions of a federal subchapter S corporation is different than the net income per books of the corporation. |
| Schedule A-3 REV-961 | Adjustments to Net Income per Books | Is adjusting the net income per books reported on federal Schedule M-1 or federal Schedule M-3, to arrive at the net income per books reported on RCT-101. |
| REV-934 | Schedule of Non-Business Income | Is claiming non-business income. |
| REV-986 | Schedule to Support Claim of Exemption From Corporate Net Income Tax Under P.L. 86-272 | Is a non-PA corporation claiming to be exempt from corporate net income tax under P.L. 86-272. |
| Schedule AR REV-1175 | Schedule to Provide Reason for Filing an Amended Report and Summary of Change in Tax Liability for Amended Report | Is amending a PA Corporate Tax Report. |

**ASSEMBLY OF THE COMPLETED
PA CORPORATE TAX REPORT RCT-101 PACKAGE**

Assemble the completed PA Corporate Tax Report in the following order. Failure to submit a properly completed and signed report may result in the imposition of late filing penalties and/or estimated assessments.

1. RCT-101 PA Corporate Tax Report Pages 1 through 6 completed and assembled in order.
2. RCT-103, Net Operating Loss Schedule, if applicable.
3. Federal Form 7004, if applicable
4. Pennsylvania Extension Approval Letter, if applicable
5. Pennsylvania schedules and forms, as required and in the following order:
 - Schedule AR (REV-1175) - If filing an amended PA Corporate Tax Report.
 - Schedule C-2, PA Dividend Deduction Schedule (REV-798)
 - Schedule X, (REV-798)
 - Schedule C-3, Adjustment for Bonus Depreciation (REV-799)
 - Schedule C-4, Adjustment for Disposition of Section 168(k) Property & Recapture of Depreciation on Listed Property (REV-799)
 - Schedule A-2, (REV-961)
 - Schedule A-3, Adjustments to Net Income per Books (REV -961)
 - PA Schedule L, Balance Sheets for Single-Member Limited Liability Companies when the Income is Reporting of the Personal Income Tax Return of the Member; PA Schedule M-1, Reconciliation of Income (Loss) per Books to Income (Loss) per Return; PA Schedule M-2, Reconciliation of Member's Capital Account (REV-860)
 - Schedule C-5 - Schedule of Taxes; Schedule OA - Other Additions; Schedule OD - Other Deductions (REV-860)
 - RCT-106, Insert Sheet
 - RCT-102, Single-Factor Manufacturing Exemption
 - RCT-105, Three-Factor Manufacturing Exemption
 - Schedule of Nonbusiness Income (REV-934)
 - Schedule to Support Claim of Exemption From Corporate Net Income Tax (REV-986)
6. All other documentation to support the RCT-101 PA Corporate Tax Report
7. Complete federal tax return and supporting schedules, as required:
 - Federal Form 1120
 - Federal Form 1120S
 - Federal Form 1120C
 - Federal Form 1120F
 - Federal Form 1065
 - Schedule C, E or F of federal Form 1040
8. Consolidating schedules, when applicable

PENNSYLVANIA CORPORATE TAX REPORT INSTRUCTIONS FOR FORM RCT-101

GENERAL INSTRUCTIONS

FEDERAL S CORPORATIONS

Effective with tax years beginning on or after Jan. 1, 2006, any corporation with a valid federal subchapter S corporation election is considered a Pennsylvania S corporation. Any federal subchapter S corporation that does not desire to be a Pennsylvania S corporation must file the Election Not to be Taxed as a Pennsylvania S Corporation (REV-976) on or before the due date or extended due date of the report for the first year in which the election is to be in effect. This election must be signed by all of the shareholders and once made cannot be revoked for five years. The completed REV-976 should be mailed to the following address:

**BUREAU OF CORPORATION TAXES
PA "S" UNIT
PO BOX 280701
HARRISBURG PA 17128-0701**

To revoke an election, the corporation must send a letter signed by shareholders holding more than one-half of the shares of stock of the corporation on the day on which the revocation is made. This letter must contain the name of the corporation, federal EIN, Revenue ID number and the effective date of the revocation. If no effective date is provided, the revocation will be effective for the first tax period for which the revocation was timely submitted. In the case of a corporation with qualified subchapter S subsidiaries, the letter must also include the names and Revenue ID numbers of all qualified subchapter S subsidiaries doing business in Pennsylvania.

Qualified subchapter S subsidiaries may not be Pennsylvania S corporations, or elect not to be Pennsylvania S corporations, separate from the parent corporation. Federal subchapter S corporations doing business in Pennsylvania that do not make this election are required to file both RCT-101 and PA-20S/PA-65, and the shareholders of these corporations must report the income from these corporations on their PA personal income tax returns.

IMPORTANT: This election must be filed by all federal subchapter S corporations that do not want to be taxed as Pennsylvania S corporations, regardless of any prior actions taken by a corporation on this issue.

If a corporation has elected to be taxed as an S corporation for federal tax purposes, but has elected not to be taxed as a PA S corporation, it must: (1) complete Section C of RCT-101, (2) attach a copy of federal Form 1120S to the PA Corporate Tax Report, and (3) attach a schedule reflecting adjustments to Line 21 of federal Form 1120S for the pass-through items on Schedule K (Shareholders' Share of Income, Credits, Deductions, etc.). These adjustments should produce taxable income similar to that for a C corporation and must be reported in Section C, Line (1) of the RCT-101.

INACTIVE CORPORATIONS

Inactive corporations must complete and file form RCT-101-I. Only skeleton corporations - those performing no business activity and owning no assets anywhere - may use the RCT-101-I. Corporations that have business activity outside Pennsylvania must complete and file the PA Corporate Tax Report, RCT-101. A copy of federal Form 1120 must be attached and apportionment fractions must be reported.

IMPORTANT: Prior period forms are not acceptable. Do not use forms for other years when filing a PA Corporate Tax Report, RCT-101, or an Inactive PA Corporate Tax Report, RCT-101I.

COPY OF FEDERAL FORM 1120 OR 1120S

IMPORTANT: A copy of the federal income tax return - Form 1120, 1120C, 1120S, 1065, 990 or other applicable federal form must be

attached to the PA Corporate Tax Report. This is in addition to any requirement to supply a copy of the federal tax return with any other filing.

An LLC that is a disregarded entity must attach a pro forma federal return. If the single member of the LLC is a corporation for federal income tax purposes, the LLC shall attach a pro forma separate company federal Form 1120. If the single member of the LLC is a partnership for federal income tax purposes, the LLC shall attach a pro forma separate company federal Form 1065. If the single member of the LLC is an individual the LLC shall attach a copy of Schedule C, E or F of federal Form 1040 along with PA Schedules L, M-1 and M-2, REV-860, and Schedule X, REV-798.

Pennsylvania does not allow consolidated filing of corporate tax reports. A corporation filing a consolidated return to the federal government must include the following:

1. Separate company income statement reflecting taxable income that would have been returned to and ascertained by the federal government, if a separate return had been made to the federal government.
2. Separate company balance sheet reflecting financial position of the taxpayer at the beginning and end of the taxable period, if separate return had been made to the federal government. A corporation with subsidiaries also must include a consolidated balance sheet.
3. Schedules reflected on the federal Form 1120 or 1120S on a separate company basis, including a schedule of taxes expensed.
4. Corporations participating in a consolidated federal income tax filing must provide consolidating income statements and balance sheets to the department, including separate company schedules and all eliminations.

IMPORTANT: Failure to submit a properly completed and signed report may result in the imposition of late filing penalties and/or estimated assessments.

CONFIRMATION OF "DEPOSITS ON ACCOUNT" FOR A NON-FILED TAX YEAR.

Prior to filing a corporation tax report, taxpayers can confirm the total amount of deposits on account by calling 1-888-PATAXES (728-2937). You will be asked to enter your Revenue ID number and a specific tax year. Once confirmed, the system will provide:

1. Total deposits by tax type for a specific tax year; or
2. A detailed response for each cash deposit and credit by tax type for a specific tax year. (Note: "restricted credits" are NOT uniquely identified by name of program) The system will provide details on up to 20 transactions.

WHERE TO FILE/PAY

Submit PA Corporate Tax Reports (RCT-101, RCT-101I, RCT-101D, RCT-128C) and payments using one of the following addresses.

If you owe less than \$1,000 and you are including payment, please use the following address:

**PA DEPT OF REVENUE
PAYMENT ENCLOSED
PO BOX 280427
HARRISBURG PA 17128-0427**

If you are requesting a refund or transfer of credit, please use the following address:

**PA DEPT OF REVENUE
REFUND REQUESTED
PO BOX 280706
HARRISBURG PA 17128-0706**

If you are neither including payment nor requesting a refund, please use the following address:

**PA DEPT OF REVENUE
NO PAYMENT, NO REFUND
PO BOX 280708
HARRISBURG PA 17128-0708**

If the total taxes owed are less than \$1,000, you may send a check, made payable to the PA Dept. of Revenue, to the above address. If the total taxes owed are \$1,000 or more, you must pay electronically.

ELECTRONIC PAYMENT REQUIREMENT

The PA Departments of Treasury and Revenue have implemented programs that enable taxpayers to pay certain taxes electronically. All payments of \$1,000 or more must be remitted electronically or by certified or cashier's check remitted in person or by express mail courier. Failure to make a payment by an approved method may result in the imposition of a 3 percent penalty of the tax due, up to \$500. For information on electronic filing options, visit the e-Services Center at www.revenue.pa.gov.

DUE DATE OF REPORT AND PAYMENT

The PA Corporate Tax Report, RCT-101, is due annually on April 15 of the year following the year for which the report is submitted for a calendar year reporting corporation, or 30 days after the federal due date for corporations reporting to the federal government on a fiscal year basis. Domestic International Sales Companies (DISC) must file on or before the 15th day of the 10th month following the close of the fiscal year. If the due date falls on a Saturday, Sunday or holiday, the report is due the next business day.

FILING REQUIREMENTS

First reports of domestic corporations must begin with the date of incorporation. All domestic corporations are required to file annual reports even if no business activity was conducted during the taxable period.

First reports of foreign corporations must begin with the beginning date of the fiscal period in which the Certificate of Authority was issued or the date Pennsylvania activity began, whichever date is earlier.

IMPORTANT: All corporations are required to file annual reports even if no business activity was conducted within the commonwealth during the tax period. In general, PA Corporate Tax Reports are due 30 days after the original due date of the federal tax return.

OUT-OF-EXISTENCE/WITHDRAWAL

A PA corporation that has ceased doing business and completely or totally divested itself of ALL assets, or a foreign corporation that has ceased to do business in Pennsylvania and liquidated ALL PA assets may be relieved of the responsibility of filing corporate tax reports by indicating Final Report in Section E, Corporate Status Change, found on Page 5 of RCT-101.

NOTE: Entities formed under the laws of the Commonwealth of Pennsylvania must answer the questions under "PA Corporations" in this section. Entities formed under the laws of another jurisdiction are required to answer the questions under "Foreign Corporations".

By completing this section of RCT-101, a corporate taxpayer wishing to be removed from the active records of the PA Department of Revenue will no longer be required to file the Out of Existence/Withdrawal Affidavit. However, taxpayers desiring to dissolve or formally withdraw

with the Department of State are still required to file an Application for Corporate Clearance, REV-181.

To qualify for out-of-existence or withdrawn status, the corporation must:

1. File all corporate tax reports and pay all taxes due the commonwealth up to and including the date of cessation of activities and divestiture of assets. Where capital assets have been sold prior to liquidation, complete in detail a schedule reflecting the gain or loss realized as a result of the sale.
2. Include with the corporate tax reports a "Disposition of Assets," Schedule DA, REV-861 which must reflect the date or dates of divestiture of all assets. Where a distribution of assets is made directly by the corporation to its shareholders in return for their stock, attach to the "Distribution of Assets" a copy of federal Form 1099-DIV.

IMPORTANT: Failure to submit the "Distribution of Assets" could delay the acceptance of the return as a final report resulting in continued corporate tax reporting requirements. Corporate taxpayers reporting the disposition of PA real estate must provide evidence that the transfer of title has been filed with the Recorder of Deeds of the respective county. This information must be provided in order to be removed from the active records of the Bureau of Corporation Taxes.

PA corporations that never transacted business or held title to assets, or foreign corporations that never transacted business in Pennsylvania, are required to file annual tax reports until they file final returns and qualify for out-of-existence or withdrawn status. Such inactive corporations should mail the executed Out-of-Existence/Withdrawal Affidavit, REV-238, directly to:

**PA DEPARTMENT OF REVENUE
BUREAU OF COMPLIANCE
PO BOX 280947
HARRISBURG PA 17128-0947**

REINSTATEMENT

A corporation considered out-of-existence through the acceptance of an affidavit may reinstate with the PA Department of Revenue by confirming with the PA Department of State, that the corporation name is available for use by calling 717-787-1057. A corporation considered out-of-existence/withdrawn, must be reinstated on Department of Revenue records before its corporate franchise can again be utilized. This can be effected by filing corporate tax reports from the date of out-of-existence status through the end of the last calendar or fiscal period of no activity. The minimum tax is waived for the years covered by these reports. Taxpayer's filing RCT-101-I for this purpose must check the reinstatement box found in Step J, Corporate Status Changes, and enter the beginning date of the first tax period in which business resumed (effective date).

IMPORTANT: Foreign corporations that conducted business outside of Pennsylvania while out-of-existence with the PA Department of Revenue must provide a five-year history of earnings when completing the PA Corporate Tax Report for the first period the taxpayer resumed PA activity.

RECORDING DOLLAR AMOUNTS

All tax calculations must be shown in whole dollar amounts. Any amount less than 50 cents is eliminated, and any amount 50 cents or more is rounded up to the next dollar.

Negative amounts should be written as follows: -3,456.

FILING PERIOD

Reports must be filed on the same filing basis as reported to the federal government. Where a change in filing period has occurred, the taxpayer must provide the new month, day and year by electronically filing REV-854 using the e-Services Center at www.revenue.pa.gov. Indicate a permanent change in filing period on the RCT-101 (Page 1, Step B).

EXTENSION OF TIME TO FILE

A request for an extension of time to file must be submitted on or before the due date of the PA Corporate Tax Report.

Taxpayers granted an extension to file the federal income tax return will automatically be granted an extension to file PA Corporate Tax Report, RCT-101. Corporate taxpayers granted a federal extension must indicate this on Page 1 of RCT-101 and include a copy of the federal extension request with the report.

Corporations that do not request an extension to file the federal income tax return may still request a 60-day extension to file the PA corporate tax report. To apply for an annual extension, complete the Annual Extension Request, REV-853, electronically using the e-Services Center at www.revenue.pa.gov. After review by the PA Department of Revenue, you will receive written notification as to whether your extension was approved or denied.

You may also use REV-853 to make an annual tax payment with the extension request. If the taxes total more than \$1,000, you must make the required payment by an electronic payment method. (Refer to Page 6, Electronic Payment Requirement.)

PENALTIES IMPOSED FOR FAILURE TO FILE REPORTS WHEN DUE

If a report is filed late, the taxpayer should wait until billed by the department to remit the penalty amount. Interest does not accrue on penalties. Do not include penalty with tax amounts reported on form RCT-101.

The penalty imposed for failure to file reports when due is now a minimum of \$500, regardless of the determined tax liability, plus an additional 1 percent of any determined tax liability over \$25,000.

INTEREST

Interest is charged on late payments received after the due date of a tax report. Taxpayers should not precalculate interest or include interest with the tax amount reported on the RCT-101 (Step D, column A). The department will forecast interest on unpaid tax balances and provide a notice to the taxpayer. Taxpayers may request a payoff of unpaid balances (that includes interest on unpaid tax and collection agency fees, if applicable) by contacting the Bureau of Corporation Taxes Accounting Division at 717-705-6225.

TRANSFERS/REFUNDS OF CORPORATE TAXES

After completing Step D on Page 1 of the RCT-101 Annual Report, if an overpayment exists taxpayers must instruct the department to either transfer any available credit to the next tax year or consider any available credit for refund. Taxpayers provide this instruction by selecting one of the options under Step F. If no option is selected, the department will automatically transfer any overpayment to the next tax year for estimated tax purposes after offsetting current period liabilities and other unpaid liabilities or commonwealth obligations within the account. A tax period overpayment summary will be mailed to the taxpayer confirming the disposition of the credit.

ASSIGNMENT OF TAX CREDIT (OVERPAYMENT)

Department regulation (61 Pa. Code 151.21-151.22) provides authorization for taxpayers to assign a credit to another taxpayer. To accomplish the assignment, the Department of Revenue requires both assignor and assignee to complete REV-774, Assignment of Tax Credit.

Only credits that meet the following conditions can be assigned:

- All taxes (corporate, sales/use, employer withholding, liquid fuels, etc), interest, penalties, fees and additions to tax owed by the taxpayer (assignor) must be paid in full.
- Restricted credits (credits originating from special credit programs) may be sold or assigned. These credits include the Research and Development Tax Credit (R&D), Film Production Tax Credit (FPT), Neighborhood Assistance Tax Credit (NAT), Resource Enhancement and Protection Tax Credit (REAP), Keystone Innovation Zone Tax Credit (KIZ) and Keystone Special Development Zone Credit (KSDZ).
- For information regarding the sale or assignment of R&D, KIZ, NAT, FPT and KSDZ credits, call the Department of Community and Economic Development at 717-787-7120 or visit www.NewPa.com.
- For information regarding the sale or assignment of REAP tax credits, call the State Conservation Commission at 717-787-8821 or visit www.agriculture.state.pa.us/REAP.

Additional information regarding the sale or assignment of tax credits can be obtained from Corporation Tax Bulletin 2011-03 found on the Department of Revenue website at www.revenue.pa.gov.

Call the Bureau of Corporation Taxes Accounting Division at 717-705-6225 if you have questions regarding credit assignment or restricted credits limitations or to request the Rev-774 Assignment of Tax Credit Form. The form can also be obtained at www.revenue.pa.gov.

Send REV-774, in duplicate, directly to:

PA DEPARTMENT OF REVENUE
BUREAU OF CORPORATION TAXES
ACCOUNTING DIVISION
PO BOX 280701
HARRISBURG, PA 17128-0701

DEPARTMENT NOTICES

Notice of Adjustment – This notice provides a copy of the changes if the department made one or more adjustment that resulted in a recalculation of tax. The accompanying worksheet details the amounts originally reported and the adjustments made by the department.

The notice also provides instructions for amending if taxpayers believe they submitted incorrect data on the original report, and instructions of what taxpayers should do if they believe the department's adjustments are in error.

Assessment Notice – This notice is provided to taxpayers as official notification of an unpaid or underpaid balance due the commonwealth. Balances include tax, interest, penalty, other fees and forecasted interest. The elements of the notice are unique to a specific tax type and tax period. The date of the notice establishes a lien with the commonwealth and initiates the window to petition for reassessment. Taxpayers must file petitions for reassessment on or before the due dates specified on notices. For additional information visit the Board of Appeals website at www.boardofappeals.state.pa.us.

Basis of Assessment – Attached to every Assessment Notice is a Basis of Assessment, which explains the adjustments made by the department in the determination of the liability. This is in addition to other detailed worksheets that may have been prepared and provided to the taxpayer.

Estimated Assessment Notice – This notice identifies estimated liabilities that have been imposed for a specific tax type and tax period. Estimated liabilities are imposed for failure to file a complete corporate tax report. The assessment includes tax, interest and penalties that represent a first lien upon the entity's franchise and property, both real and personal. These liabilities are not subject to appeal. To resolve the estimate, taxpayers must file a complete corporate tax report. The Department of Revenue is required to remove estimated assessments 90 days following receipt of a complete tax report.

Tax Period Overpayment Summary – This notice confirms the disposition of a tax overpayment. Tax credits may develop from the filing of tax reports, adjustments to a tax liability by the Department of Revenue and the Department of the Auditor General, tax relief granted from various levels of appeal or from account maintenance initiated by the department.

Statement of Account – This notice provides a summary of a taxpayer's account. Three categories of information are contained on the notice:

- **Summary of Active (filed) tax periods** – Tax periods displayed include periods most recently filed and those with open unpaid balances.
- **Summary of Non-filed tax periods (includes estimated tax and estimated prepayments)** – Tax periods displayed include the current non-filed tax period estimated prepayments and restricted credits.
- **Summary of Restricted Credits** – This section includes a summary of restricted tax credits available for future periods.

Audit Assessment Notice – This notice is provided to taxpayers as official notification of an unpaid or underpaid balance due the commonwealth as the result of a field audit. Balances include tax, interest, penalty, other fees and forecasted interest. The elements of the notice are unique to a specific tax type and tax period. The date of the notice establishes a lien with the commonwealth and initiates the window to petition for reassessment. Taxpayers must file petitions for reassessment on or before the due dates specified on notices. For additional information visit the Board of Appeals website at www.boardofappeals.state.pa.us.

AMENDED REPORTS

Regardless of the tax year being amended, taxpayers must complete the most current non-year specific RCT-101, completing all sections of the report. This includes those sections originally filed and those sections being amended. The amended report check box under Step B, Page 1 of RCT-101 must be checked and REV-1175 must be included with the report.

Amended reports must be filed when requesting the Bureau of Corporation Taxes to adjust the capital stock/foreign franchise, loans or corporate net income taxes for a particular year. Phone calls and/or letters submitted to the department are not acceptable and will not be considered an amended report.

A taxpayer may file an amended report anytime within three years of the filing of the original report. When filing the amended report the taxpayer must consent to an assessment period of three years from the filing of the original report or one year from the filing of the amended report, whichever expires last. If you fail to provide such consent the department might not consider the amended report. This consent to extend the assessment period is included as part of the affirmation statement at the bottom of Page 1 of RCT-101. If, after reviewing the amended report, the department determines the tax liability reflected on the taxpayer's PA corporate tax account is incorrect, an adjustment will be made to the liability. The department will then generate a credit for the amount of any overpayment, strike all or part of any previous assessment or issue an assessment for any additional tax liability.

An amended report should only be filed if an original PA Corporate Tax Report, RCT-101, was previously filed for the same tax period. An amended report must contain documentation to support the adjustment(s).

All amended RCT-101s must include Schedule AR, REV-1175, which includes a detailed explanation of the reason for filing the amended report and a summary of the change to the tax liability. In completing

the Summary of Tax Change, enter the type of tax (capital stock/foreign franchise, loans or corporate net income tax); the tax liability currently reflected on the taxpayer's account; the amended tax liability; and the amount of change in the tax.

When filing an amended RCT-101, the tax liability in Column A of Step D should reflect the amended liability. Column B, Estimated Payments and Credits on Deposit, must reflect the payments and credits on the account at the time the amended report is filed. Column C, Restricted Credits, must report the restricted credits the taxpayer is entitled to based on the filing of the amended report.

Amended reports cannot be filed for the following:

1. Challenging PA statute or regulations
2. Challenging department policy or interpretation of statutes or regulations
3. For the sole purpose of claiming the report is a final report (REV-238 or REV-181 should be filed instead)
4. To change or correct taxpayer information such as the Revenue ID or EIN
5. Changing the end of the tax year (A new original report must be filed including an explanation why the original tax year end was incorrect)

See the following section concerning changes in federal taxable income.

IMPORTANT:

- The filing of an amended PA corporate tax report does not replace the filing of a petition, nor does it extend a corporate taxpayer's time to file an appeal.
- The department is not obligated to revise tax due the commonwealth upon review of an amended report. Its failure to revise tax due the commonwealth is not an appealable action and will not change any existing appeal rights of the taxpayer.

CHANGES IN FEDERAL TAXABLE INCOME/REPORTS OF CHANGE

Changes in federal taxable income must be reported to the department within the statutory period to report the change. This includes changes in federal taxable income resulting from the taxpayer filing an amended federal income tax return and changes initiated by the federal government due to an audit or examination of the federal return. For tax years beginning prior to Jan. 1, 2013, changes in federal taxable income must be reported to the department within 30 days of the change. This has been extended to six months for tax years beginning after Dec. 31, 2012.

If a taxpayer files an amended federal income tax return for a period for which the department issued an Official Notice of Settlement, the taxpayer must report the change on an amended PA corporate tax report. When completing an amended report, the taxpayer must indicate that the report is being filed due to the filing of an amended federal income tax return and enter the date on Page 1 that the amended federal return was filed.

If a taxpayer files an amended federal return for a period for which the department did not issue an Official Notice of Settlement, the taxpayer must report the change on a Report of Change in Corporate Net Income Tax, RCT-128C.

Changes to federal taxable income initiated by the federal government as part of an audit or examination of the federal income tax return must be reported on RCT-128C, regardless of whether the PA corporate net income tax for that period was settled by the department.

This only applies to corporate net income tax.

SPECIFIC INSTRUCTIONS

LINE BY LINE INSTRUCTIONS FOR THE PA CORPORATE TAX REPORT RCT-101

RCT-101 - PAGE 1.

Indicate the type of return filed with the IRS. If the activity is included in the federal tax return of another company, either as part of a consolidated group or as a disregarded entity, indicate the type of return filed by the entity reporting the activity. If the taxpayer is a single-member limited liability company and the member is an individual reporting the income on his/her personal income tax return, the 1040 Box should be checked.

Step A TAX PERIOD (REQUIRED)

Taxpayers must enter month, day and year (MM DD YYYY) for the tax period beginning and month, day and year (MM DD YYYY) for tax period ending.

Step B CHECK SPECIAL FILING STATUS

Amended Report – Check this box if the corporation is amending a PA corporate tax report previously filed with the department.

Federal Extension Granted – Check this box if the corporation was granted an extension of time to file its federal income tax return. A copy of the extension request must be included.

Regulated Investment Company – Check the block if the corporation is a regulated investment company. See Page 23 for details.

52-53 Week Filer – Check the block if the corporation is a 52-53 week filer.

Address Change – Check the block if the address reported in Step C is a change from prior tax periods. Be sure to file REV-854 electronically using the e-Services Center at www.revenue.pa.gov.

Change Fed Group – Check this box if the corporate taxpayer is filing a PA Corporate Tax Report for less than a full year due to a change in federal consolidated group. This must be indicated on the last report prior to the change.

First Report – Check the block if this is the corporation's first PA corporate tax report filing.

KOZ/EIP/SDA Credit – Check the block if the corporate taxpayer is claiming the Keystone Opportunity Zone Credit, Employer Incentive Payment Credit or the Strategic Development Area Credit.

File Period Change – Check the block if the filing period (tax period ending) is a permanent change. Be sure to file REV-854 electronically using the e-Services Center at www.revenue.pa.gov. This must be indicated on the first report filed with the new tax year end.

Step C NAME, ADDRESS, FEDERAL EIN, BUSINESS ACTIVITY CODE, REVENUE ID AND PARENT CORPORATION EIN.

Print or type the corporation name, complete address, 10-digit Revenue ID and nine-digit Federal ID (EIN).

The Revenue ID is a unique, 10-digit number assigned by the Department of Revenue to replace your seven-digit Tax Account ID number. You must provide the Revenue ID number on Page 1 of RCT-101. DO NOT LEAVE BLANK.

Be sure to use only address information for Address Line 1 and Address Line 2 on Page 1 of RCT-101 and all other

tax forms. **IMPORTANT:** Do not include individual's names on these lines.

The six-digit Business Activity Code entered here is the same Business Activity Code reported to the IRS on the federal income tax return.

Parent Corporation EIN – Taxpayers that are included in a consolidated federal income tax return must provide the nine-digit EIN of the corporation that files the consolidated federal income tax return. If you are not included in a consolidated federal return, leave blank.

Step D TAX SUMMARY

Column A. Tax Liability from Tax Report. Carry tax liabilities from Pages 2, 3 and 4, Section A, C and D to Page 1:

- Line 18, Section A for capital stock/foreign franchise tax (on Page 2).
- Line 13, Section C for corporate net income tax (on Page 3).
- Loans Tax, Section D for loans tax (on Page 4).

Reminder: Do not complete Section D, Loans Tax, for tax years beginning on or after Jan. 1, 2014.

All tax calculations must be shown in whole dollar amounts. Any amount less than 50 cents is eliminated and any amount 50 cents or more is rounded up to the next dollar. Do not carry a value less than zero to Step D, Page 1, Column A.

Add the individual tax liability amounts, and enter the sum on the Total Line of Column A.

Column B. Estimated Payments & Credits on Deposit. See Confirmation of Deposits on Account, Page 5. For each tax type, enter the total of estimated payments and transfer credits applied to the current tax period.

Column C. Restricted Credits For each tax type, enter the amount of restricted credit to be applied to the current tax year. Restricted credits may include those originating from special tax credit programs administered by various state agencies. See Page 23.

Step E PAYMENT DUE/OVERPAYMENT

For each tax type, determine the total payment due or overpayment by subtracting Column B and Column C from Column A. Negative amounts (identifying an overpayment) should be written as -1,000. If a net total overpayment develops, see instructions for completing Step F.

Reminders:

- Payments due must be zero or greater; overpayments may be less than zero.
- If the total payment due with your RCT-101 is less than \$1,000, you may pay electronically or make a check payable to the "PA Department of Revenue." Use whole dollars only. Attach the check to Page 1 of the RCT-101.
- If the total payment due with your RCT-101 is \$1,000 or more, you must make payment electronically or by certified or cashier's check remitted in person or by express mail courier. Refer to Page 6 for EFT requirements and options for submitting electronic payments.

Step F **TRANSFER/REFUND METHODS**

Transfer: Identify the amount to transfer from the current tax period overpayment to the next tax period for estimated tax purposes. Prior to any transfer, the department will offset current period liabilities and other unpaid liabilities or commonwealth obligations within the account.

Refund: Identify the amount to refund from the current tax period overpayment. Prior to any refund, the department will offset current period liabilities and other unpaid liabilities or commonwealth obligations within the account.

NOTE: If no option is selected, the department will automatically transfer any overpayment to the next tax year for estimated tax purposes after offsetting current period liabilities and other unpaid liabilities or commonwealth obligations within the account. A tax period overpayment summary will be mailed to the taxpayer confirming the disposition of the credit.

Step G **SIGNATURE**

A corporate officer must sign the report. The signature must be original; photocopies or faxes will not be accepted. Also provide telephone number, email address and title of the officer along with the date signed.

RCT-101 – PAGE 2. **SECTION A: CAPITAL STOCK/FOREIGN** **FRANCHISE TAX**

Investment in LLC – If the corporation is not incorporated under the laws of the Commonwealth of Pennsylvania and the corporation's only activity in Pennsylvania is an investment in a limited liability company, check this block. If this block is checked, do not complete the remainder of Page 2. Attach schedule with the name, EIN and Revenue ID number of the LLC(s) in which the company has investments.

Holding Company – Check the block if the corporation is a qualified holding company and is electing to use the special 10 percent apportionment for capital stock/foreign franchise tax. See Page 21 for details. Taxpayers electing the special 10 percent holding company apportionment should also enter "1" on Line 4a of Schedule A-1 and "10" on Line 4b of Schedule A-1.

Family Farm – Check the block if the corporation is a family farm and is not subject to the capital stock/foreign franchise tax.

AVERAGE BOOK INCOME:

History of Earnings: The history of earnings should include all taxable periods within the last five years regardless of when PA activity commenced. Due to short tax periods, there may be more than five tax periods in the last five years; however, the beginning of the oldest tax period must not be more than five years prior to the end of the current tax period.

IMPORTANT: First-year corporations must use the fractional part of the year actually in existence as the divisor.

Enter the taxable period's beginning and ending dates - month (MM), day (DD) and year (YYYY) - in the appropriate spaces. Enter the data for the first year on the first line of the history of earnings. Continue entering the dates and book income (loss) of each taxable period up through the immediate prior taxable period. Losses should be indicated by signed fields. See Page 26 for an example.

REMINDER: Must start on Line 1 and DO NOT skip lines between periods except between the last line entered and Current Period Line.

Line 1. Enter the dates and book income (loss) of the current tax period. The book income of limited liability companies (LLCs) and business trusts that are corporations or partnerships for federal income tax purposes is derived from their federal returns. In the case of a single-member LLC or business trust disregarded for federal income tax purposes,

whose member is a business entity, book income is derived from the pro-forma federal income tax return. If the single member of the federal disregarded entity LLC or business trust is a natural person, the LLC is required to file a copy of Schedule C or Schedule E of federal Form 1040 along with PA Schedules L, M-1 and M-2, REV-860, and Schedule X, REV-798.

An LLC or business trust taxable as a partnership for federal income tax purposes may adjust book income for distributions to members deemed materially participating in the activities conducted by such LLC or business trust for purposes of Section 469 of the Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §469). This provision was expanded to all LLCs and business trusts not classified as corporations for federal income tax purposes, effective Jan. 1, 2006. In addition, single-member LLCs and business trusts disregarded for federal income tax purposes and whose incomes are reported on personal income tax returns of individuals are entitled to a deduction for any distributions to the natural person. For this purpose, distributions made to a member of a LLC or business trust within 30 days of the end of a given year may be treated as made in the preceding year. If net income per books is being adjusted for this item, the taxpayer is required to complete Schedule A-3, of REV-961. When calculating the net income per books of a taxpayer with an investment in a LLC or business trust, the taxpayer must remove the income (loss) of this LLC or business trust from the net income per books reported on the federal income tax return and add to the net income per books any distributions received from the LLC during the year. Taxpayers making this adjustment must provide the following:

1. A copy of the federal Schedule K-1 issued by the LLC or business trust, if the LLC or business trust files federal Form 1065.
2. Beginning and ending balance sheets for the LLC or business trust and a reconciliation of the beginning and ending member's capital account, if the LLC or business trust is a disregarded entity.
3. A complete PA Schedule A-3, REV-961.

Other Book Income Issues

Corporations liquidating under IRC Section 337 must include the gains on sale of assets in book income in the history of earnings.

Forgiveness of debt is included in book income.

Line 2. Add/subtract each book income (loss) entry, and enter the total on Line 2.

Line 3. Enter in years (including fractional part if necessary) the number of taxable years in the corporation's history of earnings, carried three places to the right of the decimal point.

- a. If a corporation has existed for more than five full years and there has been no change in its filing period during this time, enter 5.000.
- b. If a corporation has existed for less than five years or if it has changed its filing period, enter the number of full years to the left of the decimal point. To the right of the decimal point, enter the result of dividing the number of days in the short period by the number of days in the full year. All taxable periods falling completely within the last five years must be included in the history of earnings.

Example:

Assume BJM Corporation has a fiscal year end of June 30 from 2009 through 2013. On Jan. 16, 2014, it is purchased by VMJ Corporation and changes to a calendar year-end. On Dec. 31, 2014, its five year history of earnings would include the following:

| | | BEGINNING | ENDING |
|--------------------|--------|-----------|--------|
| Oldest Period | Year 1 | 070110 | 063011 |
| | Year 2 | 070111 | 063012 |
| | Year 3 | 070112 | 063013 |
| | Year 4 | 070113 | 011514 |
| Current Tax Period | Year 5 | 011614 | 123114 |

The fiscal year ending June 30, 2010, is excluded since it would extend the history of earnings beyond five years. Since the history of earnings is 4.5 years in length, 4 is placed to the left of the decimal point. The period extending beyond the four full years is 184 days.

Therefore, $184 \div 365 = .504$, which is placed to the right of the decimal point. The entry on Line 3 would be 4.504.

- Line 4.** Divide the amount on Line 2 by the amount on Line 3.
- Line 5.** Enter the amount on Line 4, but not less than 0.
- Line 6.** Capitalize the average book income by dividing Line 5 by 0.095.

Example:

If average book income on Line 5 is \$100,000, Line 6 would be

\$1,052,632 ($100,000 \div 0.095 = 1,052,632$).

See Page 26 for an example of the correct completion of the History of Earnings.

NET WORTH:

- Line 7.** Enter the end of the period net worth. To determine net worth, add capital stock, paid-in capital and retained earnings, and subtract treasury stock. All values are determined as of the end of the year. If negative, use negative numbers.

The net worth for LLCs is the entity's assets minus its liabilities.

A corporation with one or more subsidiaries must use consolidated net worth in computing its capital stock value and should attach a consolidated balance sheet that includes all foreign and domestic subsidiaries.

All taxpayers must include beginning and ending balance sheets regardless of federal requirements.

- Line 8.** Enter the beginning of the period net worth. See Line 7 above. If negative, use negative numbers.
- Line 9.** Enter the amount on Line 7 unless:
- Line 7 is more than two times greater than Line 8
– OR –
 - Line 7 is less than one-half of Line 8.

If either (a) or (b) is true, add the end of the period net worth sum (Line 7) to the beginning of the period net worth sum (Line 8) and divide by 2. If either Line 7 or Line 8 is less than 0, raise the value to 0 before averaging. Enter the amount on Line 9.

- Line 10.** Enter the amount on Line 9 or 0, whichever is greater.
- Line 11.** Multiply Line 10 by 0.75.

CAPITAL STOCK VALUE:

- Line 12.** Add Line 6 to Line 11.
- Line 13.** Divide Line 12 by 2.
- Line 14.** Enter the \$160,000 valuation deduction on this line.
- Line 15.** The \$160,000 valuation deduction (Line 14) is subtracted from Line 13 to determine capital stock value. On Line 15 enter this amount or 0, whichever is greater.

TAXABLE VALUE AND TAX CALCULATIONS:

- Line 16.** Enter the proportion from Schedule A-1, Line 5. See instructions for Schedule A-1, on Page 13. If there are no exempt assets and all business is conducted in Pennsylvania, make no entry on Line 16.
- Line 17.** If Line 16 is blank, enter the amount from Line 15. If there is an entry on Line 16, multiply Line 15 by the proportion on Line 16 to determine Line 17. If negative, enter 0.

Example:

- Assume BJM, Inc. has a capital stock value of \$200,000, has no exempt assets and is not eligible to apportion. Line 16 would be left blank and \$200,000 would be entered on Line 17.
- Assume VMJ, Inc. has a capital stock value of \$200,000 with a 75 percent manufacturing exemption. Line 16 would be 0.250000 and Line 17 would be \$50,000 ($\$200,000 \times 0.250000 = \$50,000$).

- Line 18.** Multiply Line 17 by the tax rate applicable for the current year. (See Page 24) and enter this amount on Line 18. Taxpayers filing reports for short periods may prorate the tax based on the number of days in the tax year.

**TOTAL BEGINNING OF TAXABLE YEAR ASSETS
TOTAL END OF TAXABLE YEAR ASSETS**

These amounts must equal the total assets reported on the balance sheets submitted with the report. All corporate taxpayers are required to provide beginning and ending balance sheets on a separate company basis, regardless of IRS requirements.

**RCT-101—PAGE 3.
SECTION B:**

This information is used by the Department of Revenue to help calculate the additional depreciation deduction and must be completed if claiming this deduction. See instructions for Schedule C-3 and C-4 for additional details.

See Page 26 for an example of the correct completion of this section.

SECTION C: CORPORATE NET INCOME TAX

A copy of federal Form 1120 or other applicable form on a separate company basis (federal income tax return) must accompany the PA Corporate Tax Report (RCT-101).

Business Trust – Check the block if the taxpayer is a business trust and files as a partnership or disregarded entity for federal income tax purposes.

Solicitation Only – Check the block if the corporate taxpayer's activity in Pennsylvania is limited to activity protected under P.L. 86-272. REV-986 must be included.

LLC – Single-Member/Multi-Member – Check the appropriate block if the corporate taxpayer is an LLC filing as a partnership or a disregarded entity for federal income tax purposes.

PA-S – Check the block if the corporate taxpayer is a federal subchapter S corporation that has not elected to not be taxed as a Pennsylvania S corporation, or a qualified subchapter S subsidiary whose parent has not made the election to not be a Pennsylvania S corporation for the current year.

Taxable Built-in Gains – PA S corporations and QSSS are subject to PA corporate net income tax. Their taxable income is their net recognized built-in gains as determined for federal income tax purposes pursuant to IRC Section 1374(d) (2). To report taxable built-in gains, check the block and complete Line 1 of Section C.

IMPORTANT: If any of these blocks are checked, do not complete the remainder of Page 3 unless the corporate taxpayer is a PA S corporation with taxable built-in gains.

DEDUCTIONS FROM AND ADDITIONS TO INCOME:

Line 1. Income represents “taxable income as returned to and ascertained by the federal government before the net operating loss deduction and special deductions.” (Line 28 of federal Form 1120.)

- Line 2.**
- Corporate dividends received. Dividends received from U.S. corporations are deductible to the same extent as allowed to arrive at the federal dividend deduction as indicated on federal Schedule C, Column C. An additional deduction will be allowed for dividends received from foreign corporations and reported on Lines 13 and 14 of the federal Schedule C, plus a deduction will be allowed for dividends received under Section 78 (foreign dividend gross-up) of the Internal Revenue Code of 1986. Taxpayers must complete Schedule C-2, PA Dividend Deduction Schedule. Specific instructions for Schedule C-2 are shown on Page 17 in this booklet.
 - Interest on U.S. Securities. Interest on U.S. securities is deductible, but must be reduced by:
 - Any interest on indebtedness incurred to carry the securities;
 - Any expenses incurred in the production of such interest income;
 - Any other expenses deducted on the federal income tax return that would not have been allowed under Section 265 of the Internal Revenue Code of 1986, if the interest were exempt from federal income tax.However, interest from repurchase agreements is not considered interest from U.S. securities. Therefore, it is not deductible.
- To calculate the net U.S. interest deduction on Line (2b):
- Provide a detailed schedule showing the calculation of net U.S. interest deduction and include a listing of investments that generated the exempt interest income.

Pennsylvania allows a pass-through exemption from corporate net income for interest or dividend income received from a regulated investment company to the extent such distribution or dividend is derived from obligations free from state taxation. Such obligations include those issued by the U.S. Government; the Commonwealth of Pennsylvania; any public authority, commission, board or other agency created by the commonwealth; any political subdivision of the commonwealth; or any public authority created by any such subdivision.

To support any claim for a pass-through deduction for corporate net income tax purposes, the taxpayer must submit evidence that the income was received from a regulated investment company. A schedule must be submitted indicating the percentage of income applicable to exempt obligations and the percentage of income applicable to nonexempt obligations, including repurchase agreements, obligations of the Federal National Mortgage Association, (Fannie Mae), the Government National Mortgage Association (Ginnie Mae) and any other obligations that were not actually issued by the U.S. Government.

All income claimed to be exempt must be reduced by any expenses incurred in the production of such income and this information must be included to support all entries on Line 2b.

- This is the amount of additional depreciation allowed under Act 89 of 2002 for IRC Section 168(k) property. See instructions for Schedule C-3 for additional details.
- Other allowable deductions. As an example, certain charitable contributions may be deductible for a subsidiary corporation which has income on a separate company basis. Targeted jobs credit wages is another deductible item. If issued prior to Feb. 4, 1994, net gains on the sale of U.S. or PA securities are deductible. FICA tax obligation on employee tips, if taken as a credit for federal purposes, are also deductible.

The 50 percent of travel and entertainment expense that is disallowed on the federal form is not permitted as a deduction for Pennsylvania purposes.

All other deductions must be reported on PA Schedule OD, Other Deductions.

Insert the sum of Lines 2a, 2b, 2c and 2d on Line 2, Total Deductions.

- Line 3.**
- Enter the total amount of taxes imposed on or measured by net income and deducted on the attached copy of the federal tax return. All taxpayers reporting expenses for taxes on federal income tax returns must complete Schedule C-5, Schedule of Taxes, even if no taxes are imposed on or measured by net income. If a state's tax is based on the higher of a tax on net income or a tax on another item, such as gross receipts or net worth value, the taxpayer is required to add back the entire amount of the tax in periods where the liability is based on net income. If a state's tax is a combination of a tax on net income and a tax on another item, such as gross receipts or net worth, the income portion of the tax is added back.
- NOTE:** The PA capital stock/foreign franchise tax is not a tax measured by net income. The portion of Philadelphia business tax measured by net income must be included.
- Enter the total of the tax preference items as defined in Section 401 of the Tax Reform Code of 1971, to the extent that such preference items are not included in “Taxable Income” as returned to and ascertained by the federal government. A copy of federal Form 4626 must be attached to the report even though the tax preference items do not exceed the applicable federal deductions. The accelerated cost recovery deduction under Section 57(a)(12)(B) of the Internal Revenue Code (recovery property which is 15 year realty) is a tax preference item. It should be included on this line, but only to the extent it is not included in taxable income as returned to and ascertained by the federal government.
 - Employment incentive payment credit adjustment. In calculating wages as a cost for tax purposes, employment incentive payment credits shall be deducted, reducing the wages cost item by any employment incentive payment credit taken by the corporation. Attach PA Schedule W to the RCT-101.
 - This is the amount of bonus depreciation claimed by the corporate taxpayer under IRC Section 168(k) in the calculation of federal taxable income. See instructions for Schedule C-3 for additional details.

- e. Other additions-Attach PA Schedule OA, Other Additions.

Act 52 of 2013 requires the add-back of intangible expenses to income for interest, royalties, patents, trademarks, etc. between affiliated entities in certain instances. In order to report the add-back for tax years beginning in 2015, taxpayers must complete REV-802, Schedule C-6 Add-back for Intangible Expenses or Cost and Related Interest. The form is located on the department's website at: www.revenue.pa.gov. The total amount of additions from Schedule C-6, Line 11 should be carried over and included as a separate line item in form REV-860, Schedule OA. The total of all additions from Schedule OA is then carried over to Section C of the RCT-101, Line 3e.

For taxpayers calculating a credit for tax paid by affiliated entities, taxpayers must complete REV-803, Schedule C-7 Credit for Tax Paid by Affiliated Entities. The form is located on the department's website at: www.revenue.pa.gov. For the 2015 tax year only, no line is present under Section C on the 2015 Corporate Tax return to report the amount of credit. The credit will be applied to the taxpayer's account directly from the filing of Schedule C-7 and subsequently offset against the reported tax upon processing of the tax return.

NOTE: Both REV-802, Schedules C-6 Add-back for Intangible Expenses or Cost and Related Interest, and REV-803, Schedule C-7 Credit for Tax Paid by Affiliated Entities, must be submitted via email to: RA-RVINTNGBLADBAC@pa.gov by the due date of the 2015 tax return.

Insert the sum of Lines 3a, 3b, 3c, 3d and 3e on Line 3, Total Additions.

Line 4. Line 1 minus Line 2 plus Line 3.

If all business is transacted in Pennsylvania, skip Lines 5 through 9. Enter amount from Line 4 on Line 10.

APPORTIONMENT AND ALLOCATION:

A taxpayer must have income from business activities taxable by Pennsylvania and at least one other state to allocate and apportion income. For purposes of allocation and apportionment of income, a taxpayer is taxable in another state if, in that state, the corporation is subject to a net income tax, a franchise tax measured by net income, a franchise tax for the privilege of doing business or a corporate stock tax or if that state has jurisdiction to subject the taxpayer to a net income tax regardless of whether the state does or does not.

Business income is income arising from transactions and activity in the regular course of the taxpayer's trade or business and includes income from tangible and intangible property if the acquisition, management or disposition of the property constitutes integral parts of the taxpayer's regular trade or business operations. Business income includes all income that is apportionable under the U.S. Constitution. Nonbusiness income is all income other than business income. The Schedule of Nonbusiness Income, REV-934, must be completed by all taxpayers allocating nonbusiness income and apportioning business income.

Refer to the "Apportionment, Exemptions and Allocation" portion of the booklet for more detail.

Line 5. Enter the total amount of nonbusiness income (loss) from Column C, REV-934. (Must be included with report)

Line 6. Enter the amount of income to be apportioned by adding the loss or subtracting the income reflected on Line 5 to or from Line 4.

Line 7. Enter the apportionment percentage from Schedule C-1, Line 5.

Line 8. Enter the income apportioned to Pennsylvania by multiplying Line 6 by Line 7.

Line 9. Enter the total amount of nonbusiness income (loss) allocated to Pennsylvania from Column A, REV-934.

Line 10. Add the income or deduct the loss reflected on Line 9 to or from Line 8. If the entire business is transacted in Pennsylvania, enter the amount from Line 4 on Line 10. If a loss exists, add to RCT-103.

NET OPERATING LOSS DEDUCTION

Line 11. Net Operating Loss Deduction. Enter the total of Column 3 from RCT-103. Complete RCT-103 and include it with your RCT-101.

See instructions for RCT-103, found on Page 16 for details.

Short periods are considered to be one tax year for purposes of computing the carryforward.

DETERMINATION OF TAX

Line 12. PA Taxable Income or Net Loss. Line 12 must equal Line 10 minus Line 11.

Line 13. Calculate and enter the PA corporate net income tax by multiplying the amount reflected on Line 12 by the current rate of 9.99 percent (0.0999). All taxes due should be shown in whole dollar amounts.

RCT-101 - PAGE 4 SECTION D: LOANS TAX

CORPORATE LOANS TAX INFORMATION

REMINDER - Loans tax has been repealed for tax periods beginning on or after Jan. 1, 2014. Do not complete Section D.

SCHEDULE A-1 APPORTIONMENT SCHEDULE FOR CAPITAL STOCK/FOREIGN FRANCHISE TAX THREE-FACTOR

Lines 1-3. Eligible corporations electing to use three-factor apportionment should complete these lines. Those claiming the manufacturing exemption should transfer the numerators and denominators for the property, payroll and sales factors from RCT-105 to Schedule A-1. Corporations not claiming the manufacturing exemption should obtain this information from RCT-106, Page 2.

SINGLE-FACTOR

Line 4. Corporations electing to use the single-factor taxable assets proportion should complete this line. Those claiming the manufacturing exemption should transfer the numerator and denominator from RCT-102 to Schedule A-1. Corporations not claiming the manufacturing exemption should obtain this information from RCT-106, Page 1. Foreign corporations electing to use the single-factor must calculate the fraction exactly like domestic corporations. See the instructions for "Additional Schedules for Apportionment of Franchise Tax."

Line 5. For the apportionment proportion, enter either the three-factor or the single-factor proportion, but do not combine the two methods.

- a. Three-factor apportionment: Add the decimals on Lines 1c, 2c and 3c, and divide by 3 if all three proportions apply. A factor is ignored if both the numerator and denominator are zero. Divide the sum by 2 if only two of the proportions apply, or by 1 if

only one proportion applies. Enter the resulting decimal on Line 5. Carry to six decimal places.

–OR–

- b. Single-factor proportion and special apportionment: Divide Line 4a by 4b and enter the result on Line 5. Carry to six decimal places.

For corporations using special apportionment, see Special Apportionment Fractions Instructions section of these instructions.

SCHEDULE C-1: APPORTIONMENT SCHEDULE FOR CORPORATE NET INCOME TAX

For tax years beginning on or after Jan. 1, 2013, income is apportioned by sales factor only.

Line 1A. Enter zero.

Line 1B. Enter zero.

Line 1D. Enter zero.

Line 2A. Enter zero.

Line 2B. Enter zero.

Line 2D. Enter zero.

TABLE 3 (RCT-106) – SALES FACTOR

Amount for interest, rents and royalties should be added and reflected on the appropriate line of Table 3, Page 2 of the Insert Sheet, RCT-106.

Gross sales price of assets sold excluding securities (not gains or losses) should be reflected on the appropriate line. All remaining income items should appear on the “Other Income” line. Do not list non-receipts such as discounts or receipts from sales of securities, unless a securities dealer.

Line 3A. Enter the total from RCT-106, Page 2, Table 3, Column A, Sales inside Pennsylvania.

Line 3B. Enter the total from RCT-106, Page 2, Table 3, Column B, Sales inside and outside Pennsylvania.

Line 3D. Divide Line 3A by Line 3B, calculate to six decimal places.

IMPORTANT: Only corporations required to use special apportionment (such as railroad, truck, bus, airline, pipeline, natural gas and water transportation companies - refer to instructions) should complete Line 4. Others should skip to Line 5.

Line 4A. Enter PA revenue miles (or other special factor).

Line 4B. Enter total revenue miles (or other special factor).

Line 5. For the apportionment proportion, enter either the sales factor apportionment or the special apportionment, (Line 4A divided by Line 4B-carry to six decimal places) but do not combine the two methods.

See Page 27 for examples of the correct completion of this section.

RCT-101 - PAGES 5 AND 6 SECTION E: CORPORATE STATUS CHANGES

Corporate taxpayers that ceased all business activity (domestic corporations) or ceased business activity in Pennsylvania (foreign corporations) and disposed of all assets or Pennsylvania assets may be removed from the active records of the Bureau of Corporation Taxes by doing the following:

1. Indicate in this section that the current year report is the final report by checking the box to the right of “Final Report”.
2. Entities formed under the laws of the Commonwealth of Pennsylvania must answer the questions under “PA

Corporations” in this section. If a PA corporation ever transacted business anywhere, the date business activity ceased must be provided. If a PA corporation ever held assets anywhere, it must provide the date of final disposition of the assets.

3. Entities formed under the laws of another jurisdiction are required to answer the questions under “Foreign Corporations”. If a foreign corporation ever transacted business in Pennsylvania, the date Pennsylvania activity ceased must be provided. If a foreign corporation ever held assets in the commonwealth, it must disclose the date all PA assets were disposed of or moved outside of Pennsylvania.

Taxpayers who held any assets during the year must complete Schedule DA, Disposition of Asset Schedule.

If a taxpayer sells 51 percent or more of any class of asset during the tax period, the taxpayer must check the box and provide the purchaser's name and address. This includes any stock of goods, wares, merchandise of any kind, fixtures, machinery, equipment, buildings or real estate.

A taxpayer who sells 51 percent or more of any class of asset is required to obtain a Bulk Sale Certificate by completing an Application for Corporate Clearance, REV-181, and filing a PA Corporate Tax Report RCT-101, up to the date of the sale. Attach schedule if additional space is needed.

SECTION F: GENERAL INFORMATION QUESTIONNAIRE

Taxpayers are required to provide a brief description of business activities in Pennsylvania. Multistate corporations are required to provide a brief description of business activities outside of PA and indicate all other states where the taxpayer has business activity (use the two letter postal abbreviations). If taxpayer has no activity in Pennsylvania, indicate so in this area.

Taxpayers should indicate in this section if they are incorporated under the laws of the Commonwealth of Pennsylvania. Taxpayers incorporated under the laws of another jurisdiction whose only activity in Pennsylvania is the solicitation of sales, must indicate so in this section. Taxpayers are required to indicate by what means these sales are solicited.

The taxpayer must report the name of any corporation, individual or other business entity which holds all or a majority of the stock of the taxpayer, and the name(s) of any corporation in which the taxpayer owns all or a majority of the stock. This is done by checking the applicable box(es) and completing Schedule X.

If the federal government has changed the taxable income for any prior year, the taxpayer must indicate this on RCT-101 to include the first and last tax periods changed. The taxpayer must also file RCT-128C reporting the changes in income for each tax year.

Indicate the method of accounting used for federal income tax reporting and financial accounting purposes.

Taxpayers must report the location of any real property utilized in the Commonwealth of Pennsylvania during the current tax period. Include an indication if the property was rented or owned by the taxpayer and if the property was located in a Keystone Opportunity Zone/Keystone Opportunity Expansion Zone or Strategic Development Area.

IMPORTANT: Taxpayers annual affirmation of all corporate officer's information must be included on the RCT-101. When information is provided on RCT-101, REV-1605 is not required. REV-1605 should be filed electronically, using the e-Services Center at www.revenue.pa.gov, to report changes in corporate officers during the tax year.

When completing the affirmation of corporate officer section, LLCs, business trusts and other unincorporated entities required to file RCT-101

must enter the names and Social Security numbers of individuals who are responsible for the tax and/or business matters of the entity (i.e. Tax Matter Partner, Managing Partner, Trustee).

PAID PREPARER'S MAILING ADDRESS

Enter "Y" or "N" in the block labeled "Mail to Preparer" to indicate if any notice resulting from the review of this tax report, or request for additional information is to be mailed to the preparer's address. If "Y"

is entered in this box, the notices and all correspondence will be sent to the name and address provided in this section. If "N" is entered, all notices will be mailed to the corporation's address.

Paid preparers must sign and date all tax returns. The preparer's name, complete address, telephone number, email address, federal PTIN and the date prepared must be typed or printed in the appropriate blocks.

SUPPLEMENTAL SCHEDULES

SCHEDULE A-2—RECONCILIATION OF RETAINED EARNINGS OF A FEDERAL SUBCHAPTER S CORPORATION

To be used by taxpayers who file federal Form 1120S when net income per books does not equal the change in retained earnings reported on federal Schedule L plus distributions reported on the federal return. The PA Department of Revenue utilizes the change in retained earnings reported on Schedule L of federal Form 1120S, plus distributions reported on federal Form 1120S to verify the net income per books reported by a federal subchapter S corporation. While this method normally results in no change to the net income per books reported by the taxpayer, there are occasions when the taxpayer makes other adjustments to retained earnings which would not affect net income per books. When this occurs the taxpayer should complete Schedule A-2, reconciling the retained earnings reported on federal Schedule L to the net income per books reported on federal Schedule M-1 or federal Schedule M-3, and the distributions reported on federal Schedule K. In completing Schedule A-2, the taxpayer must provide a complete description of all increases and decreases recorded to retained earnings in the current year.

- Line 1.** Enter beginning retained earnings from Column B, Line 24 of Schedule L on federal Form 1120S.
- Line 2.** Enter net income per books as reported on federal Schedule M-1, or federal Schedule M-3.
- Line 3.** List all other increases to retained earnings. Taxpayers must provide a detailed description of these items. Attach schedule if additional space is needed.
- Line 4.** Total of Lines 1, 2 and 3.
- Line 5.** Distributions (other than dividends).

In most cases the amount of distributions (other than dividends) reported on federal Schedule K equals the amount of distributions debited against the retained earnings during that year. In this case the taxpayer will enter the distributions from federal Schedule K on Line 5a and report the same amount on Line 5d.

When a taxpayer accrues distributions at the end of a tax year it may be necessary to adjust the distributions reported on federal Schedule K for the accrued distributions to arrive at the distributions debited against retained earnings during the current year. In this case the taxpayer would complete this section as follows:

- Line 5a.** Enter the distributions (other than dividends) reported on federal Schedule K.
- Line 5b.** Enter the accrued distributions or distributions payable reported on the beginning balance sheet on federal Schedule L.
- Line 5c.** Enter the accrued distributions or distributions payable reported on the ending balance sheet on federal Schedule L.

Calculate the distributions debited against retained earnings in the current year by subtracting Line 5b from Line 5a and adding Line 5c. This is entered on the far right line on Line 5c.

- Line 6.** Enter the amount of dividend distributions reported on federal Schedule K.

- Line 7.** List all other decreases to retained earnings. Taxpayers must provide a detailed description of these items and include an additional schedule if necessary.

- Line 8.** Total Lines 5, 6 and 7.

- Line 9.** Subtract Line 8 from Line 4. This must equal retained earnings from Column D, Line 24 of Schedule L on federal Form 1120S.

SCHEDULE A-3—ADJUSTMENTS TO NET INCOME PER BOOKS

This schedule is to be used by taxpayers required to make adjustments to net income per books reported on the federal income tax return to arrive at net income per books, calculated on a separate company basis, used in the calculation of the capital stock value.

- Line 1.** Enter net income per books as reported on the federal income tax return as submitted with the PA Corporate Tax Report (RCT-101).

IMPORTANT: All corporate taxpayers filing federal Forms 1120, 1120S and 1065 must complete federal Schedule M-1 or federal Schedule M-3, regardless of federal requirements.

ADDITIONS

- Line 2.** Enter dividends reported in the calculation of federal taxable income but not included in the calculation of net income per books reported on Line 1.
- Line 3.** Enter losses from subsidiary corporations deducted in calculating net income per books reported on Line 1.
- Line 4.** Enter losses from LLCs deducted in calculating net income per books reported on Line 1.
- Line 5.** Enter all distributions received from LLCs not included in the calculation of net income per books reported on Line 1.
- Line 6.** All other additions required in the calculation of net income per books to be used in the determination of the capital stock value. These adjustments must be itemized.
- Line 7.** Total Lines 1 through 6.

REDUCTIONS

- Line 8.** Enter income from subsidiary corporations included in net income per books reported on Line 1.
- Line 9.** Enter income from LLCs included in net income per books reported on Line 1.
- Line 10.** Enter distributions to qualifying members of LLCs and business trusts. When calculating net income per books, LLCs and business trusts that do not file as corporations for federal income tax purposes are allowed to deduct distributions to materially participating members as defined in Section 469 of the Internal Revenue Code. In addition, single-member LLCs and business trusts owned by individuals -- where income for such is reported on the personal income tax return of the individual -- are also allowed to deduct distributions made to the individual when calculating net income per books. Taxpayers making this adjustment to net income per books are required to complete Part B of this schedule.

- Line 11.** All other reductions claimed in the calculation of net income per books to be used in the determination of the capital stock value. These adjustments must be itemized.
- Line 12.** Total of Lines 8 through 11.
- Line 13.** Line 7 minus Line 12. This is the net income per books used in the calculation of the capital stock value. Carry this amount to the Book Income column on the "CUR YR" line on Page 2 of RCT-101.

PART B

To be completed by LLCs not taxed as corporations for federal income tax purposes.

LLCs claiming a deduction for distributions to materially participating members as defined in IRC Section 469, must provide the name and Social Security number or EIN of the member receiving the distribution along with the amount of the distribution made to each member and a description of how each member qualifies.

Single-member LLCs and business trusts owned by individuals -- where income for such is reported on the personal income tax return of the individual -- should enter "Individual" on this line.

SCHEDULE C-2: PA DIVIDEND DEDUCTION SCHEDULE

This schedule must be completed by all taxpayers claiming a Corporate Dividend Deduction on Line 2 of Section B.

- Line 1.** Enter from federal Schedule C, Line 20, total deductions. S corporations must submit a schedule reflecting this information if subject to PA corporate net income tax.
- Line 2.** Enter federal Schedule C, Line 15 Foreign Dividend Gross-Up (Section 78 total Column A).
- Line 3.** Enter dividends from less than 20 percent owned foreign corporations listed on Lines 13 and 14 of federal Schedule C times 70 percent.
- Line 4.** Enter dividends from 20 percent or more owned foreign corporations listed on Lines 13 and 14 of federal Schedule C times 80 percent.
- Line 5.** Enter dividends listed on Lines 13 and 14 of federal Schedule C from foreign corporations that meet the 80 percent voting and value test of IRC Section 1504(a)(2) and otherwise would qualify for 100 percent deduction under IRC Section 243(a)(3), if they were from a domestic corporation.
- Line 6.** Enter the total PA dividend deduction by adding Lines 1, 2, 3, 4 and 5. Enter On RCT-101, Page 3, Section C, Line 2A.

SCHEDULE X: OTHER COMPANIES OF WHICH THIS COMPANY OWNS ALL OR A MAJORITY OF THE STOCK

Corporate taxpayers who answer yes to Question 2, Section F of RCT-101 are required to report the name, EIN and Revenue ID, if applicable, of all corporate entities of which the corporate taxpayer owns more than 50 percent of the stock. In addition, taxpayers who own more than 50 percent of the stock of other corporate entities are required to submit a consolidated balance sheet. Taxpayers who answer "Yes" to Question 1 of Section F must report the name, EIN or SSN and Revenue ID Number, if applicable, of any corporation, individual or other business entity that owns all or a majority of the stock of the taxpayer.

PA SCHEDULES L, M-1 AND M-2

Beginning in 1998, the Bureau of Corporation Taxes has required any single-member LLC or business trust, whose member is an individual reporting the activity of the LLC and business trust on

Schedule C of a personal income tax return, to provide balance sheets for the beginning and end of the tax period, a reconciliation of beginning and ending member's equity account and the name and Social Security number of the member reporting the income on a personal income tax return. These single-member LLCs and business trusts are required to provide copies of Schedule C, Schedule E or Schedule F of federal Form 1040 along with PA Schedules L, M-1 and M-2, REV-860, and Schedule X, REV-798.

NOTE: Since Schedule M-1 is a reconciliation of net income per books to taxable income reported on Schedule C, Schedule E or Schedule F of federal Form 1040, other income or expenses related to the LLC or business trust reported on other schedules should be reported as income or expenses reported on the books and not reported on Schedule C, Schedule E or Schedule F (Line 3 and Line 5).

IMPORTANT: Any single-member LLC or business trust, whose member is a business entity, is still required to attach a pro-forma federal tax return to RCT-101.

RCT-103—NET OPERATING LOSS SCHEDULE

PART A—Calculation of Net Operating Loss Limitation

Act 48 of 2009 increased the net operating loss limitation. For years beginning after Dec. 31, 2014, the net operating loss limitation is the greater of \$5 million or 30 percent of the PA taxable income before the net operating loss deduction. To support the net operating loss carryforward allowed for the current tax period, taxpayers are required to complete Part A of RCT-103 as follows:

- Line 1.** Enter the taxable income from RCT-101, Section C, Line 10
- Line 2.** Enter total net operating loss carryforward to current period from RCT-103, Part B, Column C.
- Line 3.** Multiply Line 1 by 30 percent (0.30).
- If Line 3 is less than \$5 million then enter the lesser of Line 1 or Line 2 on Line 4, not to exceed \$5 million. If Line 3 is greater than \$5 million enter the lesser of Line 2 or Line 3 on Line 4.
- Line 4.** This is your net operating loss deduction for the current period.

PART B

Complete this schedule to calculate the amount of net loss carryforward available to be deducted in the current period and the net loss carryforward to the next period. Enter all dates and amounts from periods with returns filed. If no net loss carryforward is available, enter "0". If short periods exist in calendar year or fiscal year, enter the month, day and year of the beginning and end of all short periods and the net loss carryforward for all short periods in the appropriate row of the table. Do not combine amounts.

Column A. Beginning with the first line, enter the month, day and year (MMDDYYYY) corresponding to the beginning date of each tax period. Start with tax periods beginning in 1998 or with the entity's very first tax period, whichever is more recent. Do not include the current tax period.

Column B. Enter the month, day and year (MMDDYYYY) corresponding to the ending date of the tax period indicated in Column A.

Column C. Enter the net loss carryforward corresponding to each tax period end from Column E of the RCT-103 (Net Operating Loss Schedule) for the prior year.

Column D. Enter the amount to be used as a net loss deduction to offset income in the current tax period. The total amount of net loss carryforwards should not exceed the amount reported on Part A, Line 4.

Column E. Subtract Column D from Column C and enter the difference in this Column.

Net operating losses generated in tax periods beginning prior to Jan. 1, 1998, have expired and are no longer available. Net operating losses

generated in tax periods beginning after Dec. 31, 1996, and before tax periods beginning prior to Jan. 1, 1998, may be carried forward for 10 tax periods. Net operating losses generated in tax periods beginning after Dec. 31, 1997, may be carried forward 20 periods. Short years are considered to be one tax period for purposes of calculating the carryforward.

SCHEDULE C-5—SCHEDULE OF TAXES REV-860

Section 401(3)1.(o) of the Tax Reform Code of 1971 requires taxpayers to add-back taxes imposed on or measured by net income, expensed on the federal income tax return, in calculating PA corporate taxable income. Schedule C-5 includes the most common taxes expensed by corporate taxpayers on the federal income tax return. This schedule must be completed and submitted by all corporate taxpayers who are subject to corporate net income tax, and the total must equal the total tax expense reported on the federal income tax return.

If a state's tax is based on the higher of a tax on net income or a tax on another item, such as gross receipts or net worth value, the entire amount of the tax is entered on the line labeled "Income Taxes – Other States" in years where the liability is based on net income. Otherwise the entire amount of the tax is included on the line labeled "Other Taxes–Not Based on Income".

If a state's tax is a combination of a tax on net income and a tax on another item, such as gross receipts or net worth, the income portion of the tax is entered on line labeled "Income Taxes–Other States". The remainder of tax is included on the line labeled "Other Taxes–Not Based on Income".

Please refer to Corporation Tax Bulletin 2008-05 for a list of taxes imposed on or measured by net income. Tax bulletins are available at www.revenue.pa.gov.

IMPORTANT: Not all corporations will have expensed every tax listed on this schedule.

SCHEDULE OA-OTHER ADDITIONS SCHEDULE OD-OTHER DEDUCTIONS REV-860

All taxpayers reporting other additions on RCT-101, Section C, Line 3E, and other deductions on RCT-101, Section C, Line 2D, are required to include a completed Schedule OA and/or Schedule OD with RCT-101.

SCHEDULE DA—DISPOSITION OF ASSETS SCHEDULE REV-861

This schedule replaces Page 2 of the Out-of-Existence/Withdrawal Affidavit and must be completed and submitted by all corporate taxpayers who have indicated they desire to be removed from the active records of the Bureau of Corporation Taxes.

The Description of Assets column should give a brief description of the assets sold, assigned or distributed in the final year of the corporate taxpayer's existence. Similar assets may be included on one line with a general description (i.e. automobiles) rather than listing each individual asset separately.

The Cost of Assets As Reported on Balance Sheets column should report the cost of the assets prior to depreciation, as would have been reported on the balance sheet immediately prior to the sale or distribution of the assets.

If the gain on the disposition of an asset is not reported on Schedule D or federal Form 4797, the taxpayer must provide an explanation why the gain is not reported in the calculation of federal taxable income.

INSTALLMENT SALES - If the liquidating distribution includes a note receivable due to an installment sale, the corporate taxpayer must ensure the entire gain from the installment sale has been included in net income per books. If the entire gain was not recognized in net income per books prior to the year of the distribution, the corporation is required to recognize the remaining gain in the year of distribution.

SCHEDULE OF NONBUSINESS INCOME REV-934

Taxpayers reporting nonbusiness income must include REV-934 when filing RCT-101.

SCHEDULE TO SUPPORT CLAIM OF EXEMPTION FROM CORPORATE NET INCOME TAX UNDER P.L. 86-272. REV-986

Taxpayers who check the box on Page 3 of RCT-101 indicating their activity in Pennsylvania is limited to activity protected under P.L. 86-272, and therefore exempt from PA corporate net income tax, must complete this section on REV-986 each year. Taxpayers answering "yes" to any of these questions are subject to corporate net income tax. Failure to answer all questions in this section could result in the imposition of corporate net income tax for this period.

A taxpayer claiming exemption from corporate net income tax under P.L. 86-272 and reporting property owned and/or rented in Pennsylvania must provide a description of this property.

DECLARATION OF DE MINIMIS PA ACTIVITY- RCT-101D

IMPORTANT: RCT-101D is only for use by non-Pennsylvania corporations.

A non-Pennsylvania corporation whose Pennsylvania activity during a tax period is considered de minimis as outlined in Tax Bulletin 2004-01 is not required to file a complete PA Corporate Tax Report, RCT-101, for that period. Instead, such a corporation may file RCT-101D, affirming that PA activity during that period is de minimis. In filing RCT-101D a corporation is reminded of the following:

1. RCT-101D is not a tax report. For this reason the statute of limitations regarding the assessment of tax does not apply to RCT-101D.
2. For a taxpayer to realize any tax benefits from a year the taxpayer filed RCT-101D, the taxpayer will be required to file a complete RCT-101 for each year, beginning with the year the benefit is generated through the year the benefit is to be used.

In cases where the taxpayer files RCT-101D and later files RCT-101, the taxpayer will be liable for all taxes due for these periods. Applicable interest will also be imposed from the original due date of the report to the date the taxes are paid. The imposition of late filing penalties will be based on the filing date of the RCT-101D.

Example 1

Company A files RCT-101D for Dec. 31, 2010, on March 14, 2011. On April 15, 2012, the taxpayer files RCT-101 for Dec. 31, 2010, in order to utilize a net operating loss from this period in the calculation of the Dec. 31, 2011, corporate net income tax. The RCT-101 for Dec. 31, 2010, reports \$200 of foreign franchise tax which is paid with the report. In this case the taxpayer would be assessed interest on \$200 from April 15, 2011, to April 15, 2012. Since the taxpayer did file RCT-101D for 2010 prior to the due date of the RCT-101 for 2010, a late filing penalty will not be imposed.

Example 2

Same facts as Example 1, except Company A did not file RCT-101D until Dec. 15, 2011. In this case, since RCT-101D was not filed prior to the due date of the RCT-101 for 2010, Company A would be assessed both interest and late filing penalty.

Tax Bulletin 2004-1 is available on the PA Department of Revenue website at www.revenue.pa.gov.

SCHEDULE C-3 - REV-799 ADJUSTMENT FOR BONUS DEPRECIATION

IMPORTANT: Taxpayers are not required to adjust Pennsylvania taxable income for 100 percent bonus depreciation of qualified property claimed and allowable for federal tax purposes under Section 168(k) of the IRC. See Corporation Tax Bulletin 2011-01.

Taxpayers who took advantage of the 100 percent bonus depreciation in calculating federal taxable income must enter the amount of the 100 percent bonus depreciation in the designated box at the bottom of Schedule C-3.

DECOUPLING FROM FEDERAL BONUS DEPRECIATION

Act 89 of 2002 requires corporate taxpayers who elect the bonus depreciation under IRC Section 168(k) to make the following adjustments in arriving at Pennsylvania taxable income:

- A. Add to federal taxable income the amount of bonus depreciation expensed on the federal income tax return.
- B. Deduct from federal taxable income additional PA depreciation, calculated as follows: federal depreciation on Section 168(k) property claimed in the current year X 3/7.
- C. In the year of disposition of an asset, the taxpayer may decrease taxable income by the amount of bonus depreciation on that asset disallowed in the year of acquisition and not deducted as additional depreciation.

These provisions apply to tax periods beginning after Sept. 10, 2000.

When filing PA corporate tax reports, taxpayers who expensed federal bonus depreciation in the calculation of federal taxable income are required to include Schedule C-3, Adjustment for Bonus Depreciation, showing the calculation of these adjustments and the amount of bonus depreciation to be recovered in subsequent years. If the taxpayer disposes of Section 168(k) property during the tax period, the taxpayer must also include Schedule C-4 showing the calculation of the remaining recovered in the year of disposition.

IMPORTANT: This schedule must be updated each year and submitted with RCT-101 (i.e., Schedule C-3 for the current year will reflect the adjustments made for all prior years along with the adjustments made for the current year). Enter information for prior years from Schedule C-3 as filed for the immediate prior year.

Column A. End of Tax Year

Enter the end date of each tax year in which the taxpayer adjusted taxable income for federal bonus depreciation.

Column B. Federal Depreciation

This is the amount of depreciation expense, including the bonus depreciation, reported on the federal tax return for all property that qualified for the bonus depreciation and for which the taxpayer claimed the bonus depreciation, either in the current year or in a prior year, in the calculation of federal taxable income. Carry this amount to RCT-101, Section B, Line 1, current year federal depreciation of 168(k) property. This does not include Section 179 expenses related to this property.

Column C. Bonus Depreciation

This is the amount of bonus depreciation deducted in the current year. Carry this amount to RCT-101, Section C, Line 3d, Current Year Bonus Depreciation.

Column E. Additional PA Depreciation

Column D x 3/7.

Column F. Other Adjustment

In some cases, the remaining bonus depreciation to be recovered is less than 3/7 of current year depreciation on that asset. In those cases, enter the excess of 3/7 of current year depreciation over the bonus depreciation to be recovered. Carry this amount to RCT-101, Section B, Line 3, Other Adjustment.

Column G. Adjustment for Disposition of 168(k) Property

This is bonus depreciation disallowed for property disposed of during the tax period minus the additional PA depreciation deducted while this property was held. Schedule C-4 must be attached. Carry this amount to RCT-101, Section B, Line 2, Current Year Adjustment for Sale of 168(k) property.

Column H. Additional PA Depreciation plus Adjustment for Disposition

Column E minus Column F plus Column G. Carry this amount to RCT-101, Section C, Line 2c, Current Year Additional PA Depreciation Plus Adjustment for Disposition.

Column I. Balance

Prior balance plus Current-Year Column C minus Current-Year Column H. This is a running total of federal depreciation disallowed less additional PA depreciation, other adjustments and adjustment for disposition of assets. This column may not be less than zero.

SCHEDULE C-4 - REV-799 ADJUSTMENT FOR DISPOSITION OF SECTION 168(K) PROPERTY & RECAPTURE OF DEPRECIATION ON LISTED PROPERTY

Column B. Federal Accumulated Depreciation

Accumulated depreciation of Section 168(k) property disposed of during the year plus accumulated depreciation used to calculate recapture when business use falls to 50 percent or less. This amount should not include Section 179 expense. Do not include depreciation on property for which all disallowed bonus depreciation has been recovered.

Column C. Disallowed Bonus Depreciation

Bonus depreciation disallowed in the calculation of PA corporate net income in the year of purchase. Do not include bonus depreciation fully recovered in prior years.

Column E. Additional PA Depreciation

Additional depreciation allowed in the calculation of PA corporate net income in the year of purchase and in subsequent years. (Column D x 3/7)

Column F. Adjustment for Disposition

Adjustment for the gain on sale of Section 168(k) property (Column C - Column E). Carry total to Column G of Schedule C-3.

An example of properly completed Schedules C-3 and C-4 is available at www.revenue.pa.gov.

SCHEDULE AR - REV-1175: AMENDED REPORTS

All amended RCT-101s must include Schedule AR, REV-1175, which includes a detailed explanation of the reason for filing the amended report and a summary of the change to the tax liability. In completing the Summary of Tax Change, enter the type of tax (capital stock/foreign franchise, loans or corporate net income tax); the tax liability currently reflected on the taxpayer's account; the amended tax liability; and the amount of change in the tax.

When filing an amended RCT-101, the tax liability in Column A of Step D should reflect the amended liability. Column B, Estimated Payments and Credits on Deposit, must reflect the payments and credits on the account at the time the amended report is filed. Column C, Restricted Credits, must report the restricted credits the taxpayer is entitled to based on the filing of the amended report.

Amended reports cannot be filed for the following:

1. Challenging PA statute or regulations
2. Challenging department policy or interpretation of statutes or regulations
3. For the sole purpose of claiming the report is a final report (REV-238 or REV-181 should be filed instead)
4. To change or correct taxpayer information such as the Revenue ID or EIN
5. Changing the end of the tax year (A new original report must be filed including an explanation why the original tax year end was incorrect)

APPORTIONMENT, EXEMPTIONS AND ALLOCATION

APPORTIONMENT OF TAXABLE INCOME

Corporate taxpayers with activity in multiple states may be able to apportion taxable income. In order to apportion income, a corporation must be subject to tax in another state.

For tax years beginning on or after Jan. 1, 2013, unless the taxpayer is required to use a special apportionment method, the apportionment factor used in the calculation of the PA taxable income will consist only of sales attributable to PA divided by total sales of the taxpayer.

NOTE: This only applies to the calculation of the corporate net income tax.

CORPORATE NET INCOME TAX APPORTIONMENT

Sales Factor

The numerator is the total gross receipts of the taxpayer inside this state during the tax period, and the denominator is the total gross receipts of the taxpayer everywhere during the taxable period. Gross receipts are net of returns and allowances. Sales of tangible personal property are inside this state if the property is delivered or shipped to a purchaser within this state. The partnership's gross receipts shall be included in the denominator of the taxpayer's sales factor to the extent of the taxpayer's ownership interest in the partnership. The amount of such gross receipts attributable to Pennsylvania shall be included in the numerator of the sales factor. These figures should be reflected on the Partner's Share of Sales from Partnerships line of Table 3, Page 2 of the Insert Sheet, RCT-106. Amounts applicable to an ownership interest in an LLC or business trust that is a partnership or disregarded entity for federal income tax purposes must be included only for PA corporate net income tax.

Act 52 of 2013 established the following criteria for determining if receipts from other than the sale of tangible personal property are sourced to PA:

- o Sales from the sale, lease, rental or other use of real property, if the real property is located in this state. If a single parcel of real property is located both inside and outside this state, the sale is in this state based upon the percentage of original cost of the real property located in this state.
- o Sales from the rental, lease or licensing of tangible personal property, if the customer first obtained possession of the tangible personal property in this state. If the tangible personal property is subsequently taken out of this state, the taxpayer may use a reasonably determined estimate of usage in this state to determine the extent of sale in this state.
- o Sales from the sale of service, if the service is delivered to a location in this state. If the service is delivered both to a location inside and outside this state, the sale is in this state based upon the percentage of total value of the service delivered to a location in this state.

If the state or states of assignment cannot be determined for a customer who is an individual who is not a sole proprietor, a service is deemed to be delivered at the customer's billing address.

- o If the state or states of assignment cannot be determined for a customer who is a sole proprietor, a service is deemed to be delivered at the location from which the services were ordered in the customer's regular course of operations. If the location from which the services were ordered in the customer's regular course of operations cannot be determined, a service is deemed to be delivered at the customer's billing address.

Dividends and income from U.S. securities and receipts from sales of securities (unless a securities dealer) must be excluded from both the numerator and denominator of the sales factor.

SPECIAL APPORTIONMENT FRACTIONS

■ Railroad, Truck, Bus or Airline Companies:

All business income of railroad, truck, bus or airline companies shall be apportioned to the Commonwealth of Pennsylvania by multiplying the income by a fraction. The numerator is the taxpayer's total revenue miles within the commonwealth during the taxable period. The denominator is the total revenue miles of the taxpayer everywhere during the taxable period. A revenue mile means the average receipts derived from the transportation by the taxpayer of persons or property one mile. Where revenue miles are derived from the transportation of both persons and property, the revenue mile fractions attributable to each such class of transportation are calculated separately. The average of the two fractions, weighted in accordance with the ratio of total receipts from each such class of transportation everywhere to total receipts from both such classes of transportation everywhere, is used in apportioning business income to the commonwealth.

■ Pipeline or Natural Gas Companies:

All business income of pipeline companies is apportioned to the commonwealth by multiplying the income by a fraction. The numerator is the revenue ton miles, revenue barrel miles or revenue cubic feet miles of the taxpayer inside the commonwealth during the tax period. The denominator is the revenue ton miles, revenue barrel miles or revenue cubic feet miles of the taxpayer everywhere during the tax period. A revenue ton mile, revenue barrel mile or revenue cubic feet mile means, respectively, the receipts derived from the transportation by the taxpayer of one ton of solid property, one barrel of liquid property or one cubic foot of gaseous property transported one mile. All business income of natural gas companies subject to regulation by the Federal Power Commission or by the Pennsylvania Public Utility Commission is apportioned to the Commonwealth of Pennsylvania by multiplying the income by a fraction. The numerator is the cubic foot capacity of the taxpayer's pipelines inside the commonwealth. The denominator is the cubic foot capacity of the taxpayer's pipelines everywhere, at the end of the taxable period. Determine the cubic foot capacity of a pipeline by multiplying the square of its radius by its length in feet.

■ Water Transportation Companies Operating on High Seas:

All business income of water transportation companies operating on high seas is apportioned to the Commonwealth of Pennsylvania by multiplying the business income by a fraction. The numerator is the number of port days spent inside the commonwealth. The denominator is the total number of port days spent inside and outside the commonwealth. Port days do not include periods when the ships are not in use because of strikes or withheld from service for repair or because of seasonal reduction of services. Days in port are calculated by dividing the aggregate number of hours in all ports by 24.

■ Water Transportation Companies Operating on Inland Waters:

All business income of water transportation companies operating on inland waters is apportioned to the Commonwealth of Pennsylvania by multiplying the business income by a fraction. The numerator is the taxpayer's total revenue miles inside the commonwealth during the taxable period. The denominator is the total revenue miles of the taxpayer everywhere during the taxable period. In the determination of revenue miles, one-half of the mileage of all navigable waterways bordering between the commonwealth and another state shall be considered commonwealth miles. A revenue mile means the revenue receipts derived from the transportation by the taxpayer of persons or property one mile.

APPORTIONMENT OF CAPITAL STOCK AND FOREIGN FRANCHISE TAX

A corporation is permitted to calculate and pay its capital stock/foreign franchise tax by employing the three-factor apportionment. A domestic or foreign corporation can use the three-factor apportionment only if it qualifies. To qualify, the corporation must be taxable outside Pennsylvania and be transacting business outside the commonwealth. Page 2 of

RCT-106 must be completed by companies electing to calculate taxable value of capital stock by utilizing the three-factor apportionment. However, companies claiming the manufacturing, processing, or research and development exemption and electing to utilize the three-factor apportionment formula should complete RCT-105, Three-Factor Capital Stock/Foreign Franchise Tax Exemption Schedule.

IMPORTANT: When calculating capital stock/foreign franchise tax, the three factors are equally weighted.

THREE-FACTOR APPORTIONMENT

Page 2 of the Insert Sheet, RCT-106, is used to calculate the three-factor apportionment. All amounts differing from information on federal Form 1120, 1120S or 1065 must be reconciled. The totals from the RCT-106 are then transferred to the appropriate lines on Schedule C-1 of RCT-101.

Property Factor

The numerator is the average value of the taxpayer's real and tangible personal property, owned and used or rented and used, in Pennsylvania during the taxable period. The denominator is the average value of all the taxpayer's real and tangible personal property, owned and used or rented and used, during the taxable period.

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 rental 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 ending of the taxable period. The Pennsylvania Department of Revenue may require the averaging of monthly or daily values during the taxable period if reasonably required to properly reflect the average value of the taxpayer's property. A corporation's ownership interest in a partnership or other unincorporated entity (hereinafter referred to as a partnership) shall be included in the apportionment fraction as a direct interest of the corporation in the assets of the partnership. A portion of the partnership's real and personal property, owned and used or rented and used during the taxable period, to the extent of the taxpayer's interest in the partnership, shall be included in the numerator and denominator of the taxpayer's property factor. The owned and used property should be reflected on the Partner's Share of Property Owned by Partnerships line of Table 1, Page 2 of the Insert Sheet, RCT-106. The rented and used property should be reflected on the line titled Partnership Tangible Property Rented. A complete copy of the partnership's federal Form 1065 or PA Schedule H-Corp issued by the partnership along with a detailed description of all partnership activity must be attached to the Insert Sheet, RCT-106. Amounts applicable to an ownership interest in an LLC or business trust that is a partnership or disregarded entity for federal income tax purposes must be included only for PA corporate net income tax. The value of construction in progress included in any amounts reported on Table 1, Property Factor, must be entered on the Less Construction In Progress (if included above) line.

Payroll Factor

The numerator is the total amount paid in Pennsylvania during the tax period by the taxpayer for compensation, and the denominator is the total compensation paid everywhere during the tax period. If the taxpayer has adopted the accrual method of accounting, all compensation properly accrued shall be deemed paid. Compensation is paid in this state if:

1. The individual's service is performed entirely inside Pennsylvania;
2. The individual's service is performed inside and outside Pennsylvania, but the service performed outside the state is incidental to the individual's service inside the state; or
 - a. Some of the service is performed inside the state and the base of operations is inside the state;
 - b. If there is no base of operations, the place from which the service is directed or controlled is inside the state; or
 - c. The base of operations or the place from which the service is directed or controlled is not in any state in which some part of

the service is performed, but the individual's residence is inside this state.

Compensation means wages, salaries, commissions and any other form of remuneration paid to employees for personal service.

The partnership's payroll shall be included in the denominator of the taxpayer's payroll factor to the extent of the taxpayer's ownership interest in the partnership. The amount of such payroll attributable to Pennsylvania shall be included in the numerator of the payroll factor. These figures should be reflected on the Partner's Share of Payroll from Partnerships line of Table 2, Page 2 of the Insert Sheet, RCT-106. Amounts applicable to an ownership interest in an LLC or business trust that is a partnership or disregarded entity for federal income tax purposes must be included only for PA corporate net income tax.

Sales Factor

Refer to Corporate Net Income Tax Apportionment section for Sales Factor and Special Apportionment Fractions.

APPORTIONMENT AND INVESTMENTS IN UNINCORPORATED ENTITIES

A corporate taxpayer's investment in an unincorporated entity is considered a direct ownership in the corporation's share of the assets of the unincorporated entity rather than an intangible interest. When determining the property, payroll and sales factors, the numerator and the denominator of each factor must include the property, payroll and sales of the corporate taxpayer plus the corporate taxpayer's share of the property, payroll and sales of the unincorporated entity. In situations where the corporate taxpayer has an investment in a business entity subject to the capital stock/foreign franchise tax, but not subject to the corporate net income tax (i.e. an LLC that files federal Form 1065 with the IRS), the apportionment factors used in the calculation of the corporate net income tax will include only the sales of the LLC. The activity of the LLC will not be included in the apportionment factor used for the calculation of the capital stock/foreign franchise tax.

Since most LLCs and business trusts are subject to the capital stock/foreign franchise tax the property, payroll and sales of the investee LLC or business trust would not be included in the three-factor apportionment of the investor corporation in calculating the capital stock/foreign franchise tax, regardless of the federal filing status of investee LLC or business trust. A corporate taxpayer with an investment in a LLC or business trust that files a federal partnership return or is disregarded for federal income tax purposes, would include the activity of the investee LLC or business trust in the single sales factor apportionment used in the calculation of the corporate net income tax.

Since a corporate taxpayer's investment in an LLC or business trust can be treated differently for capital stock/foreign franchise tax and corporate net income tax, it is possible for a taxpayer to be required to complete two RCT-106's. When completing RCT-106 a corporate taxpayer must indicate which tax the apportionment schedule applies to; capital stock/foreign franchise only, corporate net income tax only or both capital stock/foreign franchise and corporate net income taxes.

CLAIMING EXEMPTIONS TO CAPITAL STOCK/FOREIGN FRANCHISE TAX

When claiming an exemption to capital stock/foreign franchise tax, the taxpayer must complete Schedule A-1 of the RCT-101. In addition the claim must be supported by completing the first page of the RCT-106, Insert Sheet, or in the case of a corporation claiming the manufacturing, processing or research and development exemption, the RCT-102, Capital Stock Tax Manufacturing Exemption Schedule. The applicable part of RCT-106 must be completed if any constitutional, public policy or other statutory exemption is claimed.

EXEMPTIONS TO CAPITAL STOCK TAX

Because the tax is imposed upon property, constitutional restrictions require that certain property be exempted in arriving at a taxable value. A taxable proportion is determined by a fraction, the numerator of

which is the average value of nonexempt assets, and the denominator of which is the average value of total assets. When the total value of a corporation's capital stock is multiplied by the taxable proportion fraction, the taxable value results.

The following exemptions are allowed:

CONSTITUTIONAL EXEMPTIONS

1. Tangible property located outside Pennsylvania. Retention of lien or title as security interest is not considered tangible property. Movable tangible personal property must acquire an out-of-state tax situs to be considered exempt.
2. Shares of stock of other PA corporations subject to capital stock tax or bank shares tax. National bank shares are exempt only if subject to the PA shares tax. This includes PA LLCs and business trusts that are defined as corporations.
3. U.S. Government obligations, including obligations issued by Bank for Cooperatives, Commodity Credit Corp., Export Import Bank, Farmers Home Administration, Federal Deposit Insurance Corp., Federal Farm Credit Bank Consolidated System Wide Notes, Federal Financing Banks, Federal Home Loan Bank Notes and Consolidated Bonds, Federal Housing Administration Mutual Mortgage Insurance Fund Debentures, Federal Intermediate Credit Bank Bonds, Federal Land Bank Bonds and Federal Land Bank Association Bonds, Federal Reserve Stock, Federal Savings & Loan Insurance Corporation, General Insurance Fund, Guam Bonds, Production Credit Association, Puerto Rico Bonds, Sales of Securities under Agreements to Repurchase, Small Business Administration Notes, Student Loan Marketing Association, Tennessee Valley Authority Power Program Bonds, U.S. Postal Service, U.S. Treasury Notes, Bonds, Bills, Obligations and Certificates, Virgin Islands Bonds, Zero Coupon bonds and notes.
4. A pass-through exemption is allowed for investments in mutual funds and/or regulated investment companies that invest in Pennsylvania and/or U.S. Government securities that would qualify as exempt assets if directly owned. The exemption will be granted for the same percentage as the deduction allowed from the taxable income, on a pass-through basis, for purposes of the PA corporate net income tax.

STATUTORY EXEMPTIONS

1. Manufacturing, Processing or Research and Development Exemptions. That portion of the capital stock value of corporations organized for manufacturing, processing or research and development purposes invested in and actually and exclusively employed in carrying on manufacturing, processing or research and development (except those corporations that exercise the right of eminent domain) is exempt. That portion of capital stock value invested in any property or business not directly related to the manufacturing, processing or research and development business remains taxable. Corporations entitled to the manufacturing, processing or research and development exemption should refer to the instructions reflected on Page 1 of RCT-102, Capital Stock Tax Manufacturing Exemption Schedule.
2. Pollution control devices, equipment, machinery, facilities and other tangible property employed or utilized within the Commonwealth of Pennsylvania for water and air pollution control and abatement devices employed or utilized for the benefit of the general public are exempt. The pollution control devices exemption is limited to tangible property only. Corporations claiming this exemption should exclude the average net book value from the numerator of the taxable proportion if the single apportionment formula is used. The value of the pollution control devices excluded should be reflected in the appropriate space on Page 1, Line B of the Insert Sheet, RCT-106. Corporations electing to use the three-factor apportionment formula should exclude the original cost value from the numerator of the property factor (does not apply to corporate net income tax apportionment). All claims for exemptions must be accompanied by schedules reflecting descriptions of the pollution control devices, locations and values. In addition, a

copy of the certification issued by the PA Department of Environmental Protection must be submitted initially in support of the exemption claimed for each and every new device.

3. Obligations issued by the Commonwealth of Pennsylvania; any public authority, commission, board or other agency created by the commonwealth; any political subdivision of the commonwealth; or any public authority created by any such subdivision.
4. Stock of foreign corporations in which the taxpayer owns more than 50 percent of the outstanding shares of voting stock. This includes LLCs and business trusts defined as corporations.
5. Shares of stock of cooperative agricultural associations.
6. Student loan assets owned or held by an entity created for the securitization of student loans, or by a trustee on its behalf. Student loans assets includes the following:
 - a. Student loan notes.
 - b. Federal, state or private subsidies or guarantees of student loans.
 - c. Instruments that represent guarantees of debt, certificates or other securities issued by entities created for the securitization of student loans or by a trustee on its behalf.
 - d. Contract rights to acquire or dispose of student loans and interest rate swap agreements related to student loans.
 - e. Interests in debt obligations of other student loan securitization trusts or entities.
 - f. Cash or cash equivalents representing reserve funds or payments on or with respect to student loan notes, the securities issued by an entity created for the securitization of student loans or the other student loan related assets. Solely for purposes of this definition, "cash or cash equivalents" shall include direct obligations of the U.S. Department of the Treasury; obligations of federal agencies whose obligations represent the full faith and credit of the U.S. Government; investment-grade debt obligations or commercial paper, deposit accounts, federal funds and banker's acceptances; prefunded municipal obligations; money market instruments; and money market funds.

HOLDING COMPANIES

Any holding company may elect to calculate the capital stock/foreign franchise tax by applying the tax rate upon each dollar to 10 percent of the capital stock value. If exercised, this election shall be in lieu of any other apportionment or allocation to which such company would otherwise be entitled.

A holding company is any corporation that meets the following tests:

1. The company must have gross income, at least 90 percent of which is derived from dividends; interest; gains from the sale, exchange or other disposition of stock or securities; and the rendition of management and administrative services to subsidiary corporations, and
2. The company must have assets, and at least 60 percent of the actual value of the ending total assets must consist of stock, securities or indebtedness of subsidiary corporations.

This two-part test must be met annually, and schedules must be attached.

Holding companies should enter "1" on Line 4A, "10" on Line 4B and the elected taxable proportion of "0.100000" on Line 5 of Schedule A-1 on Page 4 of RCT-101. Check "Holding Company" block in Section A.

FAMILY FARM

A corporation that qualifies as a family farm is exempt from capital stock/foreign franchise tax provided it actually is engaged in the business of agriculture in Pennsylvania. For the purposes of this exemption, the business of agriculture means commercially cultivating the ground to produce products in fields or in large quantities, including the preparation of soil; the planting of seeds; the raising and harvesting of crops; the business of operating a commercial greenhouse; the business of horticulture and floriculture; beekeeping; or the rearing, feeding, breeding and management of livestock. The business of agriculture also shall

include aquaculture, defined as the raising of fish and other aquatic animals for direct commercial use as food or other products. The following activities are not considered the business of agriculture:

- a. Recreational activities such as, but not limited to, hunting, fishing, camping, skiing, show competition or racing;
- b. The raising, breeding or training of game animals or game birds, cats, dogs or pets, or animals intended for use in sporting or recreational activities;
- c. Fur farming;
- d. Stockyard and slaughterhouse operations; and
- e. Manufacturing or processing operations of any kind.

For a corporation to qualify for the family farm exemption, the following conditions must be met:

- a. At least 75 percent of the family farm corporation's assets must be devoted to the business of agriculture and employed within Pennsylvania. The original cost of such assets is utilized in determining whether a corporation meets the asset test unless the taxpayer can show by clear and convincing evidence the market value is different. To qualify as assets used in the business of agriculture, the assets must be owned and used directly by the corporation claiming the exemption, be devoted principally to the business of agriculture and be property of the sort commonly utilized in such business. Effective Jan. 1, 1998, assets devoted to the business of agriculture shall include leasing, to members of the same family, of assets which are directly and principally used for agricultural purposes.
- b. At least 75 percent of all shares of stock issued by the corporation must be owned by individuals who are members of the same family to satisfy the stock ownership test. Members of the same family mean an individual, his brothers and sisters, the brothers and sisters of the individual's parents and grandparents, the ancestors and lineal descendants of any of them, and a spouse of any of them. Individuals related by half-blood or legal adoption are treated as if they were related by whole blood. Stock of the family farm corporation owned, directly or indirectly, by or for a partnership, trust or estate shall be considered as owned proportionately by its partners or beneficiaries. If stock of the family farm corporation is owned by another corporation, such stock shall be considered owned by a family member in the proportion that stock of such other corporation owned by family members bears to all of the stock in such other corporation, providing that family members own 50 percent or more of the stock of such other corporation.

Where more than one class of stock is issued, the 75 percent stock ownership test must be met for each class of stock issued. Corporations claiming the family farm exemption must file annually, with the corporate tax report, a schedule reflecting the following:

- a. A brief description of the agriculture business;
- b. A listing of all assets reflecting their original cost and designating which are and which are not used principally in the corporation's agricultural business; and
- c. A listing of all owners of stock including the number of shares of stock owned, the class of stock and the relationship of each stockholder within the family.

NONBUSINESS INCOME

TRC § 401(3)2.(a)(1)(A) defines business income as income arising from transactions and activity in the regular course of the taxpayer's

trade or business and includes income from tangible and intangible property if either the acquisition, the management or the disposition of the property is an integral part of the taxpayer's regular trade or business operations. The term includes all income apportionable under the U.S. Constitution. Nonbusiness income means all income other than business income.

Rents and royalties from real or tangible personal property, gains, interest, patent or copyright royalties, to the extent that they constitute non-business income, are allocated as reflected below:

1. Net rents and royalties from real property located in this state are allocable to this state.
2. Net rents and royalties from tangible personal property are allocable to this state to the extent the property is used in this state. The extent of utilization of tangible personal property in a state is determined by multiplying the rents and royalties by a fraction, the numerator of which is the number of days of physical location of the property in the state during the rental or royalty period in the taxable year and the denominator of which is the number of days of physical location of the property everywhere during all rental or royalty periods in the taxable year. If the physical location of the property during the rental or royalty period is unknown or unascertainable by the taxpayer, tangible personal property is utilized in the state in which the property was located at the time the rental or royalty payer obtained possession.

Net rents and royalties from tangible personal property are also allocated to this state if the commercial domicile of the taxpayer is in PA and the taxpayer is not organized or subject to tax in the state where the property is utilized. "Commercial domicile" means the principal place from which the trade or business of the taxpayer is directed or managed.
3. Interest is allocable to this state if the taxpayer's commercial domicile is in this state.
4. Patents and copyright royalties are allocable to this state if and to the extent that the patent or copyright is utilized by the payer in this state, or if and to the extent that the patent or copyright is utilized by the payer in a state in which the taxpayer is not taxable and the taxpayer's commercial domicile is in this state. A patent is utilized in a state to the extent that it is employed in production, fabrication, manufacturing or other processing in the state or to the extent that a patented product is produced in the state. If the basis of receipts from patent royalties does not permit allocation to states or if the accounting procedures do not reflect states of utilization, the patent is utilized in the state in which the taxpayer's commercial domicile is located. A copyright is utilized in a state to the extent that printing or other publication originates in the state. If the basis of receipts from copyright royalties does not permit allocation to states or if the accounting procedures do not reflect states of utilization, the copyright is utilized in the state in which the taxpayer's commercial domicile is located.

NOTE: Taxpayers claiming non-business income must include REV-934, Schedule of Non-Business Income, when filing RCT-101.

IMPORTANT: Nonbusiness income of railroad, truck, bus or airline companies; pipeline or natural gas companies; and water transportation companies operating on high seas or inland waters also is allocated as noted above.

MISCELLANEOUS

EXAMPLE:

| | | | | | | | | |
|-----|--|---|---|--|--|---------------------|--|-------------------|
| (1) | <u>Total of Monthly Net Asset Values</u> \$633,000,000 | ÷ | <u>No. of Months</u> 12 | <u>Net Asset Value</u> = \$52,750,000 | ÷ | \$1,000,000 = \$53* | x | \$75 = \$3,975(A) |
| | *Rounded to the nearest whole number. | | | | | | | |
| (2) | <u>Undistributed Income for Personal Income Tax Purposes</u> | | <u>Income Distributed to Pennsylvania Individuals Estates or Trusts ÷ by Total Income Distributed During Period</u> | | <u>Undistributed Income for Personal Income Tax Purposes</u> | | <u>Personal Income Tax Rate (2006 3.07%)</u> | |
| | \$500,000 | X | \$1,000,000 \$50,000,000 | = | \$10,000 | x | 0.0307 | = \$307 (B) |
| (3) | <u>(A)</u> \$3,975 | + | <u>(B)</u> \$307 | = | <u>Total Tax</u> \$4,282 | | | |

REGULATED INVESTMENT COMPANIES

Every domestic and foreign corporation that meets the following four parameters will be taxed as a regulated investment company for Pennsylvania purposes:

1. Is registered to do business in PA;
2. Maintains an office in PA;
3. Has timely filed an election to be taxed as a regulated investment company by the federal government; and
4. Duly qualifies to be taxed as a regulated investment company under the provisions of the IRC.

The capital stock or foreign franchise tax shall be the sum of:

1. \$75 multiplied by the quotient rounded to the nearest whole number, produced by dividing the net asset value by \$1 million.
Net asset value is determined by adding the net asset values as of the last day of each month during the taxable period and dividing the total sum by the number of months involved. Each monthly net asset value shall be the actual market value of all assets owned without any exemptions or exclusions, less all liabilities, debts and other obligations. See example above.
2. Apportioned undistributed income for PA personal income tax purposes of the regulated investment company multiplied by the personal income tax rate for the same period. See example above.

Income for PA personal income tax purposes includes compensation; net profits from the operation of a business (investment), profession or farm; interest income; dividends; net gains or income from the sale or disposition of property, rents, royalties, patents and copyrights; income from estates or trusts; and gambling and lottery winnings.

Undistributed income for PA personal income tax purposes means all income, other than that undistributed on account of the capital stock/foreign franchise tax, less all income distributed to shareholders. At the election of the company, income distributed after the close of a taxable period, but deemed distributed during the taxable period for federal income tax purposes, shall be distributed during that period. If a company in a taxable period has both current income and income accumulated from a prior period, distributions made during the year shall be deemed to have been made first from current income.

Undistributed income for PA personal income tax purposes is apportioned to Pennsylvania by a fraction. The numerator is all income distributed during the taxable period to shareholders who are PA resident individuals, estates or trusts. The denominator is all income distributed during the taxable period. Resident trusts shall not include charitable, pension, profit-sharing or retirement trusts.

Income for PA personal income tax purposes and other income of a company each shall be either distributed to shareholders or

undistributed in the proportion each category bears to all income received by the company during the taxable period.

Regulated investment companies should reflect their self-assessed tax on Line 18, Section A on Page 2 of RCT-101 and enter "y" in the box next to "Regulated Inv. Co." on Page 1. The tax is prorated for short periods.

A schedule reflecting the data utilized in calculating the capital stock/foreign franchise tax must be attached to the RCT-101 PA Corporate Tax Report. These reports must be sent to:

**PA DEPARTMENT OF REVENUE
BUREAU OF CORPORATION TAXES
PO BOX 280704
HARRISBURG PA 17128-0704**

RESTRICTED CREDITS

Depending on the type of business, employers may be eligible for tax credits offered by the state.

For more information on the following tax credits, visit the Department of Revenue's website at www.revenue.pa.gov:

Research and Development Tax Credit
Employment Incentive Payment Credit
Organ and Bone Marrow Donor Tax Credit

For more information and sale/assign procedures on the following tax credits, visit the Department of Community & Economic Development's website at www.newpa.com:

Historic Preservation Tax Credit
Community Based Services Tax Credit
Neighborhood Assistance Program Tax Credit
Keystone Opportunity Zone (KOZ) Credit
Keystone Innovation Zone Credit
Film Production Tax Credit
Educational Improvement/Opportunity Scholarship Tax Credit
Jobs Creation Tax Credit
Keystone Special Development Zone Credit
Research and Development Tax Credit
(Sale or assign only)

For more information on the following tax credit, visit the Department of Agriculture's website at www.agriculture.state.pa.us:

Resource Enhancement and Protection Tax Credit

| Capital Stock/Foreign Franchise Tax | | | |
|-------------------------------------|------------|--------------------------------------|-------------------------------|
| TAX PERIOD BEGINNING | TAX RATE | CAPITAL STOCK VALUATION DEDUCTION | THREE FACTOR APPORTIONMENT |
| 2008 | 2.89 MILLS | \$150,000 | EQUALLY WEIGHTED |
| 2009 | 2.89 MILLS | \$150,000 | EQUALLY WEIGHTED |
| 2010 | 2.89 MILLS | \$160,000 | EQUALLY WEIGHTED |
| 2011 | 2.89 MILLS | \$160,000 | EQUALLY WEIGHTED |
| 2012 | 1.89 MILLS | \$160,000 | EQUALLY WEIGHTED |
| 2013 | 0.89 MILLS | \$160,000 | EQUALLY WEIGHTED |
| 2014 | 0.67 MILLS | \$160,000 | EQUALLY WEIGHTED |
| 2015 | 0.45 MILLS | \$160,000 | EQUALLY WEIGHTED |

| Corporate Net Income Tax | | | | | | |
|--------------------------|----------|----------------------|---------|-------|----------------------|-------------|
| TAX PERIOD BEGINNING | TAX RATE | WEIGHTING OF FACTORS | | | NET LOSS LIMITATION | |
| | | PROPERTY | PAYROLL | SALES | PERCENT OF INCOME | AMOUNT |
| 2008 | 9.99% | 15 | 15 | 70 | 12 ½ % | \$3,000,000 |
| 2009 | 9.99% | 8.5 | 8.5 | 83 | 15% | \$3,000,000 |
| 2010 | 9.99% | 5 | 5 | 90 | 20% | \$3,000,000 |
| 2011 | 9.99% | 5 | 5 | 90 | 20% | \$3,000,000 |
| 2012 | 9.99% | 5 | 5 | 90 | 20% | \$3,000,000 |
| 2013 | 9.99% | 0 | 0 | 100 | 20% | \$3,000,000 |
| 2014 | 9.99% | 0 | 0 | 100 | 25% | \$4,000,000 |
| 2015 | 9.99% | 0 | 0 | 100 | 30% | \$5,000,000 |

PREVENTING RCT-101 PROCESSING ERRORS

The integrated tax system enables a more robust and analytical review of corporation tax return data, including prior year data for history of earnings, net operating losses, calculations, valuation deduction and rate changes. To prevent a return from suspending, taxpayers are encouraged to provide a complete and accurate report that will process smoothly, following the below tips.

1. Never input the word "none" in numeric fields.
2. History of earnings for capital stock/foreign franchise tax must be in order, starting with the oldest year on Year 1. If only one year is applicable, the first year should be entered on the Current Year line. There should be no gaps in the history of earnings, and the most recent consecutive five years must be provided. Do not skip lines between tax years/periods.
3. Checkbox indicators on the return:
 - a. If checking "Holding Company," do not use three-factor apportionment.
 - b. If checking "Solicitation Only," "Single-Member LLC," "Multi-Member LLC" or "PA S Corporation," do NOT complete Section C, Corporate Net Income Tax, on Page 3.
4. If taking a deduction for bonus depreciation, Section B1, Current Year Federal Depreciation of 168K Property, must be completed on Page 3. Also, Schedule C-3, REV-799, must be completed and included with the RCT-101.
5. Use only the most current version of the generic, non-year specific RCT-101.
6. If an amended report must be filed, taxpayers must complete the most current non-year specific RCT-101, completing all sections of the report. This includes those sections originally filed and those sections being amended. The amended report check box under Step B, Page 1 of RCT-101 must be checked and REV-1175 must be included with the report.
7. Completing apportionment factors as 0/0, leaving the factor fields blank or typing "none" in these fields will result in apportionment being changed to 100 percent in Pennsylvania, automatically changing the reported tax liabilities. Partnerships' factors also must be provided, per a corporation's ownership percentage and not entered as zeroes.
8. Eligible corporations electing to use three-factor apportionment should complete the RCT-105 or RCT-106, as applicable. Total factors from the RCT-105 or 106 should then be transferred to Schedule A-1 and/or Schedule C-1 on Page 4 of the RCT-101. Amounts differing from information on federal forms 1120, 1120S or 1065 must be reconciled.

Additional Guidance on Apportionment and Partnerships

If a corporation owns underlying partnerships, the partnerships' property, payroll and sales factors must be passed through to the corporate owner, in relation to the ownership percentage. A corporation's ownership interest

in a partnership or other unincorporated entity (hereinafter referred to as a partnership) must be included in the apportionment fraction as a direct interest of the corporation in the assets of the partnership.

Property Factor - the portion of the partnerships' real and personal property, owned or rented and used during the taxable period to the extent of the taxpayer's interest in the partnerships, must be included in the numerator and denominator of the taxpayer's property factor. This property should be reflected on the Partner's Share of Property Owned by Partnerships line on Table 1, Page 2 of RCT-106. Property amounts applicable to an ownership interest in an LLC or business trust that is a partnership or disregarded entity for federal income tax purposes must be included only for Pennsylvania corporate net income tax factors.

Payroll Factor - the portion of the partnerships' payroll must be included in the numerator and denominator of the corporation's payroll factor to the extent of the taxpayer's interest in the partnerships for that period, as appropriate. This payroll calculation should be reflected on the Partner's Share of Payroll from Partnerships line on Table 2, Page 2 of RCT-106. Payroll amounts applicable to an ownership interest in an LLC or business trust that is a partnership or disregarded entity for federal income tax purposes must be included only for Pennsylvania corporate net income tax factors.

Sales Factor - the portion of the partnerships' gross receipts net of returns and allowances are included in the numerator and denominator of the corporation's sales factor to the extent of the taxpayer's interest in the partnerships for that period, as appropriate. Sales of tangible personal property are considered in-state if the property is delivered or shipped to a purchaser within Pennsylvania. This sales calculation should be reflected on the Partner's Share of Sales from Partnerships line on Table 3, Page 2 of RCT-106. Payroll amounts applicable to an ownership interest in an LLC or business trust that is a partnership or disregarded entity for federal income tax purposes must be included only for Pennsylvania corporate net income tax factors.

For tax periods beginning on or after Jan. 1, 2013, all business income must be apportioned to the state by multiplying income by the sales factor only for corporate net income tax.

NOTE: A corporation with no property, payroll or sales both inside and outside Pennsylvania, should complete Schedule A-1 and/or C-1 on Page 4 of the RCT-101, using zero as the numerator and one as the denominator.

Reports where the taxpayer is calculating a liability using a method other than the standard calculation, including any position granted as the result of an appeal in a prior year, cannot be filed electronically. In such cases, the RCT-101 tax report and all required attachments, including the reason the report cannot be e-filed, must be mailed to:

PA DEPARTMENT OF REVENUE
BUREAU OF CORPORATION TAXES
PO BOX 280704
HARRISBURG PA 17128-0704

History of Earnings

SECTION A: CS/FF

| | OLDEST PERIOD FIRST | TAX PERIOD BEGINNING | TAX PERIOD ENDING | BOOK INCOME | |
|--------|------------------------|-------------------------|----------------------|-------------|--|
| YEAR 1 | | | | | Investment Holding Cor Family Farm |
| YEAR 2 | 01012009 | 12312009 | | 10000 | |
| YEAR 3 | | | | | |
| YEAR 4 | 01012010 | 12312010 | | 10000 | |
| YEAR 5 | 01012011 | 12312011 | | 10000 | |
| YEAR 6 | 01012012 | 12312012 | | 10000 | |
| YEAR 7 | | | | | |
| CUR YR | 01012013 | 12312013 | | 10000 | |

Incorrect!

Correct!

SECTION A: CS/FF

| | OLDEST PERIOD FIRST | TAX PERIOD BEGINNING | TAX PERIOD ENDING | BOOK INCOME | |
|--------|------------------------|-------------------------|----------------------|-------------|--|
| YEAR 1 | 01012009 | 12312009 | | 10000 | Investment in Holding Corp Family Farm |
| YEAR 2 | 01012010 | 12312010 | | 10000 | |
| YEAR 3 | 01012011 | 12312011 | | 10000 | |
| YEAR 4 | 01012012 | 12312012 | | 10000 | |
| YEAR 5 | | | | | |
| YEAR 6 | | | | | |
| YEAR 7 | | | | | |
| CUR YR | 01012013 | 12312013 | | 10000 | |

Section B-Bonus Depreciation Deduction

RCT-101 (FI) PAGE 3 OF 6 PA CORPORATE TAX REPORT

SECTION B: Bonus Depreciation

| | | | | |
|--|---|--|---|--------------|
| 1. Current year fed. deprec. of 168k prop. | 1 | | 0 | Business |
| 2. Current year adj. for disp. of 168k prop. | 2 | | 0 | Solicitation |
| 3. Other adjustments | 3 | | 0 | Single-M |

(Attach schedule C-3 if claiming bonus depreciation.)

PA-S Co
Taxable

Incorrect!

Correct!

RCT-101 (FI) PAGE 3 OF 6 PA CORPORATE TAX REPORT

SECTION B: Bonus Depreciation

| | | | |
|--|---|-------|--------------|
| 1. Current year fed. deprec. of 168k prop. | 1 | 12000 | Business |
| 2. Current year adj. for disp. of 168k prop. | 2 | 100 | Solicitation |
| 3. Other adjustments | 3 | 1000 | Single-M |

(Attach schedule C-3 if claiming bonus depreciation.)

PA-S Co
Taxable

Correctly Completed Factors

| SCHEDULE A-1: Apportionment Schedule For Capital Stock/Foreign Franchise Tax (In | | | | | |
|--|----|--------|----|----------|--|
| Three Factor | | | | | |
| Property-PA | 1A | | 1C | 0.000000 | |
| Property -Total | 1B | 110000 | | | |
| Payroll-PA | 2A | | 2C | | |
| Payroll-Total | 2B | | | | |
| Sales-PA | 3A | 10000 | 3C | 0.100000 | |
| Sales-Total | 3B | 100000 | | | |

Incorrectly Completed Factors Which will be Interpreted as 100%

| SCHEDULE A-1: Apportionment Schedule For Capital Stock/Foreign Franchise Tax | | | | | |
|--|----|--|----|--|--|
| Three Factor | | | | | |
| Property-PA | 1A | | 1C | | |
| Property -Total | 1B | | | | |
| Payroll-PA | 2A | | 2C | | |
| Payroll-Total | 2B | | | | |
| Sales-PA | 3A | | 3C | | |
| Sales-Total | 3B | | | | |

| SCHEDULE A-1: Apportionment Schedule For Capital Stock/Foreign Franchise Tax | | | | | |
|--|----|------|----|--|--|
| Three Factor | | | | | |
| Property - PA | 1A | None | 1C | | |
| Property - Total | 1B | None | | | |
| Payroll - PA | 2A | None | 2C | | |
| Payroll - Total | 2B | None | | | |
| Sales - PA | 3A | None | 3C | | |
| Sales - Total | 3B | None | | | |

Correct method to reflect no property, payroll and sales anywhere

| SCHEDULE A-1: Apportionment Schedule For Capital Stock/Foreign Franchise Tax (Include Form RCT-102, RCT-105 or RCT-106.) | | | | | |
|--|----|---|----|----------|--|
| Three Factor | | | | | |
| Property - PA | 1A | | 1C | 0.000000 | |
| Property - Total | 1B | 1 | | | |
| Payroll - PA | 2A | | 2C | 0.000000 | |
| Payroll - Total | 2B | 1 | | | |
| Sales - PA | 3A | | 3C | 0.000000 | |
| Sales - Total | 3B | 1 | | | |
| Single Factor | | | | | |
| Numerator | 4A | | | | |
| Denominator | 4B | | | | |
| Apportionment Proportion | 5 | | | 0.000000 | |

| SCHEDULE C-1: Apportionment Schedule For Corporate Net Income Tax (Include Form RCT-106.) * | | | | | |
|---|----|---|----|-----------|--|
| Three Factor | | | | | |
| Property - PA | 1A | | 1D | 00.000000 | |
| Property - Total | 1B | 1 | | | |
| Payroll - PA | 2A | | 2D | 00.000000 | |
| Payroll - Total | 2B | 1 | | | |
| Sales - PA | 3A | | 3D | 00.000000 | |
| Sales - Total | 3B | 1 | | | |
| Single Factor | | | | | |
| Numerator | 4A | | | | |
| Denominator | 4B | | | | |
| Apportionment Proportion | 5 | | | 0.000000 | |

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