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**REV-803** (02-16) **PAGE 1 OF 2**  
**SCHEDULE C-7 CREDIT FOR TAX PAID**  
**BY AFFILIATED ENTITIES**

**TAX YEAR BEGINNING** \_\_\_\_\_  
**TAX YEAR ENDING** \_\_\_\_\_

**CORPORATION NAME** \_\_\_\_\_ **REVENUE ID** \_\_\_\_\_

**PART I. STATE INCOME TAX LIABILITY FOR AFFILIATED ENTITIES**

1. Affiliated Entity Name	FEIN	Jurisdiction	Credit Code
a. Imposed State Tax	1a.		
b. State (or Jurisdiction) Income Tax Credits	1b.		
c. Adjusted Tax		1c.	
d. Total Intangible Expenses & Related Interest	1d.		
e. Total Income	1e.		
<b>f. Liability Due</b>		<b>1f.</b>	

2. Affiliated Entity Name	FEIN	Jurisdiction	Credit Code
a. Imposed State Tax	2a.		
b. State (or Jurisdiction) Income Tax Credits	2b.		
c. Adjusted Tax		2c.	
d. Total Intangible Expenses & Related Interest	2d.		
e. Total Income	2e.		
<b>f. Liability Due</b>		<b>2f.</b>	

3. Affiliated Entity Name	FEIN	Jurisdiction	Credit Code
a. Imposed State Tax	3a.		
b. State (or Jurisdiction) Income Tax Credits	3b.		
c. Adjusted Tax		3c.	
d. Total Intangible Expenses & Related Interest	3d.		
e. Total Income	3e.		
<b>f. Liability Due</b>		<b>3f.</b>	



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4. Affiliated Entity Name	FEIN	Jurisdiction	Credit Code
a. Imposed State Tax	4a.		
b. State (or Jurisdiction) Income Tax Credits	4b.		
c. Adjusted Tax		4c.	
d. Total Intangible Expenses & Related Interest	4d.		
e. Total Income	4e.		
<b>f. Liability Due</b>		<b>4f.</b>	

5. Affiliated Entity Name	FEIN	Jurisdiction	Credit Code
a. Imposed State Tax	5a.		
b. State (or Jurisdiction) Income Tax Credits	5b.		
c. Adjusted Tax		5c.	
d. Total Intangible Expenses & Related Interest	5d.		
e. Total Income	5e.		
<b>f. Liability Due</b>		<b>5f.</b>	

<b>6. Total Liability Due</b>		<b>6.</b>
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**PART II. CREDITS ALLOWED & LIMITATIONS**

1. Total Liability Due from Part I.	1.	
2. Enter Apportionment Factor Percentage from RCT-101, Schedule C-1.	2.	
3. Multiply Line 1 by Line 2.		3.
4. Enter Amount from Schedule C-6, Line 11.	4.	
5. Enter Apportionment Factor Percentage from RCT-101, Schedule C-1.	5.	
6. Multiply Line 4 by Line 5.		6.
7. Enter PA Corporate Net Income Tax Rate.	7.	
8. Multiply Line 6 by Line 7.		8.
<b>9. Enter Smaller amount of Line 3 or Line 8.</b>		<b>9.</b>





## SCHEDULE C-7 CREDIT FOR TAX PAID BY AFFILIATED ENTITIES

### GENERAL INFORMATION

#### Purpose of Schedule

The purpose of this credit is to ensure there is no double taxation and discrimination against interstate commerce in the addition of intangible expense or cost and interest expense or cost.

For taxable years beginning after December 31, 2014, taxpayers that are required to add back intangible expenses or cost and related interest expense or cost deductions to their federal taxable income may claim a credit for a portion of the tax paid by the affiliated entity if:

- 1) the affiliated entity was subject to tax within the Commonwealth of Pennsylvania or another state, and
- 2) the tax base includes the intangible expense or cost and interest expense or cost that was paid, accrued or incurred by the taxpayer.

The portion of tax paid by the affiliated entity is computed by multiplying the apportionment factor of the taxpayer in Pennsylvania by the greater of:

- 1) the tax liability of the affiliated entity with respect to the portion of its income representing the intangible expense or cost, or the interest expense or cost, paid, accrued or incurred by the taxpayer; or
- 2) the aforementioned tax liability before it was offset by a credit given by Pennsylvania or that state, except credits made for prepayments of tax.

The resultant credit for tax paid by the affiliated entity shall not exceed the taxpayer's liability in this commonwealth attributable to the addition of intangible expense or cost and interest expense or cost to federal taxable income. (72 P.S. 7401(3) (1) (t))

#### When to File

This schedule must be filed at the same time the corporation files its RCT-101.

#### Where to File

The schedule must be submitted with REV-802, Schedule C-6 Add-back for Intangible Expenses or Costs and Related Interest Expense to: **ra-rvintngbladbac@pa.gov**.

### COMPLETING PA SCHEDULE C-7

#### Corporation Name

Enter the complete name of the corporation as shown on the PA RCT-101 Corporate Tax Report.

#### Revenue ID

Enter the 10-digit Revenue ID number of the corporation as shown on the PA RCT-101 Corporate Tax Report. The Revenue ID is a unique 10-digit number assigned by the Department of Revenue.

#### Tax Year Beginning and Tax Year Ending

Enter the tax year beginning and tax year ending as shown on the PA RCT-101 Corporate Tax Report.

### LINE INSTRUCTIONS

#### PART I. State Income Tax Liability for Affiliated Entities

This Part allows for the listing of up to five income tax returns that the Affiliated Entity (or Entities) filed in jurisdictions that are non-unitary and that include in their tax base the intangible and related interest expense that was paid by the taxpayer as shown on REV-802, Schedule C-6 Add-back for Intangible Expenses or Cost and Related Interest. If the taxpayer availed itself to any of the three statutory exceptions on Schedule C-6, they cannot claim the credit on this schedule. If the number of affiliated entities and number of returns goes over the five lines shown in Part I, the taxpayer should photocopy Part I, using a separate copy for each affiliated entity so that the income tax paid to the qualifying jurisdictions will be separately shown on Lines 1 - 5.

**Affiliated Entity Name**

List the name of the affiliated entity for which the credit is computed for. List entities in the same order as provided on Part I of the REV-802, Schedule C-6 Add-back for Intangible Expenses or Costs and Related Interest Expense.

**FEIN**

List the FEIN of the affiliated entity for which the credit is computed for.

**Jurisdiction**

Include only those states where the affiliated entity was required to file on a non-unitary basis. Do not include states where unitary returns, partial unitary returns, or elective unitary returns were filed inclusive of the affiliated entity. Also, include only those states where the affiliated entity was subject to a corporate tax on net income.

**Credit Code**

Use the following codes to describe the type of add-back credit: 01=Research; 02=Community Development; 03=Investment; 04=Economic Revitalization; 05=Jobs Creation; 06=Film Production; 07=Environmental Protection; 08=Other.

**Line a**

For each affiliated entity, enter the amount of state income tax deducted for each non-unitary filing state, as computed and included in the total amount deducted for state income taxes reported under federal Form 1120, Line 17 – Taxes and Licenses, for that affiliated entity. This amount of corporate net income tax is only for the non-unitary filing state, not the total amount for all state income taxes paid on Line 17 for the affiliated return.

**Example:** Affiliated entity has a total state income tax expense of \$1,000,000 on Line 17 of its federal Form 1120. But of this \$1,000,000, only \$250,000 was for corporate net income tax incurred for three states that require the filing of non-unitary returns. The remainder of the \$1,000,000 deducted on Line 17 was either for taxes based on net worth or capital stock, or was allocations from states that require the filing of combined returns (unitary filings). Only the corporate net income taxes incurred for these three states, individually listed will be included on Line a.

**Line b**

Enter the amount for any state tax credits other than for the payment of tax that were included in the amount shown on Line a.

**Line c**

Enter the amount of tax based on income and adjusted for credits by adding Line a and Line b.

**Line d**

Enter the total amount of intangible expense or cost and related interest expense or cost that the taxpayer paid to the affiliated entity. The transaction must be included in the tax base of the affiliated entity for that state.

**Line e**

Enter the total income received by affiliated entity as reported on Line 1C and Lines 4 through 10 on its proforma federal Form 1120 that was taxable as income for that state. To the extent any of these items of income are offset by an additional deduction to Line 28 in determining taxable income for that state, those items are not taxable income.

**Line f**

Compute the tax liability that the affiliated entity incurred for each state that was attributable to the intangible expenses and related interest expense or cost paid by the taxpayer to the affiliated entity, using the formula:  $c * (d/e) = f$ . Divide Line d by Line e, then multiply the quotient by Line c.

**Line 6**

Enter the total liability due by adding Lines 1f – 5f.

**PART II. Credits Allowed & Limitations**

**Computing the Credits Allowed**

**Line 1**

Enter the total liability due from Part I, Line 6.

**Line 2**

Enter the apportionment proportion used for the corporate net income tax from RCT-101, Schedule C-1, Line 5.

**Line 3**

Multiply Line 1 by Line 2.

**Computing the Limitations to the Credit**

**Line 4**

Enter the total add-back for the intangible expenses and related interest expense or cost from Schedule C-6, Part I, Line 11.

**Line 5**

Enter the apportionment proportion used for the corporate net income tax from RCT-101, Schedule C-1, Line 5.

**Line 6**

Multiply Line 4 by Line 5.

**Line 7**

Enter the PA corporate net income tax rate.

**Line 8**

Multiply Line 6 by Line 7.

**Line 9**

Enter the smaller of Line 3 or Line 8.