

**PA SCHEDULE OC**  
Other Credits

1808310054

PA-20S/PA-65 OC (PT) 07-18 (F1)  
PA Department of Revenue

**2018**

OFFICIAL USE ONLY

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

FEIN

You must submit the certificate or notification that approved each credit you are claiming.

- 1 PA Employment Incentive Payments Tax Credit .....
- 2 PA Job Creation Tax Credit .....
- 3 PA Research and Development Tax Credit .....
- 4 PA Film Production Tax Credit .....
- 5 Entertainment Economic Enhancement Program Tax Credit .....
- 6 Video Game Production Tax Credit .....
- 7 PA Organ and Bone Marrow Donor Tax Credit .....
- 8 PA Keystone Innovation Zone (KIZ) Tax Credit .....
- 9 PA Resource Enhancement and Protection (REAP) Tax Credit .....
- 10 PA Neighborhood Assistance Program (NAP) Tax Credit .....
- 11 PA Educational Improvement Tax Credit .....
- 12 PA Opportunity Scholarship Tax Credit .....
- 13 PA Keystone Special Development Zone Tax Credit .....
- 14 PA Historic Preservation Incentive Tax Credit .....
- 15 Coal Refuse Energy and Reclamation Tax Credit .....
- 16 Mixed Use Development Tax Credit .....
- 17 Waterfront Development Tax Credit .....
- 18 Manufacturing and Investment Tax Credit .....
- 19 Other restricted credits not listed above. Enter type: \_\_\_\_\_
- 20 Out-of-State Credits – S Corporation Only .....
- 21 **Total PA Other Credits.** Add Lines 1 through 20 and enter total here .....

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# Instructions for PA-20S/PA-65 Schedule OC

Other Credits

PA-20S/PA-65 OC IN (PT) 07-18

## GENERAL INFORMATION

### Purpose of Schedule

A PA S corporation, partnership and limited liability company filing as a partnership or PA S corporation for federal income tax purposes uses PA-20S/PA-65 Schedule OC to enter its share for each tax credit received after applying the tax credit to the entity's corporate liability, if any.

A tax credit passed through from another entity can only be applied to tax liability resulting from the RCT-101, PA Corporate Tax Report. Do not report a tax credit passed through from another entity on PA-20S/PA-65 Schedule OC with the exception of EITC and OSTC.

### REDUCTION IN EXPENSES

Pennsylvania does not allow the deduction of certain expenses used to qualify for the Neighborhood Assistance Program and the Educational Improvement Tax Credits. If the expenses were deducted in calculating federal-taxable income, the amount should be reported as a reduction in expenses on PA-20S/PA-65 Schedule M, Part B, Section E, Line f. Do not reduce Pennsylvania-taxable income by amounts paid to qualify for the tax credit.

### TAX CREDITS CLAIMED ON SCHEDULE OC

For each tax credit claimed, the entity must submit with the PA-20S/PA-65 Schedule OC the tax credit certificate or award notification for each tax credit claimed.

The following is some general information regarding tax credits:

- The restricted tax credits on PA-20S/PA-65 Schedule OC may be passed through to the taxpayer/owner and claimed against the tax liability for a tax-

payer/owner without restriction as to the type or class of income included in determining the tax liability of the taxpayer/owner.

- Restricted tax credits are nonrefundable. If applicable, other nonrefundable credits must be applied to the account before restricted tax credits.
- The request to pass through tax credit to an entity owner is irrevocable. Therefore, the entity should not pass through more than the owner can use in any single year.
- Tax credits passed through from pass through entities to other pass through entities may not be passed through to owners or beneficiaries with the exception of EITC and OSTC.
- Tax credits passed from a QSSS or disregarded entity to its parent, cannot be further passed to the parent's owners.


### Passing Through Tax Credit to Entity Owners

Prior to passing tax credits through to entity owners, some tax credits must first be applied to the entity's corporate tax liability, if any, for the year in which the tax credit is granted. If the entity has a tax liability for the tax year in which the credit is approved for use the tax credit must first be applied to that tax liability. Review the specific information for each tax credit to determine if the tax credit must first be applied to corporate liability.

If an entity does not use all approved tax credits, it may elect in writing to pass through all or a portion of the tax credit to owners, in proportion to the share of the entity's distributive income to which the owner is entitled. In most cases the tax credit may be applied up to the full amount of owners' tax liabilities, minus any other nonrefundable credits that are applied first.

An owner of a pass through entity to which a tax credit is transferred must immediately claim the tax credit in the tax year in which the transfer is made. The owner may not carry forward, carry back, obtain a refund of, sell, assign or pass through the tax credit again.

Married couples with joint ownership in pass through entities must be separately listed on the entities' pass through of credit request in order for credit to be applied to each individual's tax number.

 **NOTE:** Exceptions to this rule apply for the EITC and OSTC tax credits.

**Example.** A taxpayer and spouse jointly own a 50 percent interest in a partnership, and their son John owns the other 50 percent. All income is distributed according to the ownership percentages. The request to pass through a credit must separately list the taxpayer and spouse's tax numbers, each receiving 25 percent of the credit, and John receiving the remaining 50 percent under his tax number. This method must be followed even though the taxpayer and spouse do not receive a separate RK-1 or NRK-1 from the partnership.

To pass through tax credits to owners, an entity must submit the claim form, located on the reverse side of the award letter to the Department of Revenue or provide a request on entity letterhead, listing the total amount of credit to be distributed to the entity owner(s), the name and address of each owner, amount of tax credit to be passed through to each owner, tax year, tax type and owner's tax identification number.

The statement must be signed by an authorized representative of the entity, and should be submitted before owners file their individual tax returns.

The claim form or request letter must be mailed to:

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

To pass through an Educational Improvement Tax Credit or Opportunity Scholarship Tax Credit, the taxpayer must complete and submit form REV-1123, Educational Improvement Tax Credit Election Form.

The REV-1123 must be mailed to:

PA DEPARTMENT OF REVENUE  
BUREAU OF INDIVIDUAL TAXES  
PO BOX 280604  
HARRISBURG PA 17128-0604

For general information pertaining to all restricted tax credits as well as specific details regarding each tax credit individually – including each tax credit’s carry-forward and pass through rules, applications and guidelines – review the description in Chapter 17 of the Pennsylvania Personal Income Tax Guide.

All tax questions, regarding utilization of the credits claimed on the Schedule OC should be directed to the Department of Revenue at 717-772-3896.

## COMPLETING PA SCHEDULE OC

### Business Name

Enter the complete name of the entity or business as shown on the PA-20S/PA-65 Information Return.

### FEIN

Enter the nine-digit federal employer identification number (FEIN) of the entity or business as shown on the PA-20S/PA-65 Information Return.

## LINE INSTRUCTIONS

### LINE 1

#### Employment Incentive Payments (EIP) Credit

The EIP tax credit expired December 31, 2009. Although no new tax credits are being issued, carry forward of unused tax credits are allowed for 10 years.

This tax credit is limited to 90 percent of a business’ total tax liability in any given year. An employer claims the tax credit by submitting the certification received from the Department of Labor and Industry for each employee hired and the PA Schedule W with the appropriate Pennsylvania tax return.

### LINE 2

#### Job Creation Tax Credit

The taxpayer must claim this tax credit within 5 years of the effective date on the certificate issued by the Department of Community and Economic Development.

The entity awarded the credit decides if the tax credit will be applied towards corporation tax and/or passed through to its partners, shareholders or members.

### LINE 3

#### Research and Development (R&D) Tax Credit

The taxpayer must claim this tax credit within 15 years of the effective date on the certificate issued by the Department of Revenue.

- The tax credit must be first applied to the entity’s corporate tax liability, if any, for the year in which the tax credit is awarded before the credit can be passed through to the entity’s partners, shareholders or members.
- As of January 1, 2005, the R&D tax credit can be applied to 100 percent of the recipient’s liability. However, any R&D tax credit issued before 2005 may only be applied to 50 percent of the tax liability.

- Any R&D tax credit issued before 2006 could be passed through and then carried over if not completely used in the year the tax credit was passed through. However, any R&D tax credit issued after December 31, 2005, that is passed through must be used in the year the credit is passed through.

### LINE 4

#### Film Production Tax Credit

The Taxpayer must claim the tax credit within 3 years of the effective date on the certificate issued by the Department of Community and Development.

The tax credit must first be applied to the entity’s corporate tax liability, if any, for the year in which the tax credit is awarded before the credit can be passed through to the entity’s partners, shareholder’s or members.

### LINE 5

#### Entertainment Economic Enhancement Program Tax Credit

The Taxpayer must claim the tax credit within 3 years of the effective date on the certificate issued by the Department of Community and Development.

The tax credit must first be applied to the entity’s corporate tax liability, if any, for the year in which the tax credit is awarded before the credit can be passed through to the entity’s partners, shareholder’s or members.

### LINE 6

#### Video Game Production Tax Credit

The Taxpayer must claim the tax credit within 3 years of the effective date on the certificate issued by the Department of Community and Development.

The tax credit must first be applied to the entity’s corporate tax liability, if any, for the year in which the tax credit is awarded before the credit can be passed through to the entity’s partners, shareholder’s or members.

**LINE 7****PA Organ and Bone Marrow Donor Tax Credit**

The taxpayer must claim this tax credit within 3 years of the effective date on the certificate issued by the Department of Revenue.

The entity decides if the tax credit will be applied towards corporation tax and/or passed through to the entity's partners, shareholders or members.

**LINE 8****Keystone Innovation Zone (KIZ) Tax Credit**

The taxpayer must claim this tax credit within 5 years of the effective date on the certificate issued by the Department of Community and Economic Development.

The tax credit must first be applied to the entity's corporate tax liability, if any, for the year in which the tax credit is awarded before the credit can be passed through to the entity's partners, shareholder's or members.

**LINE 9****Resource Enhancement and Protection (REAP) Tax Credit**

The taxpayer must claim this tax credit within 15 years of the effective date on the certificate issued by the Department of Revenue.

The tax credit must first be applied to the entity's corporate tax liability, if any, for the year in which the tax credit is awarded before the credit can be passed through to the entity's partners, shareholder's or members.

**LINE 10****Neighborhood Assistance Program (NAP) Tax Credit**

The taxpayer must claim this tax credit within 5 years of the effective date on the certificate issued by the Department of Community and Economic Development.

- The tax credit must first be applied to the entity's corporate tax liability, if any, for the year in which the tax credit is awarded

before the credit can be passed through to the entity's partners, shareholder's or members.

- Pennsylvania does not allow the deduction of certain expenses used to qualify for the Neighborhood Assistance Program tax credit. If the expenses were deducted in calculating federal-taxable income, the amount should be reported as a reduction in expenses on PA-20S/PA-65 Schedule M, Part B, Section E, Line f. Do not reduce Pennsylvania-taxable income by amounts paid to qualify for the tax credit.

**LINE 11****Educational Improvement Tax Credit (EITC)**

The entity decides if the tax credit will be applied towards corporation tax and/or passed through to its partners, shareholders or members.

- Although any unused tax credits may not be carried forward, the entity may elect in writing prior to the due date of the entity's tax return to pass through all or a portion of the tax credit to its owners in the taxable year of the contribution or the taxable year immediately following the year of contributions.
- To make an irrevocable election to pass through an EITC or OSTC tax credit to partners, shareholders or members, an entity should visit the Department of Revenue's website at [www.revenue.pa.gov](http://www.revenue.pa.gov) and complete REV-1123, EITC/OSTC Tax Credit Election Form. The entity must complete a separate REV-1123 for each year the tax credit is awarded and not used in whole or in part.
- Pennsylvania does not allow the deduction of certain expenses used to qualify for the Educational Improvement Tax Credit. If the expenses were deducted in calculating federal-taxable income, the amount should be reported as a reduction in expenses on PA-20S/PA-65 Schedule M, Part B, Section E, Line f. Do not reduce

Pennsylvania-taxable income by amounts paid to qualify for the tax credit.

**LINE 12****Opportunity Scholarship Tax Credit (OSTC)**

The entity decides if the tax credit will be applied towards corporation tax and/or passed through to its partners, shareholders or members.

- Although any unused tax credits may not be carried forward, the entity may elect in writing prior to the due date of the entity's tax return to pass through all or a portion of the tax credit to its owners in the taxable year of the contribution or the taxable year immediately following the year of contributions.
- To make an irrevocable election to pass through an EITC or OSTC tax credit to partners, shareholders or members, an entity should visit the Department of Revenue's website at [www.revenue.pa.gov](http://www.revenue.pa.gov) and complete REV-1123, EITC/OSTC Tax Credit Election Form. The entity must complete a separate REV-1123 for each year the tax credit is awarded and not used in whole or in part.
- Pennsylvania does not allow the deduction of certain expenses used to qualify for the Educational Improvement Tax Credit. If the expenses were deducted in calculating federal-taxable income, the amount should be reported as a reduction in expenses on PA-20S/PA-65 Schedule M, Part B, Section E, Line f. Do not reduce Pennsylvania-taxable income by amounts paid to qualify for the tax credit.

**LINE 13****Keystone Special Development Zone Tax Credit**

The taxpayer must claim this tax credit within 10 years of the effective date on the certificate issued by the Department of Community and Economic Development.

The entity decides if the tax credit will be applied toward corporation tax and/or passed through to the entity's partners, shareholders or members.

**LINE 14**

**Historic Preservation Incentive Tax Credit**

The taxpayer must claim this credit within 10 years of the effective date on the certificate issued by the Department of Community and Economic Development.

The tax credit must first be applied to the entity's tax liability, if any, for the year in which the building is placed into service before it can be passed through to its partners, shareholders or members.

**LINE 15**

**Coal Refuse Energy and Reclamation Tax Credit**

The taxpayer must claim this tax credit within 15 years of the effective date on the certificate issued by the Department of Community and Economic Development.

The entity decides if the tax credit will be applied towards corporation tax and/or passed through to its partners, shareholders or members.

**LINE 16**

**Mixed Use Development Tax Credit**

The taxpayer must claim this tax credit within 7 years of the effective date on the certificate issued by the Pennsylvania Housing Finance Agency.

The entity decides if the tax credit will be applied towards corporation tax and/or passed through to its partners, shareholders or members.

**LINE 17**

**Waterfront Development Tax Credit**

The taxpayer must claim this tax credit within 5 years of the effective date on the certificate issued by the Department of Community and Economic Development.

The entity decides if the tax credit will be applied toward corporation tax and/or passed through to the entity's partners, shareholders or members.

**LINE 18**

**Manufacturing and Investment Tax Credit**

The taxpayer must claim this tax credit within 3 years of the effective date on the certificate issued by the Department of Community and Economic Development.

The entity decides if the tax credit will be applied towards corporation tax and/or passed through to its partners, shareholders or members.

**LINE 19**

**Other Restricted Credits Not Listed Above**

**LINE 20**

**Out-of-State Credits S Corporations Only**

Certain S corporations are not taxed as S corporations (taxed as a C corporation) in other states. In such cases an entity must account for taxes paid to other states in order to claim the correct resident tax credit. Note a C corporation return must be submitted.

**TIP** Only Pennsylvania resident shareholders can claim credit for taxes paid to other states by the entity.

To calculate the amount of Pennsylvania resident credit, multiply the amount of income apportioned to the other state by the Pennsylvania personal income tax rate of 3.07 percent. The credit is the lesser of this calculated amount or the actual amount of tax paid to the other state.

The C corporation from another state that is an S corporation for Pennsylvania reports on Line 5 the lesser of the amount of tax paid on the apportioned income as compared to the tax rate of Pennsylvania.

The entity then distributes the amount reported on Line 5 according to ownership percentage.

<b>EXAMPLE</b>	
Total income from everywhere	\$100,000
PA-source income	25,000
Other state's income	75,000 .x 2.00 percent (0.0200)
	= \$ 1,500
Other state's income Also taxed in Pennsylvania	75,000 .x 3.07 percent (0.0307)
	= \$ 2,302
Lesser of the two	\$1,500

The amount of credit reported on Line 5 is \$1,500 because it is less than the amount of tax payable to Pennsylvania.

**NOTE:** Resident shareholders report this credit on their PA-40 Personal Income Tax Return, as a resident credit on PA-40 Schedule G-L.

**LINE 21**

**Total Pennsylvania Other Credits**

Add Lines 1 through 20. Enter the total credits here and on the PA-20S/PA-65 Information Return, Part V, Line 13a.

<b>LINE NUMBER</b>	<b>TAX CREDIT PROGRAM NAME</b>	<b>ADMINISTRATING AGENCY</b>
LINE 1	EMPLOYMENT INCENTIVE PAYMENTS TAX CREDIT	DEPT. OF LABOR AND INDUSTRY
LINE 2	JOB CREATION TAX CREDIT	DEPT. OF COMMUNITY AND ECONOMIC DEVELOPMENT
LINE 3	RESEARCH AND DEVELOPMENT TAX CREDIT	DEPT. OF REVENUE
LINE 4	FILM PRODUCTION TAX CREDIT	DEPT. OF COMMUNITY AND ECONOMIC DEVELOPMENT
LINE 5	ENTERTAINMENT ECONOMIC ENHANCEMENT PROGRAM TAX CREDIT	DEPT. OF COMMUNITY AND ECONOMIC DEVELOPMENT
LINE 6	VIDEO GAME PRODUCTION TAX CREDIT	DEPT. OF COMMUNITY AND ECONOMIC DEVELOPMENT
LINE 7	ORGAN AND BONE MARROW DONOR TAX CREDIT	DEPT. OF REVENUE
LINE 8	KEYSTONE INNOVATION ZONE TAX CREDIT	DEPT. OF COMMUNITY AND ECONOMIC DEVELOPMENT
LINE 9	RESOURCE ENHANCEMENT AND PROTECTION TAX CREDIT	DEPT. OF REVENUE
LINE 10	NEIGHBORHOOD ASSISTANCE PROGRAM TAX CREDIT	DEPT. OF COMMUNITY AND ECONOMIC DEVELOPMENT
LINE 11	EDUCATIONAL IMPROVEMENT TAX CREDIT	DEPT. OF COMMUNITY AND ECONOMIC DEVELOPMENT
LINE 12	OPPORTUNITY SCHOLARSHIP TAX CREDIT	DEPT. OF COMMUNITY AND ECONOMIC DEVELOPMENT
LINE 13	KEYSTONE SPECIAL DEVELOPMENT ZONE TAX CREDIT	DEPT. OF COMMUNITY AND ECONOMIC DEVELOPMENT
LINE 14	HISTORIC PRESERVATION TAX CREDIT	DEPT. OF COMMUNITY AND ECONOMIC DEVELOPMENT
LINE 15	COAL REFUSE ENERGY AND RECLAMATION TAX CREDIT	DEPT. OF COMMUNITY AND ECONOMIC DEVELOPMENT
LINE 16	MIXED USE DEVELOPMENT TAX CREDIT	PENNSYLVANIA HOUSING FINANCE AGENCY
LINE 17	WATERFRONT DEVELOPMENT TAX CREDIT	DEPT. OF COMMUNITY AND ECONOMIC DEVELOPMENT
LINE 18	MANUFACTURING AND INVESTMENT TAX CREDIT	DEPT. OF COMMUNITY AND ECONOMIC DEVELOPMENT

### Contact Information

Department of Community and Economic Development  
(800) 379-7448  
[www.dced.pa.gov](http://www.dced.pa.gov)

Department of Labor and Industry  
(717) 787-5279  
[www.dli.pa.gov](http://www.dli.pa.gov)

PA Department of Revenue  
(717) 787-1064  
[www.revenue.pa.gov](http://www.revenue.pa.gov)

PA Department of Agriculture  
State Conservation Committee  
(717) 787-8821  
[www.agriculture.pa.gov](http://www.agriculture.pa.gov)

Pennsylvania Housing Finance Agency  
(717) 780-7867  
[www.phfa.org](http://www.phfa.org)