

For taxable year ending in

2019

Ohio IT 4708
Pass-Through Entity
Composite Income
Tax Return Instructions

Rev. 2/20

Ohio

Department of
Taxation

tax.Ohio.gov

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Federal Privacy Act Notice

Because we require you to provide us with a Social Security number, the *Federal Privacy Act of 1974* requires us to inform you that providing us your Social Security number is mandatory. Ohio Revised Code 5703.05, 5703.057 and 5747.08 authorize us to request this information. We need your Social Security number in order to administer this tax.

Taxpayer Assistance

Need Help? – To help answer your questions and ensure that your tax returns are filed accurately, the Department of Taxation provides the following resources at tax.ohio.gov:



FAQs



Online
Services



Self Help
eLibrary



Information
Releases



Interest
Calculator



Tax
Webinars



Tax
Alerts



Ohio
Taxes



The
Finder



Ohio
Means Jobs

Additionally, the website has all Pass-Through Entity and Fiduciary income tax forms for you to download or print. If you cannot find the answer using the website, you may contact the Department using any of the following methods:

Email – Click 'Contact' at the top right on tax.ohio.gov and select 'Email Us' to access a secure email form.

Call – You may call to speak with an examiner at 1-888-405-4039 during the Department's normal business hours.

Normal business hours are from 8 a.m. to 5 p.m. Monday through Friday excluding holidays.

Write – Contact the Department by mail at:

Ohio Department of Taxation
Pass-Through Entity
P.O. Box 181140
Columbus, OH 43218-1140

Note: If you need to overnight documents to the department, please use the street address listed below.

Visit – The Department operates a self-service visitor center, during normal business hours, at:

4485 Northland Ridge Blvd.
Columbus, OH 43229-6596

Note: All visitors **must** present a photo I.D. such as a current driver's license, state I.D., military I.D., or passport.

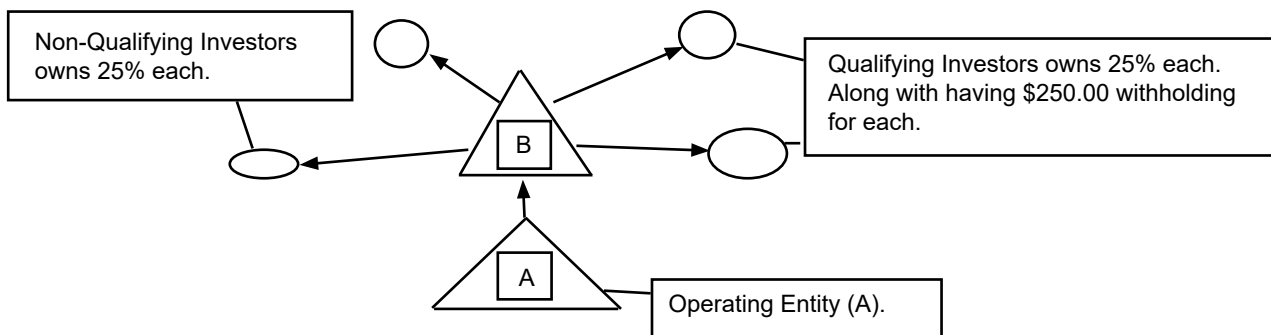
Form Requests: Visit tax.ohio.gov to easily download our forms. You can also request tax forms anytime by calling 1-800-282-1782.

For persons who use text telephones (TTYs) or adaptive telephone equipment only: Contact the Ohio Relay Service at 7-1-1 or 1-800-750-0750 and give the communication assistant the Ohio Department of Taxation phone number that you wish to contact.

These instructions contain law references for specific line items and requirements. To review Ohio Pass-Through Entity & Fiduciary income tax law, see codes.ohio.gov/orc/5747 and codes.ohio.gov/orc/5733, respectively.

Filing Tips

- Sign up for Tax Alerts and Information releases on our website at tax.ohio.gov to stay up to date on current issues with Ohio taxes and law.
- To change an address, check the box above the address line on the return or visit www.tax.ohio.gov/Business/BusinessAddressUpdate.aspx to change the address. Failure to do so will result in refunds and notices being mailed to the incorrect address.
- When filing an amended return, state the reason for the amendment and attach documentation such as a federal return to validate the amended IT 1041. Failure to do so may result in a refund reduction and/or bill.
- It is the taxpayer's responsibility to maintain a bank account for any refunds and billings which may occur after the closing date. The Department WILL NOT change a name on a refund check due to the closing or termination of a business, trust or estate.
- When making a payment by paper, use the universal payment coupon (UPC) for the corresponding form that you intend to file. This form can be found at <https://www.tax.ohio.gov/Forms.aspx>. Failure to do so may result in your payment being misapplied and result in a refund reduction and/or bill.
- A separate check is required for each tax return, estimated payment, billing/assessment payment, etc. The Department cannot apply a single check to multiple balances.
- See the FAQs on our website at <https://www.tax.ohio.gov/faq.aspx> for any additional questions you may have.
- For taxable year beginning in 2019, you're required to use a 2019 tax form. If the tax form isn't available for the taxable year then you will need to wait until the new form is available in December of 2019 or January of the following year. Tax years on the wrong form are shredded/destroyed as an identity theft deterrent. A letter will be sent to the taxpayer, requesting the return be resubmitted on the correct tax form.
- When using an approved software vendor to produce a paper return, do not manually alter any of the information reported on the return. The information printed on the return is stored in a 2D bar code located at the bottom of the return. The Department of Taxation reads the information stored in the 2D bar code when processing your return. Manually altering the information after the 2D bar code has been generated may result in a refund reduction and/or bill.
- If you are a first time filer, do not submit estimated payments prior to submitting the Pass-Through Entity and Fiduciary Income Tax [Registration Form](#). Failure to do so may result in a delay of processing your estimated payment(s), which may result in a billing notice or delay in refund.
- Make sure your estimated payments are on the correct line when completing the IT 4708.
 - Use line 14 to report all IT 4708 estimated payments that were made with an IT 4708 UPC coupon for this tax year.
 - Use line 15 only in situations where all of the following apply:
 - the PTE originally made IT 1140 estimated payments for this tax year, AND
 - the PTE is requesting to have ODT transfer all or a portion of the IT 1140 estimated payments to be applied toward the tax liability reported on this IT 4708 return.
 - Use line 16 only in situations where one or the other of the following apply:
 - the PTE is filing both an IT 4708 and IT 1140 for the same tax year, AND
 - the PTE is requesting to have ODT transfer a portion of the IT 4708 estimated payments reported on line 14, to be applied toward the tax liability reported on the PTE's IT 1140 return filed for the same tax year, OR
 - the PTE is filing an amended IT 4708 and the original filed IT 4708 reported an overpayment/refund on line 20 of the original IT 4708.
- If you receive a Pass-Through Entity credit and/or a payment made by another entity, you MUST file the IT 4708 to able to utilize those credits. This credit is to be applied on Schedule V.
- All schedules need to be complete when filing the IT 4708. Many schedules provide information that flows to another section of the return. Failure to complete those schedules with source information will cause your return to be recalculated accordingly, which may result in a billing notice or delay in refund.
 - When using a software program to complete the IT 4708, **DO NOT** override any line items.
 - Example: The total(s) from line 33, Schedule II of the IT 4708 flows to Schedule I, line 1, the tax income calculation.
- Only include the income of qualifying investors on the tax return
 - A PTE is only allowed to claim its proportionate share of a refundable or nonrefundable credit based on the portion of income included on the IT 4708 return.
 - For example – If only 50% of income is included on the IT 4708, PTE may utilize ONLY 50% of the credits for the qualifying investors.
 - Entity A withheld \$1,000.00 for Entity B. However, Entity's B investors, only 50% of them are qualifying investors. Therefore, Entity A would have to file an amended return to recover the unutilized PTE credit (\$500.00).



Filing Tips continued...

- Your apportionment ratio and ownership percentage must be correct and entered in all applicable fields. Percentages and ratios must be reported in a decimal format (e.g. "30.09%" must be reported as ".3009"). Additionally, do not put any text (e.g. null or zero) in these fields. A 100% apportionment ratio or ownership percentage must be shown as 1.0000. For additional information, please see Schedule III of the IT 4708 on page 8.
- When filing electronically (MeF), please provide the following pdf files if the information is not elsewhere included in your submission:
 - Ohio K1's from lower tier investments for indirect pass-through entity credits
 - Ohio K1's to qualifying investors on the return
 - Other supporting documentation

The size limitation for each individual PDF upload is 60 mb.

Highlights for 2019

NEW PTE Registration Form

This form contains information necessary to create a PTE account with the Department. If you are a first-time Ohio PTE filer, this form must accompany your first estimated payment. This form may be obtained at <https://www.tax.ohio.gov/Forms.aspx>.

NEW Opportunity Zone Investment Credit

This credit is a nonrefundable tax credit for investing in an Ohio "Opportunity Zones". This credit can only be claimed against income tax and may be claimed starting in either the tax year of the investment or the next tax year. Taxpayers wanting to claim this credit will need to get a certificate from the Development Services Agency. For more information, go to <http://development.ohio.gov> See R.C. section 122.84.

NEW Tax Rate Change

If your entity's taxable year period begin date is during any part of calendar year 2018, your entity will be required to use the 2018 tax rate of: 4.997%.

- **Example: 12/01/2018 through 11/30/2019 - You will use the 4.997% tax rate for the whole filing period.**

If your entity has a begin date during any part 2019 tax year, you will use the new reduced tax rate of:

- **Example: 01/01/2019 through 12/31/2019 - You will use the 4.797% tax rate for the whole filing period.**

NEW Ohio IT K-1 Update

The Ohio IT K-1 has been updated to accommodate foreign addresses. Line 4 has been updated to accommodate W2 and 1099 withholding credits. Each entity with Ohio income should prepare a separate Ohio K-1 for each investor or qualifying beneficiary to enclose with the investor's or beneficiary's return. This form may be obtained at <https://www.tax.ohio.gov/Forms.aspx>.

NEW Ohio Universal Payment Coupon (UPC) Updated

The UPC has been updated to accommodate the entity type and reporting periods. Payments may be remitted by:

- Sending a personal check or money order with the Ohio UPC OR
- Electronic check through an approved software program when filing electronically OR
- Electronic Funds Transfer (EFT) through the [Ohio Treasurer of State](#).

For questions regarding the EFT payment program, please contact the Ohio Treasurer of State's office at 30 E. Broad St., 9th Floor, Columbus, OH 43215 or call toll-free at 1-877-338-6446.

Electronic Filing for Ohio IT 4708

Starting with the 2018 tax year, the Ohio IT 4708 was able to be filed electronically through the federal/state e-file (<https://www.irs.gov/filing>) program overseen by the IRS. To help taxpayers make sure their software is compatible with the e-file program, the Ohio Department of Taxation maintains a list of approved software vendors at <https://www.tax.ohio.gov/business/softwaredevelopers.aspx>.

Pass-Through Entity Filing Requirement

The IT 4708 (PTE Composite Income Tax Return) is to file and pay the tax on behalf of the nonresident investors. Ohio law does not allow the Department to waive the requirement that pass-through entities:

- Files returns AND
- Makes estimated payments on behalf of their nonresident investors.
- Please see our FAQs for additional information at <https://www.tax.ohio.gov/faq.aspx>

Which Form Should I Use: Ohio IT 1140 or IT 4708?

- Qualifying pass-through entities whose equity investors are limited to nonresident individuals.

- Nonresident estates and nonresident trusts can file either Ohio IT 1140 or IT 4708. A pass-through entity that changes forms from year to year must make sure that (i) all periods of income are reported and that (ii) all related tax is timely and fully paid.

A pass-through entity that changes forms from year to year must make sure that:

- All periods of income are reported
- All related tax is timely and fully paid

For more information regarding which form to file, see the following chart:

| | The IT 1140 Withholding Return | The IT 4708 Composite Return |
|--|---|---|
| Filing date | 15th day of fourth month after close of fiscal year | April 15th after year in which fiscal year ends |
| Can the return include resident investors? | No | Yes |
| Tax rate | 5% (individuals) or 8.5% (entities) | 4.797% (all) |
| Can the return claim credits? | No | Yes |
| Can the return claim payments from other PTEs? | No | Yes |
| Investor filings | Must file IT 1040 | May file IT 1040 |

Estimated Tax Payments for Next Year

The pass-through entity must make estimated tax payments on the Ohio UPC for the entity's taxable year ending in year 2019 if the year 2019 Ohio composite annual income tax after nonrefundable credits will be more than \$500. Interest penalty applies to estimated payments not timely made.

Due Dates for Estimated Tax Payments

If any filing due date set forth below falls on a weekend or on a holiday, then the due date becomes the first business day thereafter. For more information regarding which form to file, see the following chart:

| Due Date | Cumulative Amount Due |
|---|-----------------------------------|
| Fifteenth day of the fourth month of the taxable year | 22.5% of the current year tax due |
| Fifteenth day of the sixth month of the taxable year | 45% of the current year tax due |
| Fifteenth day of the ninth month of the taxable year | 67.5% of the current year tax due |
| Fifteenth day after the close of the taxable year | 90% of the current year tax due |

Effective for audits concluded on or after October 2019

- Time to file an amended IT 4708 return after the federal changes is increased from 60 days to 90 days.
- Time begins to run: When the period for the federal appeal has expired, on the date the refund check issued by the IRS, or on the date a federal settlement agreement is signed.

2019 Ohio IT 4708 General Instructions

Note: Put the tax return pages in the proper numerical order and place all attachments after the return.

All Ohio tax forms and schedules referred to in this instruction booklet may be obtained from our Web site at tax.ohio.gov.

Purpose of Form. The Ohio IT 4708 is a composite return completed and filed by the PTE on behalf of one or more of the entity's qualifying investors.

Definition of Pass-Through Entity (PTE)

A "pass-through entity" is defined as any of the following:

S Corporation, partnership, limited partnership, limited liability company, or any other person, other than an individual, trust or estate, providing such entity or other such person is not classified for federal tax purposes as a C corporation.

Who Can Elect to File

Each PTE may elect to file a composite return (Ohio IT 4708) on behalf of one or more of the entity's direct and indirect investors other than C corporations. The election applies only to the taxable year for which the election is made. This election, once made, is binding and irrevocable for the taxable year.

If an investor's **ONLY** source of Ohio income is from one or more PTEs doing business in Ohio, and such income is included on an Ohio IT 4708 return, there is no requirement for the investor to file the Ohio income tax return. See R.C. 5747.08

A nonresident investor having other Ohio sourced income may participate in the filing of Ohio IT 4708. That nonresident investor **MUST** file an Ohio income tax return (Ohio IT 1040 for individuals; Ohio IT 1041 for estates and trusts) to report all Ohio sourced income.

Note: Both resident and nonresident individuals, other PTEs, estates and trusts can be included in a composite return for each PTE in which they invest.

All investors who elect to be included on an Ohio composite return (IT 4708) and pay tax may file an individual return (IT 1040) and claim the refundable credit for taxes the entity paid on the investor's behalf. See R.C. 5747.08(I).

No Carryforward Deductions

Ohio law does not allow for a deduction for net operating loss carryforwards or for capital loss carryforwards. Investors who want to deduct such carryforwards should file Ohio IT 1040.

Taxable Year

A PTE's taxable year for Ohio income tax purposes is the same as its taxable year for federal income tax purposes. If an entity's taxable year is changed for federal income tax purposes, the taxable year for purposes of this return is changed accordingly. **Ohio law requires that a single return be filed for the taxable reporting period.**

Return Due Date

The Ohio IT 4708, including Ohio IT K-1(s) and federal K-1(s), is due on or before April 15, 2020.

Extensions to File

To request an extension of time to file your Ohio IT 4708, check the federal extension box on Ohio IT 4708 and include a copy of the federal extension with the Ohio return or provide the federal confirmation number for the extension if electronically filed. See table below. See Ohio Adm. Code 5703-7-05.

Caution: An extension of time to file does not give the pass-through entity an extension of time to pay. See due dates for estimated tax payments chart on page 1,

TY 2019 Due Dates and Extended Due Dates

| Fiscal Year Ends | IRS Due Date | Ohio Due Date | IRS Ext. Date | Ohio Ext. Date |
|------------------|--------------|---------------|---------------|----------------|
| 1/31/19 | 4/17/19 | 4/15/20 | 10/15/19 | 4/15/20 |
| 2/21/19 | 5/15/19 | 4/15/20 | 11/15/19 | 4/15/20 |
| 3/31/19 | 6/15/19 | 4/15/20 | 12/17/19 | 4/15/20 |
| 4/30/19 | 7/16/19 | 4/15/20 | 1/15/20 | 4/15/20 |
| 5/31/19 | 8/15/19 | 4/15/20 | 2/15/20 | 4/15/20 |
| 6/30/19 | 9/17/19 | 4/15/20 | 3/15/20 | 4/15/20 |
| 7/31/19 | 10/15/19 | 4/15/20 | 4/15/20 | 4/15/20 |
| 8/31/19 | 11/15/19 | 4/15/20 | 5/15/20 | 5/15/20 |
| 9/30/19 | 12/17/19 | 4/15/20 | 6/17/20 | 6/17/20 |
| 10/31/19 | 1/15/20 | 4/15/20 | 7/15/20 | 7/15/20 |
| 11/30/19 | 2/15/20 | 4/15/20 | 8/15/20 | 8/15/20 |
| 12/31/19 | 3/15/20 | 4/15/20 | 9/15/20 | 9/15/20 |

Preparer's Signature

The Ohio Department of Taxation follows federal Notice 2004-54, which provides for alternative preparer signature procedures for federal income tax paper returns that paid practitioners prepare on behalf of their clients. See R.C. 5703.262(B) and 5747.08(F). **Exception:** The paid preparer should print (rather than sign) his/her name and include their Preparer Tax Identification Number (PTIN) on the form if the taxpayer checks the box right of, "Check here to authorize your preparer to discuss this return with Taxation." Preparers must provide their PTIN on the paper and/or electronically filed returns if available.

Method of Accounting

A pass-through entity's method of accounting for this return must be the same as its method of accounting for federal income tax purposes.

Amended Returns

When to amend

You can file an amended Ohio IT 4708 to report changes to your originally filed return(s). An amended return can result in either a tax due or a refund based on the changes. Under certain circumstances, an amended return may be required. To amend the Ohio IT 4708 you should file a new return, reflecting all proposed changes, and indicate that it is amended by checking the box at the top of page 1. Please include a copy of the following:

- Your amended return; **AND**
- Any canceled checks used as payment on the originally filed return; **AND**
- Supporting documentation that reflects the reason(s) for filing of the amended return.

Note: It may take at least 180 days from the date of receipt to process your amended return.

When not to amend your return

Some common mistakes may not require an amended return. Some examples include:

- Math errors;
- Missing pages or schedules;

- Demographic errors;
- Missing income statements (W-2, 1099, K-1) or credit certificates

For these situations, the department will either make the corrections to your return or contact you to request the needed documentation.

Requesting a refund

You may want to amend your return to request an additional credit, deduction or payment. Such changes may result in a refund. Generally, you have four years from the date of the payment to request a refund. You must include supporting documentation to substantiate the changes reported on your amended return. Some common required documentation includes:

- Your federal return including applicable schedules and attachments;
- Copies of your income statements (W-2, 1099, etc.), Ohio IT K-1, or credit certificates from DSA

Reporting additional tax due

You should amend your return to report additional income, a reduced credit or deduction previously claimed in error. Such changes may result in additional tax due. Payment should be included with your amended return using an Ohio IT 4708 UPC payment voucher.

Changes to your federal return

If the IRS makes changes to your federal return, either based on an audit or an amended return, and those changes affect your Ohio return, you are required to file an amended Ohio IT 4708. Do not file your amended Ohio return until the IRS has finalized the changes to your federal return. Once the changes are finalized, please include a copy of all of the following:

- Your federal amended 1065 OR 1120S;
- The IRS acceptance letter; **AND**
- A copy of the refund check issued to you by the IRS, if applicable.

Note: Instead of including a copy of these documents, you may be able to submit a copy of the IRS Tax Account Transcript reflecting your updated federal return information.

Your amended Ohio IT 4708 should be filed no later than 90 days after the IRS completes its review of your federal return. Failure to file the return within this time period may result in an assessment or a denial of your refund claim. See R.C. 5747.10.

- The adjustment has been agreed to or finally determined for federal income tax purposes or
- Any federal income tax deficiency or refund, or the abatement or credit resulting therefrom, has been assessed or paid whichever occurs first.

Schedule I – Taxable Income, Tax, Payments and Net Amount Due Calculations

How does Ohio Law Define Business and Nonbusiness Income?

"Business income" is income, including gain/loss arising from any of the following:

- Transactions, activities, and sources in the regular course of a trade or business operation;
- Real, tangible, and intangible property if the acquisition, rental, management, and disposition of the property constitute integral parts of the regular course of a trade or business operation;
- A partial or complete liquidation of a business, including gain or loss from the sale or other disposition of goodwill;
- Compensation and guaranteed payments paid by a pass-through entity, or a professional employer organization on its behalf, to an investor who directly or indirectly or indirectly owns 20% or more of the entity.

"Nonbusiness income" is any income other than business income. See R.C. 5747.01(B), 5747.01(C) and 5733.40(A)(7).

How Do I Determine What Income is Business Income?

Business income can be determined by using either two tests:

- Transactional Test: Looks to the nature, frequency and regularity of the transaction.
- Functional Test: Looks to if the property was integral to the trade or business, or if it generated business income in the past.

See *Kempel v Zaino*, 2001-Ohio 92.

Generally, income recognized by a pass-through entity is considered business income.

Line 4 – Net Allocable Nonbusiness Income (Loss) Everywhere

Generally, income earned by a pass-through entity is apportionable business income. If you show income on this line, provide:

- A statement and /or schedule that will explain what income do you consider to be nonbusiness income,
- What state is this "nonbusiness" income being claimed as business income, and
- Please explain why this income is nonbusiness income vs business income.

Line 8 – Net Nonbusiness Income (Loss) Allocated to Ohio

Nonbusiness income is allocable to Ohio only as provided by R.C. 5747.20 through 5747.231.

Line 10 - Tax Rate

If your taxable reporting period begins prior to January 1, 2019, the tax rate is 4.997%.

If your taxable reporting period begins on/after January 1, 2019, the tax rate is 4.797%

Line 11 – Nonrefundable Business Credits

Nonrefundable business credits claimed on this composite return are limited to the proportionate share of the credits belonging to those investors included in this composite return. Include Schedule E.

Line 13 – Interest Penalty on Underpayment of Estimated Tax

Enter any interest penalty on underpayment of estimated tax as calculated on the IT/SD 2210.

The PTE will owe an interest penalty if:

- The tax due is greater than \$500; **AND**
- Withholdings, timely estimated payments, and refundable credits are less than the lesser of the following:
 - 90% of your 2019 Ohio tax liability; **OR**
 - 100% of your 2018 Ohio tax liability

Note: If the PTE did not file an IT 4708 reflecting a 12-month tax year for 2018, then the PTE cannot avoid the interest penalty by paying 100% of its "2018 Ohio tax liability." See R.C. 5747.09(A)(4)(b).

Line 14 - Estimated UPC Payment

This line is used to claim estimated payments that were made using an IT 4708 UPC payment coupon or EFT payments made through the Ohio Treasurer of State.

Line 15 - Payment Transfer from IT 1140

This line is used to alert the Ohio Department of Taxation that a portion of estimated payments made on an IT 1140 account, should be transferred to the IT 4708 account. This will increase the amount of payments applied to the IT 4708 tax reporting period.

Line 16 - Payment Transfer from IT 4708 to IT 1140

This line is used to alert the Ohio Department of Taxation that a portion of estimated payments made on the IT 4708 account, should be transferred to the IT 1140 account. **Or**

When filing an amended return to report a prior refund received from the originally filed return during the reporting period.

This will reduce the amount of payments applied to the IT 4708 taxable reporting period.

Note: Payments made on line 15 or 16 tell us that a manual intervention is necessary to move payments and this may cause delays in processing your tax return. See the filing tips page.

Line 20 – Refund

Line 19 minus the sum of lines 12 and 13, but not less than zero. This is the amount to be refunded.

Interest on Overpayments. Interest is allowed and paid upon any overpayment in excess of one dollar from the date of the overpayment until the date of the refund of the overpayment. However, if any overpayment is refunded within 90 days of the due date of the return or the date the return was filed, whichever is later, no interest shall be allowed on such overpayment. See R.C. 5747.11(C)

Line 22 – Interest and Penalty Due on Late-Paid and/or Late-Filed Return

Interest on Underpayments. Interest is due from the unextended due date until the date the tax is paid. Generally, you will not be charged interest if you are due a refund. Please remember, an extension of time to file does not extend the time for payment of the tax due. The interest rate for calendar year 2020 is 5%.

Penalties. If the PTE fails to file the Ohio IT 4708 return by the due date (or extended federal due date), a failure to file penalty may be charged, which is the greater of \$50 per month up to a maximum of \$500, or 5% per month up to a maximum of 50% of the tax.

If the PTE fails to pay the full amount of tax by the due date of the return, a failure-to-pay penalty may be charged, which is up to a maximum of double the interest charged.

Line 23 – Total Amount Due

Payments may be remitted by:

- Electronic check through an approved software program when filing electronically, **OR**
- Electronic funds transfer (EFT) through the Ohio Treasurer of State, **OR**
- Sending a personal check / Money order with the Ohio UPC.

For questions regarding the EFT payment program, please contact the Ohio Treasurer of State's office at 30 E. Broad St., 9th Floor, Columbus, OH 43215 or call toll-free at 1-877-338-6446. See [tos.ohio.gov](https://tax.ohio.gov).

Schedule II – Income and Adjustments

Note: Show on Schedule II the income and adjustments only for those investors who are participating in the filing of this return and that pursuant to the Constitution of the United State, the Constitution of Ohio, or any other Ohio or federal law, is subject to a tax measured by net income.

Line 25 – Related Member Adjustments

A "related member" is any person directly or indirectly related to the taxpayer or qualifying entity by an ownership interest of at least 40%. See R.C. 5733.40(P) and I.R.C. 1563(e).

A related member also includes an investor, or a member of an individual investors family who owns directly, indirectly, beneficially, or via attribution, at least 50% of the PTE. See R.C. 5733.04(I)(12)(i) and I.R.C. 318.

Expenses typically subject to add back include but not limited to the following:

- Management fees;
- Rents;
- Compensation paid to family member(s)

Line 26 and 27 – Guaranteed Payments and Compensation

Note: Reciprocity agreements do not apply to residents of neighboring states directly or indirectly owning at least 20% of the stock or other equity of the PTE. See R.C. 5733.40(A)(7).

Line 31 – Bonus Depreciation Add-Back and Schedule VI, Line 50

Add 5/6 of Internal Revenue Code section 168(k) bonus depreciation allowed under the Internal Revenue Code. Also add 5/6 of the excess of the Internal Revenue Code section 179 depreciation expense allowed under the Internal Revenue Code over the amount of section 179 depreciation expense that would have been allowed based upon Internal Revenue Code section 179 in effect on Dec. 31, 2002.

Replace "5/6" with "2/3" for employers who increased their Ohio income taxes withheld by an amount equal to or greater than 10% over the previous year. Replace "5/6" with "6/6" for taxpayers who incur a net operating loss for federal income tax purposes if the loss was a result of the 168(k) and/or 179 depreciation expenses.

No add-back is required for employers who increased their Ohio income taxes withheld over the previous year by an amount greater than or equal to the sum of the 168(k) or 179 depreciation expenses. No add-back is required for 168(k) and/or 179 depreciation amounts related to a PTE in which the taxpayer has less than 5% ownership. See R.C. 5733.40(A)(5) and 5747.01(A)(20).

Note: For additional information, please see Department's FAQs at <https://www.tax.ohio.gov/faq.aspx>.

Line 32 – Other Income (Loss)

Include on this line any item of income or deduction if not otherwise reported and if that item is part of an investor's distributive share of income from the PTE.

Generally allowed deductions:

- Section 59(e)(2)
- Royalty Income - Federal Schedule E, line 19
- Section 754 election - Form 1065
- Section 743(b) - Form 1065

Generally disallowed deductions:

- Charitable Contributions
- Investment Interest Expense
- Portfolio Expense / Deduction
- Research and Development Tax Credit
- Research and Experimental Expenditures
- Wages related to Work Opportunity Credit

Note: For more information, see FAQs at <https://www.tax.ohio.gov/faq.aspx>.

Schedule III – Deductions

The allowable deductions in arriving at federal adjusted gross income reflected on lines 34-37 are the combined amounts from the federal K-1s for the taxable year for only those investors that participate in the filing of Ohio IT 4708. Do not include any deductions that have been already used to reduce any income items set forth in Schedule II.

Line 34 – I.R.C. 179 Expense Not Otherwise Deducted

If you show an amount on this line, include federal form 1065 or 1120S with all schedules and statements.

Line 35 – Bonus Depreciation Deduction / Federal Conformity Adjustments

Bonus Depreciation Deductions

Deduct:

- 1/5 of prior year 5/6 add-backs,
- 1/2 of prior year 2/3 add-backs, **AND**
- 1/6 of prior year 6/6 add-backs

of Internal Revenue Code sections 168(k) and 179 depreciation adjustments. The deduction must be taken in equal increments in consecutive tax years and any unused portion from any given tax year is not eligible to be carried forward.

Important: S corporation shareholders cannot claim this deduction if the add-back occurred while the corporation was a C corporation. See R.C. 5733.40(A)(5) and 5747.01(A)(21)(a).

Federal Conformity Deductions

This line is for federal conformity adjustments. See [tax.ohio.gov/other/Update.aspx](https://www.tax.ohio.gov/other/Update.aspx).

Note: Do not enter, on this line, any federal adjustments solely available to an individual in the computation of his or her individual income tax return.

Line 36 – Net Federal Interest and Dividends Exempt from State Taxation

Enter interest and dividend income, to the extent included in federal adjusted gross income, from obligations issued by the United States government or its possessions/territories that are exempt from Ohio tax by federal law. Examples include:

- U.S. savings bonds (Series E, EE, H or I);
- Treasury notes, bills and bonds;
- Sallie Maes.

Examples of interest income that are not deductible:

- Interest paid by the IRS on a federal income tax refund;
- Interest income from Fannie Maes or Ginnie Maes.

For additional examples of deductible amounts, see our information release IT 1992-01 entitled "Exempt Federal Interest Income" at [tax.ohio.gov](https://www.tax.ohio.gov). See R.C. 5747.01(A)(3).

Schedule IV – Apportionment Formula

The PTE must include in its apportionment ratio its proportionate share of each lower-tiered pass-through entity's property, payroll and sales. See R.C. 5747.231.

The three factors are property and payroll, each weighted at 20%, and sales, weighted at 60%, for a total of 100%. However, if any factor's "total everywhere" is zero, the weights of the remaining factors must be proportionately increased so that the total remains 100%.

Example: ABC LLC is a single-member LLC with no employee payroll. In calculating its Ohio apportionment ratio, ABC LLC must weight its property factor at 25% and its sales factor at 75%.

Property Factor

The Property Factor is the ratio of:

$$\frac{\text{Average value of property in Ohio}}{\text{Average value of property everywhere}}$$

"Property" includes any real and tangible personal property that is owned, rented, subrented, leased and/or subleased in the course of a trade for business. Property does not include any of the following:

- Construction in progress;
- Property not used in a trade or business;
- Property for which Ohio has issued an air, noise, or industrial water pollution control certificate;
- Property used exclusively during the tax year for qualified research.

Note: The original cost of qualifying improvements to property in an enterprise zone, for which Ohio has issued a Tax Incentive Qualification Certificate, should only be included in Total Everywhere.

The "average value" of business property is calculated by averaging the total value of all applicable property owned or rented at the beginning and end of the tax year. See R.C. 5747.21(B) and 5733.05(B)(2)(b).

Line 39a - Property Owned With in Ohio

Enter the average value of all Ohio property owned by the business during the tax year.

Line 39a - Property Owned Total Everywhere

Enter the average value of all property owned by the business during the tax year. Property owned by the business is valued at its original cost.

Line 39b - Property Rented Within Ohio

Enter the average value of all Ohio property rented by the business during the tax year.

Line 39b - Property Rented Total Everywhere

Enter the average value of all property rented by the business during the tax year. Property rented by the business is valued at eight times the net annual rental rate (annual rental expense less subrental receipts).

Payroll Factor

The payroll factor is the ratio of:

$$\frac{\text{Total compensation in Ohio}}{\text{Total compensation everywhere}}$$

"Compensation" means any form of remuneration paid to an employee for personal services. Compensation does not include any of the following:

- Amounts paid to employees for services unrelated to a trade or business;
- Amounts reclassified as a distributive share of income from a PTE under R.C. 5733.40(A)(7)
- Amounts paid to employees who are primarily engaged in qualified research.

Note: Compensation paid to certain employees at an urban job and enterprise zone facility, for which Ohio has issued a Tax Incentive Qualification Certificate, should be included only in total compensation everywhere. See R.C. 5747.21(B).

Line 40 - Payroll Within Ohio

Enter the total compensation paid in Ohio during the tax year. Compensation is paid in Ohio if any of the following apply:

- The employee's job is entirely in Ohio;
- The employee's job is primarily in Ohio with only incidental work outside Ohio;
- The employee performs services in Ohio and either the headquarters, or, if no headquarters exists, the place from which the service is directed or controlled, is in Ohio; **OR**
- The employee is a resident of and performs some services in Ohio, and the headquarters 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.
- Compensation paid to any employee of a common or contract motor carrier who performs regularly assigned duties in more than one state should be assigned to Ohio by the ratio of mileage traveled by the employee in Ohio to the total mileage traveled by the employee everywhere during the taxable year. R.C. 5733.05(B)(2)(b)(iii)

Line 40- Payroll Total Everywhere

Enter the total compensation paid everywhere during the tax year.

Sales Factor

The sales factor is the ratio of:

$$\frac{\text{Sales in Ohio}}{\text{Sales Everywhere}}$$

"Sales" includes gross business receipts such as:

- Receipts from the sale of real property, tangible personal property, or services;
- Receipts from rents and royalties from real and tangible personal property; **OR**
- Receipts from the transfer of or the right to use intellectual property such as trademarks, trade names, patents, and copyrights.

"Sales" does not include any of the following:

- Interest and dividends;
- Receipts from the transfer of intangible property other than trademarks, trade names, patents, copyrights or other similar intellectual property;
- Receipts from the transfer of real or tangible personal property that is either a capital asset or an Internal Revenue Code section 1231 asset; **AND**
- Receipts from sales to certain public utilities, insurance companies, and financial institutions described in R.C. 5733.05(B)(2)(c)

Note: Income amounts excluded from the sales factor may still be considered business income under Ohio law. R.C. 5747.21 and 5733.05

Line 41 – Sales Within Ohio

Enter gross receipts from sales within Ohio during the tax year. Sales within Ohio include all of the following:

- Receipts from sales of tangible personal property, less returns and allowances, to the extent the property was received by the purchaser in Ohio;
- Receipts from services to the extent the purchaser ultimately used or received the benefit of the services in Ohio;
- Rents and royalties from tangible personal property to the extent the property was used in Ohio;
- Receipts from the transfer of certain intellectual property to the extent the property was used in Ohio;
- Receipts from the right to use certain intellectual property to the extent the receipts are based on the right to use the property in Ohio;
- Receipts from the sale of real property located in Ohio; **AND**
- Rents and royalties from real property located in Ohio.

Note: For tangible personal property, where the property is "received by the purchaser" is not the same as where the purchaser takes physical or legal possession. Instead, it is considered "received" where it is ultimately used by the purchaser. See R.C. 5733.05(B)(2)(c)(i) and (ii).

Line 41 - Sales Total Everywhere

Enter the gross receipts from sales everywhere during the tax year.

Schedule V – Refundable Business Credits

Note: Certificates from the Ohio Development Services Agency (DSA) and/or Ohio IT K-1(s) must be included to verify each refundable credit claimed.

Line 43 – Historic Preservation Credit

This credit is granted by the Development Services Agency (DSA). To claim the credit, you must attach a copy of the certificate from DSA that indicates the amount of the credit and the tax year for which the credit is awarded.

Additionally, if this credit is based on your ownership of PTE who holds the certificate, you must also include, when filing your return, documentation of the portion of the credit to which you are entitled. This amount can be refunded, in whole or in part, to the extent that it exceeds your total Ohio tax liability (Ohio IT 4708, line 12 plus line 13). For additional information about the requirements for this credit, visit the Ohio Development Services Agency's website at development.ohio.gov, or call 1-800-848-1300. See R.C. 5747.76.

Line 44 – Jobs Creation Credit and Job Retention Credit

These credits are granted by the Development Services Agency (DSA). To claim the credit, you must attach a copy of the certificate from DSA that indicates the amount of the credit and the tax year for which the credit is awarded. Additionally, if this credit is based on your ownership of a PTE who holds the certificate, you must also include, when filing your return, documentation of the portion of the credit to which you are entitled. This amount can be refunded, in whole or in part, to the extent that it exceeds your total Ohio tax liability (Ohio IT 4708, line 12 plus line 13).

Line 45 – Pass-Through Entity Credit

This credit is for investors in a PTE, where the PTE filed and paid tax on either the Ohio IT 4708 or the Ohio IT 1140.

Line 46 – Venture Capital Credit

This credit is granted by the Development Services Agency (DSA). To claim the credit, you must attach a copy of the certificate from DSA that indicates the amount of the credit and the tax year for which the credit is awarded. Additionally, if this credit is based on your ownership of a passthrough entity who holds the certificate, you must also include, when filing your return, documentation of the portion of the credit to which you are entitled. This amount can be refunded, in whole or in part, to the extent that it exceeds your total Ohio tax liability (Ohio IT 4708, line 12 plus line 13).

For additional information about the requirement for this credit, visit the Ohio Development Services Agency's website at development.ohio.gov, or call 1-800-848-1300. See R.C. 5747.80.

Line 47 – Motion Picture & Broadway Theatrical Production Credit

This credit is granted by the Development Services Agency (DSA). To claim the credit, you must attach a copy of the certificate in whole or in part, to the extent that it exceeds your total Ohio tax liability (Ohio IT4708, line 12).

For additional information about the requirement for this credit, visit the Ohio Development Services Agency's website at development.ohio.gov, or call 1-800-848-1300. See R.C. 5747.66.

Line 48 - Financial Institutions Tax (FIT) Credit

This credit is for investors in a PTE and/or beneficiaries of a trust that filed and aid the Ohio Financial Institutions Tax on the Ohio FIT 10. To claim this credit, you must attach a copy of the Ohio IT K-1 (or if unavailable, an Ohio K-1 equivalent) reporting your portion of the taxes paid by the PTE on your behalf. See R.C. 5747.65.

Note: The PTE is entitled to only their distributive share of the business credits attributable to the qualifying investors and their income included on the return. See R.C. 5747.08(D)(1)(a).

Schedule VI - 168K Bonus Depreciation and 179 Expense Add-back Schedule

Prior tax year add-back amount and add-back ratio.

Line 50 - Total Current Year Sections 168K Bonus Depreciation and 179 Expense Adjustment

Total current year add-back from line 31.

Line 51 - Prior Years Add-Back Amount and Applicable Add-Back Ratio

Prior year add-back amount and add-back ratio.

In a given tax year, the PTE may need to report a mixture of addback ratios on Schedule VI, due to investment in multiple passthrough entities. In this scenario, check the 5/6 box and provide an explanation of the ratio. You may wish to attach this explanation to future years' returns.

Follow the same procedure for the investors of the PTE on the Ohio IT K-1 under Depreciation Information and fill out the Supplemental Information portion.

Schedule VII – Investor Information

Provide investor information for all investors in the PTE and indicate investors included on the return by checking all applicable boxes on Schedule VII. Investor information must be provided by the following:

- Completion of Schedule VII and additional sheet(s), if necessary; **AND**
- A copy of Ohio IT K-1s, which the PTE will issue to each investor.
- The Ohio IT K-1s must indicate the amount of tax credits that will pass through as a credit from this PTE to each investor whose income is included in this return.

Apportionment Formula for Financial Institution Pass-Through Entities

For a pass-through entity that is a financial institution, the apportionment formula should be calculated in accordance with Ohio Revised Code (R.C.) 5733.056. Use of this worksheet to calculate the apportionment formula for a pass-through entity that is a financial institution.

Note: All ratios are to be carried to six decimal places.

Apportionment Ratio

| | (1) Ohio | (2) Everywhere | (3) Ratio |
|--|-------------|-------------------|--------------|
| Sales Factor – R.C. 5733.056(F) | | | |
| 1. Receipts from the lease, sublease or rental of real property..... | _____ | _____ | |
| 2. Receipts from the lease or rental of tangible personal property..... | _____ | _____ | |
| 3. Interest from loans secured by real property..... | _____ | _____ | |
| 4. Interest from loans not secured by real property..... | _____ | _____ | |
| 5. Net gains from the sale of loans secured by real property..... | _____ | _____ | |
| 6. Net gains from the sale of loans not secured by real property..... | _____ | _____ | |
| 7. Interest and fees charged to credit card holders..... | _____ | _____ | |
| 8. Net gains from the sale of credit card receivables..... | _____ | _____ | |
| 9. Credit card issuer's reimbursement fees..... | _____ | _____ | |
| 10. Receipts from merchant discount..... | _____ | _____ | |
| 11. Loan-servicing fees from loans secured by real property..... | _____ | _____ | |
| 12. Loan-servicing fees from loans not secured by real property..... | _____ | _____ | |
| 13. Loan-servicing fees for servicing the loans of others..... | _____ | _____ | |
| 14. Receipts from services not otherwise apportioned..... | _____ | _____ | |
| 15. Interest, dividends, net gains and other income from both investment assets and activities and trading assets and activities..... | _____ | _____ | |
| Check method: <input type="checkbox"/> Avg. value method <input type="checkbox"/> Gross income method | | | |
| 16. Certain other receipts..... | _____ | _____ | |
| 17. Total. Enter ratio here and on Summary, line 1, below..... | _____ | ÷ _____ | = _____ |

Property Factor – R.C. 5733.056(D)

| | Ohio | Everywhere | |
|--|-------|------------|---------|
| 18. Real property and tangible personal property owned..... | _____ | _____ | |
| 19. Real property and tangible personal property rented x 8..... | _____ | _____ | |
| 20. Loans and credit card receivables..... | _____ | _____ | |
| 21. Total. Enter ratio here and on Summary, line 2, below..... | _____ | ÷ _____ | = _____ |

Payroll Factor – R.C. 5733.056(E)

| | Ohio | Everywhere | |
|--|-------|------------|-------|
| 22. Compensation paid to employees. Enter ratio here and on Summary, line 3, below..... | _____ | _____ | _____ |

Apportionment Ratio Summary

| | (1) Factor | ÷ | (2) Weight | = | (3) Weighted Factor |
|--|---------------|---|---------------|---|------------------------|
| 1. Sales (line 17)..... | _____ | x | .70 | = | _____ |
| 2. Property (line 21)..... | _____ | x | .15 | = | _____ |
| 3. Payroll (line 22)..... | _____ | x | .15 | = | _____ |
| 4. Total weighted apportionment ratio..... | | | | | _____ |

If the denominator of any factor is zero, the weight given to the other factors must be proportionately increased so that the total weight given to the combined factors used is 100%.