

REV-1200 PA Corporate Net Income Tax 2019

REV-1200 Booklet (SU) 10-19

CT-1 INSTRUCTIONS

FOR CALENDAR YEAR 2019 AND FISCAL YEARS BEGINNING IN 2019

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

HIGHLIGHTS

1. **IMPORTANT:** The RCT-101, PA Corporate Net Income Tax Report **MUST** include a Revenue ID number. Failure to provide a Revenue ID number may result in a delay or inability to process and post your return and applying your tax payments. To obtain a Revenue ID all corporations must first register with the Pennsylvania Department of State. When registering with the Department of State, you must include your Federal Employer Identification Number (FEIN). This information is then forwarded to the Pennsylvania Department of Revenue, who will then issue a Revenue ID number. Failure to provide the FEIN when registering with the Department of State will result in a delay or inability to process your information for a Revenue ID.

Information on how to register a corporation with the PA Department of State can be found on their website at www.dos.pa.gov.

2. **CAUTION:** Qualified 168(k) property placed in service after Sept. 27, 2017, is subject to 100 percent add-back. See Corporation Tax Bulletin 2018-03. REV-799 is no longer required to be completed. Complete REV-1834, Schedules C-8 and C-9.
3. 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. Taxpayers reporting such add-backs must include schedules REV-802 and REV-803 when filing the report.
4. **IMPORTANT:** Failure to submit a properly completed and signed tax report, which includes a copy of the federal form and supporting schedules, may result in the delay of processing and the imposition of late filing penalties and/or estimated assessments.
5. Corporations participating in a consolidated federal tax filing must provide consolidating income statements and balance sheets including separate company schedules and all consolidations and eliminations.
6. Prior to the Tax Cuts and Jobs Act, dividends received by a corporation from another corporation were 70% excluded from income for less than 20% owned domestic corporations and 80% excluded from income for more than 20%, but less than 80%, owned domestic corporations. As amended by the Tax Cuts and Jobs Act, for tax years beginning after December 31, 2017, the 70-percent dividends-received deduction is reduced to 50 percent and the 80-percent dividends-received deduction is reduced to 65 percent

(Code Secs. 243(a)(1) and (c)(1)). There was no change made to the 100% dividends-received deduction for dividend income received from 80% or more owned domestic corporations.

7. **IMPORTANT:** The Tax Cuts and Jobs Act of 2017 amended Section 163(j) of the Internal Revenue Code (the "Code"). For Federal income tax purposes, Section 163(j) limits the deductibility of interest expense in the current tax year of certain U.S. taxpayers for tax years beginning on or after January 1, 2018. Pennsylvania Corporation Tax Bulletin 2019-03 provides guidance on how the federal limitations imposed by the amended Section 163(j) are treated for Pennsylvania Corporate Net Income Tax ("CNIT") purposes.

8. The Pennsylvania Department of Revenue has set forth a new \$500,000 economic nexus threshold for purposes of imposing the corporate net income tax on out-of-state companies. Corporation Tax Bulletin 2019-04 cites the U.S. Supreme Court's *South Dakota v. Wayfair Inc.* decision as authority underlying the new nexus threshold and provides that remote corporations satisfying the minimum thresholds for nexus under the U.S. Constitution should file a state corporate net income tax report.

Taxpayers that meet the minimum constitutional nexus thresholds must begin filing corporate tax reports for periods starting on or after January 1, 2020.

Page 1 of RCT-101 contains a checkbox labeled Section 381/382/ Merger NOLS/Alternate Apportionment. This box must be checked for any of the conditions listed below.

Examples of reports include those filed by:

- Corporations having net operating loss (NOL) limitations under IRC Section 381 and IRC Section 382;
- Corporations claiming losses or Bonus Depreciation carry-forward from a merger;
- UDITPA Section 18 taxpayers claiming alternate apportionment method or separate accounting;
- Corporations requesting extra-statutory treatment beyond that provided by law; and
- Corporations with two distinct activities like warehousing/trucking & distribution/trucking or persons/transportation & property/transportation.

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WHO MUST FILE

All business entities that have elected to file as a corporation with the IRS:

- Corporation
- Business Trust
- Limited Liability Company
- S Corporations that have Built-in Gains
- Any other entity electing to file as a corporation under federal Check the Box rule
- Any corporation whose activity exceeds P.L. 86-272 Solicitation Only

TAXPAYER SERVICES AND ASSISTANCE

CONTACT NUMBERS

Estimated Payments	1-888-PATAxes (1-888-728-2937)
General Business Tax Questions	717-787-1064
Extension to File Annual Report	717-787-3653
Transfer/Refund of Overpayments	717-705-6225
E-filed Reports	717-346-1987
Bureau of Registration and Taxpayer Management	717-787-3653

FORMS ORDERING SERVICES

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 SERVICES

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.

WHERE TO FILE

MAILING ADDRESSES

**RCT-101 – PA CORPORATE NET INCOME TAX REPORT,
RCT-101-I – INACTIVE PA CORPORATE NET INCOME TAX
REPORT, RCT-101D – DECLARATION OF DE MINIMIS ACTIVITY
AND 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 transfer or refund of credit, please use the following address:

PA DEPARTMENT OF REVENUE
TRANSFER/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. This includes reports when payment was made electronically.

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

REV-857 – ESTIMATED TAX PAYMENTS
PA DEPARTMENT OF REVENUE
327 WALNUT ST FL 12
PO BOX 280422
HARRISBURG PA 17128-0422

CT-V – FED/STATE PAYMENT VOUCHER
PA DEPARTMENT OF REVENUE
327 WALNUT ST FL 12
PO BOX 280427
HARRISBURG PA 17128-0427

REV-853 – ANNUAL EXTENSION
PA DEPARTMENT OF REVENUE
327 WALNUT ST FL 12
PO BOX 280425
HARRISBURG PA 17128-0425

REV-854 – EIN/FILING PERIOD/ADDRESS CHANGE

Fax or Email to:

Fax: 717-787-3708
Email: ra-btftregisfax@pa.gov

REV-1605 – SCHEDULE CO-NAME OF CORPORATE OFFICERS

Fax or Email to:

Fax: 717-787-3708
Email: ra-btftregisfax@pa.gov

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

Fax or Email to:

Fax: 717-787-3708

Email: ra-btffregisfax@pa.gov

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

PA DEPARTMENT OF REVENUE
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

REV-986 – SCHEDULE TO SUPPORT CLAIM OF EXEMPTION FROM CORPORATE NET INCOME TAX

If you answered NO to all questions on REV-986, you are not required to file RCT-101 but you must submit REV-986 via email to: ra-panoticeofadjustment@pa.gov.

REMINDERS

The Capital Stock/Foreign Franchise tax has been phased out for tax years beginning on or after Jan. 1, 2016. This means that many business types such as S corporations, LLC's taxed as pass-through entities and business trusts that are not federally taxed as a C corporation will need to file their **final** RCT-101 corporation tax report for the **2015 reporting period**. These reports must be marked as **final** reports.

Corporations not subject to the PA corporate net income tax for the years mentioned above include, single member LLC's, Multi Member LLC's taxed as a partnership or S corporation, Business Trusts and PA S corporations (except PA S corporations that have Built-In-Gains). Solicitation only corporations would also no longer be required to file a RCT-101, PA Corporate Net Income Tax Report, unless activity exceeds solicitation only.

Corporations subject to the PA corporate net income tax (including PA S corporations that have Built-In-Gains) must continue to file RCT-101, PA Corporate Net Income Tax Report.

RCT-101 is a **revised, year specific, four page** form and includes a revised Page 1, eliminating CS-FF and LOANS from Step D. It also includes a revised Page 2, Bonus Depreciation, Corporate Net Income Tax, and Sales Factor Apportionment (Schedule C-1). Use **ONLY** this **year-specific, four page** RCT-101 for filing all tax years beginning on or after Jan. 1, 2016. All reports for tax years beginning prior to Jan. 1, 2016 **MUST** be filed on the **non-year-specific, six page** RCT-101. These forms can be found on the department's website at www.revenue.pa.gov.

RCT-101-I, Inactive PA Corporate Net Income Tax Report, is a **revised, year-specific** form. It includes a revised Page 1, eliminating CS-FF and LOANS Tax. This form **MUST** be used for filing all tax years beginning on or after Jan. 1, 2016. All reports for tax years beginning prior to Jan. 1, 2016 **MUST** be filed on the **non-year-specific** RCT-101-I. These forms can be found on the department's website at www.revenue.pa.gov.

Amended reports filed for tax years beginning on or after Jan. 1, 2016, **MUST** be filed on the **revised, year-specific, four page** RCT-101. You must check the Amended Report checkbox on Page 1, Step B, and include REV-1175 with the report. Amended reports filed for tax years

beginning prior to Jan. 1, 2016, **MUST** be filed on the **non-year-specific, six page** RCT-101. You must check the Amended Report checkbox on Page 1, Step B, and include REV-1175 with the report.

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

Taxpayers claiming Add-Back on RCT-101, PA Corporate Net Income Tax Report, must provide schedules REV-802 and REV-803 by submitting them with RCT-101.

Completing the sales factor as 0/0, leaving the sales factor field blank or typing "none" in this field will result in apportionment being changed to 100 percent in Pennsylvania, automatically changing the reported tax liabilities. A corporation with no sales both inside and outside Pennsylvania should complete SCHEDULE C-1 on Page 2 of RCT-101, using "0" as the numerator and "1" as the denominator.

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

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

Taxpayers filing a full year report and disclosing a bulk sale **should not** fill in the bulk sale checkbox on Page 3 of RCT-101, PA Corporate Net Income Tax Report. Rather, you must complete REV-181, Application for Tax Clearance Certificate and mail separately to the Bureau of Compliance. DO NOT send with RCT-101.

If a taxpayer is filing a **short period, ESTIMATED tax return** to fulfill its Bulk Sale reporting requirement, you **must** fill in the bulk sale checkbox on Page 3 of RCT-101. You **must** also complete REV-181, Application for Tax Clearance Certificate and mail separately to the Bureau of Compliance. You may also include a copy with the RCT-101. However, if the report is for a full 12 month tax period, DO NOT check the bulk sale box but you must still file the REV-181.

For further guidance, refer to Tax Bulletin 53D.

WHAT MUST BE INCLUDED WITH THE PA CORPORATE NET INCOME TAX REPORT

When filing an RCT-101, PA Corporate Net Income Tax Report, all corporate taxpayers are required to include 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 16-19.

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 S Corporations that have Built-In-Gains 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 consolidations and 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 18 of these instructions. 4. RCT-103 to support net operating loss carry-forward, if applicable. 5. REV-1834, Schedules C-8 and C-9 to support adjustments for bonus depreciation, if applicable. 6. REV-934, Schedule of Nonbusiness Income, if applicable. 7. Other supporting statements if necessary, with references to supporting statements on the applicable form. 8. REV-798, Schedule C-2, Dividend Deduction, if applicable and Schedule X, if applicable. 9. REV-860, Schedule C-5, OA and OD 10. RCT-106, Insert Sheet
*Taxpayers required to file federal Schedule M-3 may submit such in lieu of federal Schedule M-1.		

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
Apportioning income for the first time.	A copy of a tax return from another state.
Filing the final PA Corporate Net Income Tax Report.	A complete REV-861, Schedule DA, Disposition of Assets Schedule.
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.

WHEN IS A FORM OR SCHEDULE REQUIRED?

FORM	USED FOR	REQUIRED WHEN CORPORATE TAXPAYER
RCT-106	Support of Sales Factor Apportionment or Special Apportionment	Has taxable activity in at least one other state and is apportioning income to the other state based on sales. RCT-106 is also required by taxpayers who are required to utilize special apportionment methods (revenue miles, etc.).
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-8 REV-1834	Bonus Depreciation Adjustment	Is claiming a deduction to recover disallowed federal bonus depreciation in the calculation of corporate net income tax for property purchased prior to Sept. 28, 2017.
Schedule C-9 REV-1834	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 the property is fully depreciated, sold or otherwise disposed.
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 B, Line 3E.
Schedule OD REV-860	Other Deductions	Is reporting an "Other Deduction" on RCT-101, Section B, Line 2D.

WHEN IS A FORM OR SCHEDULE REQUIRED? (CONTINUED)

FORM	USED FOR	REQUIRED WHEN CORPORATE TAXPAYER
Schedule QMIRD REV-860A	Other Deductions	Claims a Qualified Manufacturing Innovation and Reinvestment Deduction
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.
REV-934	Schedule of Non-Business Income	Is claiming non-business income.
REV-986	Schedule to Determine Corporate Net Income Tax Filing Requirement	Activity does not exceed Solicitation Only - 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 Net Income Tax Report.
REV-802	Add-Back for Intangible Expense or Related Interest Expense	Is adding back intangible expense or related interest expense.
REV-803	Claiming a Credit for Tax Paid by Affiliated Entities	Is claiming a credit for tax paid by affiliated entities.

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

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

1. RCT-101, PA Corporate Net Income Tax Report, Pages 1 through 4 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:
 - REV-1175, Schedule AR - If filing an amended PA Corporate Net Income Tax Report.
 - REV-798, Schedule C-2, Dividend Deduction
 - REV-798, Schedule X
 - REV-1834, Schedule C-8, Adjustment for Bonus Depreciation
 - REV-1834, Schedule C-9, Adjusted for 168k property fully depreciated sold or otherwise disposed
 - REV-860, Schedules C-5, OA and OD
 - REV-860A, QMIRD Worksheet
 - RCT-106, Insert Sheet
 - REV-934, Schedule of Nonbusiness Income
6. All other documentation to support the RCT-101, PA Corporate Net Income Tax Report
7. Complete federal tax return and supporting schedules, as required:
 - Federal Form 1120
 - Federal Form 1120C
 - Federal Form 1120F
 - Federal Form 1120S
8. Consolidating schedules, when applicable

PENNSYLVANIA CORPORATE NET INCOME TAX REPORT INSTRUCTIONS FOR FORM RCT-101

GENERAL INSTRUCTIONS

FEDERAL S CORPORATIONS

The Capital Stock/Foreign Franchise tax has been phased out for tax years beginning on or after Jan. 1, 2016. However, PA S Corporations that have built-in-gains are required to file RCT-101.

Any federal subchapter S corporation that does not desire to be a Pennsylvania S corporation must file the REV-976, Election Not to be Taxed as a Pennsylvania S Corporation, 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 must be submitted via fax or email to:

Fax: 717-787-3708

Email: ra-btftregisfax@pa.gov

To revoke an election not to be taxed as a PA S Corporation, 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 B of RCT-101, (2) include a copy of federal Form 1120S with the PA Corporate Net Income Tax Report, and (3) include 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 B, 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

RCT-101, PA Corporate Net Income Tax Report. A copy of federal Form 1120 must be included and apportionment fractions must be reported.

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

COPY OF FEDERAL FORM 1120, 1120C, 1120F OR 1120S

 **IMPORTANT:** A copy of the federal income tax return - Form 1120, 1120C, 1120F, 1120S, or other applicable federal form must be included with the PA Corporate Net Income Tax Report. This is in addition to any requirement to supply a copy of the federal tax return with any other filing.

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, 1120C, 1120F 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 consolidations and eliminations.

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

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

Prior to filing a PA Corporate Net Income Tax Report, taxpayers can confirm the total amount of deposits on account by calling 1-888-PATAXES (1-888-728-2937). 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.

HOW TO PAY

If the total taxes owed are less than \$1,000, you may send a check made payable to the PA Dept. of Revenue, enclosed with the tax report, to the address listed on Page 3.

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 will result in the imposition of a 3 percent penalty of the tax due, up to \$500. For information on electronic filing options, visit the Online Services Center at www.revenue.pa.gov.



IMPORTANT: If paying by certified or cashier's check, mail check and coupon to:

**PA DEPARTMENT OF REVENUE
1854 BROOKWOOD ST
HARRISBURG PA 17104-0947**

DUE DATE OF REPORT AND PAYMENT

The RCT-101, PA Corporate Net Income Tax Report, is due 30 days after the federal due date for both calendar and fiscal year filers. 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. PA Corporate Net Income 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 C: Corporate Status Change, found on Page 3 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 a REV-181, Application for Tax Clearance Certificate.

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 REV-861, Schedule DA, Disposition of Assets, 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, include with the "Distribution of Assets," a copy of federal Form 1099-DIV.



CAUTION: 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 Department of Revenue.

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 REV-238, Out-of-Existence/Withdrawal Affidavit directly to:

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

BULK SALES

Taxpayers filing a full year report and disclosing a bulk sale, should not fill in the bulk sale checkbox on Page 3 of the PA Corporate Net Income Tax Report. Rather, you must complete REV-181, Application for Tax Clearance Certificate and mail separately to the Bureau of Compliance. DO NOT send with the PA Corporate Net Income Tax Report.

If a taxpayer is filing a **short period, ESTIMATED tax return** to fulfill its Bulk Sale reporting requirement, you **must** fill in the bulk sale checkbox on Page 3 of RCT-101. You **must** also complete REV-181, Application for Tax Clearance Certificate and mail separately to the Bureau of Compliance. You may also include a copy with the RCT-101.

For further guidance, refer to Tax Bulletin 53D.

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 PA Corporate Net Income Tax Reports from the date of out-of-existence status through the end of the last calendar or fiscal period of no activity. 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).

RECORDING DOLLAR AMOUNTS

All RCT-101 forms and schedules must show money amounts in whole dollars. Eliminate any amount less than \$0.50 and increase any amount that is \$0.50 or more to the next highest 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 Online Services Center at www.revenue.pa.gov or by submitting REV-854 via fax to 717-787-3708 or email to ra-btffregisfax@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 Net Income Tax Report.

Taxpayers granted an extension to file the federal income tax return will automatically be granted an extension to file RCT-101, PA Corporate Net Income Tax Report. 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 Net Income Tax Report. The extension must be filed on or before the due date of the report. To apply for an annual extension, complete the REV-853, Annual Extension Request, electronically using the Online 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 8, Electronic Payment Requirement.)

All payments of \$1,000 or more must be made electronically or by certified or cashier's check remitted in person or by express mail courier.

PENALTIES IMPOSED FOR FAILURE TO FILE REPORTS WHEN DUE

If a report is filed late, the taxpayer should wait until assessed 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 one 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 calling 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, or both, 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 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), Keystone Special Development Zone Credit (KSDZ), Historic Preservation Tax Credit (HPTC), and Coal Refuse Energy and Reclamation Tax Credit (CRER).
- For information regarding the sale or assignment of R&D, KIZ, NAT, FPT, HPTC and KSDZ credits, call the Department of Community and Economic Development at 717-787-7120 or visit www.dced.pa.gov.
- For information regarding the sale or assignment of REAP tax credits, call the State Conservation Commission at 717-705-4032 or visit www.agriculture.pa.gov.

Additional information regarding the sale or assignment of tax credits can be obtained from Corporation Tax Bulletin 2014-04 found on the Department of Revenue website at www.revenue.pa.gov.

Call 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 found at www.revenue.pa.gov.

Send REV-774 directly to:

**PA DEPARTMENT OF REVENUE
PO BOX 280701
HARRISBURG PA 17128-0701**

DEPARTMENT NOTICES

 **IMPORTANT:** Business taxpayers and practitioners have the ability to receive and view department issued correspondence electronically. Once you enroll for this feature, correspondence will be delivered to you securely through the e-TIDES Document Center in PDF format, eliminating the need for mailed correspondence. For information on how to opt-in and receive electronic correspondences, visit www.etides.state.pa.us.

TAX PROFESSIONALS E-SERVICES CENTER

Tax professionals are encouraged to use the department's Tax Professionals e-Services Center for easy access to client's tax information. Visit the department's Online Customer Service Center or call 717-787-1392.

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 PA Corporate Net Income 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 PA Corporate Net Income Tax Report. The Department of Revenue is required to remove estimated assessments 90 days following receipt of a complete PA Corporate Net Income 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 the three most recently filed periods 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.
- Business taxpayers and tax practitioners have the ability to electronically request and receive a more detailed version of the Statement of Account (e-SOA) in PDF format through the new Document Center section in e-TIDES. The e-SOA can be requested at any time and is made available in PDF format in the Document Center to print or download on the next business day. The online delivery saves time and money and provides more up-to-date information. You can access the e-SOA by visiting www.revenue.pa.gov and selecting Online Services then select e-TIDES.

The exact steps needed to access the new functionality in the **e-TIDES Document Center** varies slightly based on your current access. To learn more, visit the **Get Assistance** section in e-TIDES for step-by-step instructions on getting setup to electronically request an e-SOA.

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

Amended reports must be filed when requesting the Department of Revenue to adjust the 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.

 **CAUTION:** Amended reports filed for tax years beginning on or after Jan. 1, 2016, **MUST** be filed on the **revised, year-specific, four page RCT-101**. Taxpayers must complete all sections of the report; this includes those sections originally filed and those sections being amended. The apportionment must be completed with the factors as originally filed or being amended. This must be numeric with a numerator and a denominator present. If no activity anywhere, the numerator must be "0" and the denominator must be "1". 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.

 **CAUTION:** Amended reports filed for tax years beginning prior to Jan. 1, 2016 **MUST** be filed on the **non-year specific, six page RCT-101**. Taxpayers must complete all sections of the report; this includes those sections originally filed and those sections being amended. The apportionment must be completed with the factors as originally filed or being amended. This must be numeric with a numerator and a denominator present. If no activity anywhere, the numerator must be "0"

and the denominator must be “1”. 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.

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. Per Act 84 of 2016, the department will have one year from the date the amended report is filed to notify the taxpayer if the changes are accepted. If the taxpayer is not notified within one year, the report is deemed accepted. 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 RCT-101, PA Corporate Net Income Tax Report, was previously filed for the same tax period. An amended report must contain documentation to support the adjustment(s).

All amended tax reports must include REV-1175, Schedule AR, 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 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. To challenge PA statute or regulations.
2. To challenge department policy or interpretation of statutes or regulations.
3. For the sole purpose of claiming the report is a final report.

 **IMPORTANT:** REV-238 or REV-181 must also be filed.

4. To change or correct taxpayer information electronically such as the Revenue ID or EIN. Use REV-854 found at www.revenue.pa.gov and select Online Services, then e-Tides.
5. To change the end of the tax year. (A new original report must be filed including an explanation why the original tax year end was incorrect).

 **IMPORTANT:** The filing of an amended PA Corporate Net Income 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.

RCT-128C – 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 did or did not issue an Official Notice of Settlement, the taxpayer must report the change on 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 and **MUST** include the **federal audit date or date filed with the IRS**, regardless of whether the PA corporate net income tax for that period was settled by the department.

 **CAUTION:** If this date is not provided, interest plus a \$5 a day penalty, will be imposed from the original due date.

PREVENTING RCT-101 PROCESSING ERRORS

 **CAUTION:** The business tax system enables a more robust and analytical review of the RCT-101, PA Corporate Net Income Tax Report data. To prevent a report from suspending, taxpayers are encouraged to provide a complete and accurate report that will process smoothly, following the below tips.

1. The Revenue ID **must** be present for processing of the report, along with all other applicable fields in Step C.
2. NEVER input the word “none” in numeric fields.
3. Checkbox indicators – Pay close attention to all checkboxes within the report such as IRS Type (Page 1), Step B (Page 1), Sections C and D (Page 3) and Schedule of Real Property (Page 4).
4. Taxpayer’s claiming Add-Back on Page 2 of RCT-101, Section B, Line 3E, must provide schedules REV-802 and REV-803 by submitting them with RCT-101.

 **IMPORTANT:** RCT-101 is a **revised, year specific, four page** form. Use **ONLY** this **year-specific, four page** RCT-101 for filing all tax years beginning on or after Jan. 1, 2016. All reports for tax years beginning prior to Jan. 1, 2016 **MUST** be filed on the **non-year specific, six page** RCT-101. These forms can be found on the department’s website at www.revenue.pa.gov.

AMENDED REPORTS

Amended reports filed for tax years beginning on or after Jan. 1, 2016, **MUST** be filed on the **revised, year-specific, four page** RCT-101. You must check the amended report checkbox on Page 1, Step B, and include REV-1175 with the report.

Amended reports filed for tax years beginning prior to Jan. 1, 2016, **MUST** be filed on the **non-year-specific, six page RCT-101**. You must check the amended report checkbox on Page 1, Step B, and include REV-1175 with the report.

 **CAUTION: Taxpayers must complete ALL sections of the amended report;** this includes those sections originally filed and those sections being amended. The apportionment must be completed with the factors as originally filed or being amended. This must be numeric with a numerator and a denominator present. If no activity anywhere, the numerator must be “0” and denominator must be “1”. REV-1175 must be included with the report.

APPORTIONMENT

- Completing the sales factor as 0/0, leaving the sales factor field blank or typing “none” in this field **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 zeros.
- Eligible corporations claiming sales factor apportionment must complete RCT-106 and carry to RCT-101, Page 2, Section B, Line 7 and Schedule C-1.
- Amounts differing from information on federal Forms 1120, 1120C or 1120S must be reconciled.
- If a corporation owns underlying partnerships, the partnerships’ sales 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.
The portion of the partnership’s 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 RCT-106.

 **NOTE:** For tax periods beginning on or after Jan. 1, 2013, all business income must be apportioned to PA by multiplying income by the sales factor **ONLY**.

 **IMPORTANT:** A corporation with no sales both inside and outside Pennsylvania **MUST complete RCT-106, using “0” as the numerator and “1” as the denominator.**

BULK SALES

- Taxpayers filing a full year report and disclosing a bulk sale **should not** fill in the bulk sale checkbox on Page 3 of the RCT-101, PA Corporate Net Income Tax Report. Rather, you must complete REV-181, Application for Tax Clearance Certificate and mail separately to the Bureau of Compliance. **DO NOT** send with RCT-101.
- If a taxpayer is filing a **short period, ESTIMATED tax return** to fulfill its Bulk Sale reporting requirement, you **must** fill in the bulk sale checkbox on Page 3 of RCT-101. You **must** also complete REV-181, Application for Tax Clearance Certificate and mail separately to the Bureau of Compliance. You may also include a copy with the RCT-101.

For further guidance, refer to Tax Bulletin 53D.

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, PA Corporate Net Income Tax Report and all required schedules, including the reason the report cannot be e-filed, **MUST** be mailed to:

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

LINE INSTRUCTIONS

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

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.

STEP A

TAX PERIOD (REQUIRED)

Taxpayers must enter the month, day and year for the tax period beginning and ending dates using the MMDDYYYY format.

STEP B

CHECK SPECIAL FILING STATUS

Amended Report – Check box if the corporation is amending a PA Corporate Net Income Tax Report previously filed with the department.

 **CAUTION: Federal Extension Granted** – Check box if the corporation was granted an extension of time to file its federal income tax return. If not checked a penalty will be imposed. A copy of the extension request, federal Form 7004, must be included.

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

Address Change – Check box if the address reported in Step C is a change from prior tax periods. If changing the address after filing the report, file REV-854 electronically using the Online Services Center at www.revenue.pa.gov.

Change Fed Group – Check box if the corporate taxpayer is filing a PA Corporate Net Income 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 box if this is the corporation’s first PA Corporate Net Income Tax Report filing.

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

Add-Back – 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.

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

S Corp 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 box and complete Line 1 of Section B.

SECTION 381/382/MERGER NOLS/ALTERNATE APPORTIONMENT

Mergers – Corporations having net operating loss (NOL) limitations under IRC Section 381 and IRC Section 382 or claiming losses or Bonus Depreciation from a merger. Provide the Merger documents including Company Name, EIN and Revenue ID of merged company. Provide a schedule with NOL'S by tax periods and the balance of the Bonus Depreciation carry-forward from the merged company.

Alternate Apportionment – If the taxpayer is requesting an alternate apportionment method, extra-statutory treatment, separate accounting or unrelated asset treatment, check this box and provide a written, detailed explanation of the methodology being used as well as fully detailed supporting schedules, worksheets and documentation to review the methodology being employed.

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).

You must provide the Revenue ID number on Page 1 of RCT-101. DO NOT LEAVE BLANK. If you do not know your Revenue ID number, please call 717-705-6225, Option 1.

Failure to submit a properly completed report will result in the delay of processing and the imposition of late filing penalties and/or estimated assessments.

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.

Foreign corporations filing from outside the United States must use Province, Country Code and Foreign Postal Code address fields, if applicable.

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 liability from Page 2, Section B, Line 15 to Page 1, Step D, Column A.

All RCT-101 forms and schedules must show money amounts in whole dollars. Eliminate any amount less than \$0.50 and increase any amount that is \$0.50 or more to the next highest dollar. Do not carry a value less than zero to Step D, Page 1, Column A.

Column B. Estimated Payments & Credits on Deposit. See Confirmation of Deposits on Account, Page 7. Enter the total of estimated payments and transferred credits applied to the current tax period.

Column C. Restricted Credits. 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 24.

STEP E

PAYMENT DUE/OVERPAYMENT

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 below for completing Step F.

REMINDERS:

- You must enter a value in the space provided, even if the amount is zero. Overpayments must be entered as a negative amount.
- See HOW TO PAY instructions on Page 7 for payments due of less than \$1,000 and payments due of \$1,000 or more.

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 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 within the account.



NOTE: Taxpayers may divide an overpayment between both options. 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 within the account. A tax period overpayment summary will be mailed to the taxpayer confirming the disposition of the credit.

E-File Opt Out – This box is used to indicate that the taxpayer has instructed the preparer to not file the report electronically.

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.

If a corporate officer and an electronic return originator elect to use a federal self-select PIN to electronically sign a corporation's electronic tax report, they must complete form PA-8879-C. Do not mail the form to the department; however, you are required to keep this form and attachments for three years.

PAGE 2

SECTION A

BONUS DEPRECIATION

This section is no longer required to be completed when filing the REV-1834.

SECTION B

PA CORPORATE NET INCOME TAX

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

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 box on Page 1 and complete Line 1 of Section B.

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 2A

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 REV-798, Schedule C-2, PA Dividend Deduction Schedule. Specific instructions for Schedule C-2 are shown on Page 17 in these instructions.

LINE 2B

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.

LINE 2C

This amount is the combination of additional depreciation deduction allowed under Act 89 of 2002 for IRC Section 168(k) property and the additional Bonus Depreciation deduction allowed after Act 72 of 2018. See instructions for completing REV-1834, Schedule C-8 on Page 20 for additional details.

LINE 2D

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 REV-860, Schedule OD, Other Deductions. Include an additional schedule if more space is needed.

Add Lines 2A, 2B, 2C and 2D and enter the result on Line 2, Total Deductions.

LINE 3A

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 REV-860, 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 portion of Philadelphia business tax measured by net income must be included.

LINE 3B

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. Include PA Schedule W with RCT-101.

LINE 3C

This amount is the bonus depreciation claimed by the corporate taxpayer under IRC Section 168(k) in the calculation of federal taxable income. See instructions for completing REV-1834, Schedule C-8 on Page 20 for additional details.

LINE 3D

Act 52 of 2013 requires the add-back of intangible expense 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 2016, taxpayers must complete REV-802, Schedule C-6, Add-Back for Intangible Expense or Related Interest Expense. The total amount of additions from Schedule C-6, Line 11 should be carried to and included as a separate line item on RCT-101, Page 2, Section B, Line 3D. REV-802 can be found on the department's website at www.revenue.pa.gov.



IMPORTANT: REV-802, Schedule C-6, Add-back for Intangible Expenses or Cost and Related Interest, must be submitted with RCT-101.

LINE 3E

The total of all additions from REV-860, Schedule OA, is carried to RCT-101, Page 2, Section B, Line 3E.

Add Lines 3A, 3B, 3C, 3D and 3E and enter the result 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 REV-934, Schedule of Nonbusiness Income, must be completed by all taxpayers allocating nonbusiness income and apportioning business income.



IMPORTANT: Refer to the "Apportionment, Exemptions and Allocation" on Page 22 for more detail.

LINE 5

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

LINE 6

Enter the amount of income or loss 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 8

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

LINE 9

Enter the total amount of nonbusiness income or loss allocated to Pennsylvania from REV-934, Column A Total.

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, Line 21.

NET OPERATING LOSS DEDUCTION

LINE 11

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



CAUTION: See instructions for RCT-103, found on Page 18 for important changes.

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.

LINE 14

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 credit is then carried to RCT-101, Page 2, Line 14. REV-803 can be found on the department's website at www.revenue.pa.gov.



IMPORTANT: REV-803, Schedule C-7, Credit for Tax Paid by Affiliated Entities, must be submitted with RCT-101.

LINE 15

Tax Due (Line 13 minus Line 14.)

SCHEDULE C-1

APPORTIONMENT

SALES FACTOR

LINE 1A

Enter the total from RCT-106, Column A, Sales inside Pennsylvania.

LINE 1B

Enter the total from RCT-106, Column B, Sales inside and outside Pennsylvania.

LINE 1C

Divide Line 1A by Line 1B, calculate to six decimal places. Enter here and SECTION B, Line 7.



IMPORTANT: Only corporations required to use special apportionment (such as railroad, truck, bus, airline, pipeline, natural gas and water transportation companies) should complete Special Apportionment.

SPECIAL APPORTIONMENT

LINE 2A

Enter PA revenue miles or other special factor. (Numerator)

LINE 2B

Enter total revenue miles or other special factor. (Denominator)

LINE 2C

Divide Line 2A by Line 2B, calculate to six decimal places. Enter here and Section B, Line 7.



CAUTION: Complete either Sales or Special Apportionment. DO NOT combine the two methods.

For additional information on sales and special apportionment, see Page 22.

See Page 24 for examples of the correct completion of this section.

PAGE 3

SECTION C

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 REV-861, Schedule DA, Disposition of Assets.

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.



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

Taxpayers filing a full year report and disclosing a bulk sale, **should not** fill in the bulk sale checkbox on Page 3 of the PA Corporate Net Income Tax Report. Rather, you **must complete REV-181**, Application for Tax Clearance Certificate and mail separately to the Bureau of Compliance. DO NOT send with the PA Corporate Net Income Tax Report.

If a taxpayer is filing a **short period, ESTIMATED tax return** to fulfill its Bulk Sale reporting requirement, you **must** fill in the bulk sale checkbox on Page 3 of RCT-101. You **must** also complete REV-181, Application for Tax Clearance Certificate and mail separately to the Bureau of Compliance. You may also include a copy with the RCT-101.

For further guidance, refer to Tax Bulletin 53D.

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 or under the laws of another jurisdiction.

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.

SCHEDULE OF REAL PROPERTY IN PA

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.

CORPORATE OFFICERS

 **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. However, to report a change in corporate officers during the tax year, REV-1605 should be filed electronically at www.etides.state.pa.us. REV-1605 may also be submitted via fax to 717-787-3708 or email to ra-btftregisfax@pa.gov.

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).

 **IMPORTANT:** Social Security numbers must contain all nine digits.

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 boxes.

SUPPLEMENTAL SCHEDULES**REV-802****SCHEDULE C-6**

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 2016, 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.

REV-803**SCHEDULE C-7**

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.

RCT-106**INSERT SHEET – APPORTIONMENT SCHEDULE FOR PA CORPORATE NET INCOME TAX**

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

SALES FACTOR

Amount for interest, rents and royalties from RCT-106 should be added and reflected on the appropriate line of Schedule C-1.

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 you are a securities dealer.

 **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 Special Apportionment section.

REV-798**SCHEDULE C-2 – PA DIVIDEND DEDUCTION**

This schedule must be completed by all taxpayers claiming a Corporate Dividend Deduction on RCT-101, Page 2, Section B, Line 2A. If federal Schedule C, Line 17 includes any GILTI income, you **must** attach federal Forms 5471 and 8992.

LINE 1

Enter from federal Schedule C, Line 24, 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 18 Foreign Dividend Gross-Up (Section 78 total Column A).

LINE 3

Pennsylvania's corporate net income tax base is computed without regard to special deductions.

LINE 4

Enter dividends from less than 20 percent owned foreign corporations listed on Lines 14, 16b, 16c and 17 of federal Schedule C times 50 percent.

LINE 5

Enter dividends from 20 percent or more owned foreign corporations listed on Lines 14, 16b, 16c and 17 of federal Schedule C times 65 percent.

LINE 6

Enter dividends listed on Lines 14, 16b, 16c and 17 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 7

Enter the total PA dividend deduction by adding Lines 1 through 6. Enter the result on RCT-101, Page 2, Section B, 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 on Page 3, Section D 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 on Page 3, Section D of RCT-101 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.

RCT-103**NET OPERATING LOSS SCHEDULE**

REMINDER: Net Operating Losses (NOLs) removes the \$5 million cap on NOL deductions and increases the percentage of taxable income from 35% to 40% for tax year 2019 and thereafter.

PART A**CALCULATION OF NET OPERATING LOSS LIMITATION**

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 B, 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 40 percent (0.40).

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 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.

Lines 1 thru 20 are used for the allowable, 20 carry-forward periods. Line 21 is used for the current period **ONLY** if there is a loss in that period.



CAUTION: Line 21 should **ONLY** be completed for Columns A, B and E.

MERGED LOSSES

If losses claimed in Column C reflect losses from a merger in the prior year, provide the name and EIN of each entity and date of merger on a separate supporting schedule. Failure to provide this information may result in denial of losses due to a merger.

As noted on the cover page of the CT-1 instructions, you **MUST** check the Section 381/382/Merger NOLS/Alternate Apportionment checkbox.

SECTION 381/382 LOSS LIMITATIONS

The PA Department of Revenue follows the federal government regarding Section 381/382 Loss Limitations. If the entity is subject to these limitations, include a detailed schedule explaining the merger changes or change in ownership, as well as specific support for the actual limited loss figure claimed in your tax calculation (Section 382, change in ownership). You **MUST** check the Section 381/382/Merger NOLS/Alternate Apportionment checkbox.

REV-860

SCHEDULE C-5 – SCHEDULE OF TAXES

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 of Taxes 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 PA 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 AND SCHEDULE OD – OTHER ADDITIONS AND OTHER DEDUCTIONS

All taxpayers reporting other additions on RCT-101, Section B, Line 3E, and other deductions on RCT-101, Section B, Line 2D, are required to complete Schedule OA and/or Schedule OD on REV-860, and include it with the RCT-101.

REV-860A

QUALIFIED MANUFACTURING INNOVATION AND REINVESTMENT DEDUCTION WORKSHEET

IMPORTANT: A newly created deduction allowing a qualified business to deduct five percent of its capital investment from their corporate net income tax liability if it invests at least \$100 million in the creation of new or refurbished manufacturing capacity within three years of a designated start date. The deduction would be available to each qualifying business for five years and cannot exceed 50 percent of the corporation's tax liability. Interested businesses can contact the Department of Community and Economic Development after the effective date of Dec. 29, 2017. Business utilizing this deduction would be required to complete REV-860A, Qualified Manufacturing Innovation and Reinvestment Deduction worksheet. REV-860A can be found on the department's website at www.revenue.pa.gov under Forms and Publications. See Page 25 and 26 of these instructions for an example of a properly completed REV-860A worksheet.

REV-861

SCHEDULE DA – DISPOSITION OF ASSETS SCHEDULE

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 Department of Revenue.

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.

REV-934

SCHEDULE OF NONBUSINESS INCOME

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

REV-986

SCHEDULE TO DETERMINE CORPORATE NET INCOME TAX FILING REQUIREMENT

Taxpayers answering "YES" to any of the questions on REV-986 are subject to corporate net income tax and must complete and file RCT-101.

If a taxpayer answers "NO" to ALL questions on REV-986, they are not required to file RCT-101, but they must submit REV-986 via email to ra-panoticeofadjustment@pa.gov.

RCT-101D

DECLARATION OF DE MINIMIS PA ACTIVITY



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

REV-1834

SCHEDULE C-8 – ADJUSTMENT FOR BONUS DEPRECIATION AND SCHEDULE C-9 – ADJUSTMENT FOR DEDUCTION FOR PROPERTY WHICH IS FULLY DEPRECIATED, SOLD OR OTHERWISE DISPOSED

In the calculation of corporate net income tax, a taxpayer is required to add back federal bonus depreciation on qualified property claimed under Section 168(k) of the IRC. The department provided additional guidance in Corporation Tax Bulletin 2018-03 issued July 6, 2018, regarding the add back provisions for qualified property placed in service prior to Sept. 28, 2017 and qualified property placed in service on or after Sept. 28, 2017. This bulletin supersedes CT Bulletin 2017-02. A taxpayer must use REV-1834, Schedule C-8 and Schedule C-9 to determine and report its bonus depreciation adjustment separately for qualified property placed in service during both periods. This schedule must be completed for each year. REV-1834, Schedule C-8 replaces REV-799, Schedule C-3.

SCHEDULE C-8 – ADJUSTMENT FOR BONUS DEPRECIATION

LINE 1

Unused Bonus Depreciation balance from Prior Year – This is the balance from Column I of the last REV-799 filed (in the tax year 2016) or Line 9 carry-forward from the prior year Schedule C-8.

LINE 1A

Bonus Depreciation Balance from Acquired Corporation Where Acquiring Corporation Obtains a Carryover Basis in Qualified Property – With respect to corporate transactions where an acquiring corporation obtains

a carryover basis in qualified property, e.g., a tax-free merger under IRC Section 368(a), liquidation under IRC Section 332, or a corporate formation under IRC Section 351, the acquiring corporation would continue to deduct any unrecovered bonus depreciation as if the acquired or contributing corporation still owned the qualified property. The acquiring corporation must provide the date of the transaction, type of transaction (368(a), 332, 351, 381 or 382), Revenue ID and FEIN of the acquired or contributing corporation and supporting documentation including Articles of Merger or Liquidation. Taxpayer also **MUST** check the Section 381/382/Merger NOLS/Alternate Apportionment checkbox on Page 1 of the RCT-101, Step B.

LINE 2

Amount of Federal Bonus Depreciation claimed in this year – This amount is reported on the federal Form 4562 and must be broken out for qualified property placed in service prior to, and on or after Sept. 28, 2017.

LINE 2A

Property placed in service prior to Sept. 28, 2017 – Include Bonus Depreciation claimed in the current tax year on property placed in service prior to Sept. 28, 2017.

LINE 2B

Property placed in service on or after Sept. 28, 2017 – Include Bonus Depreciation claimed on property placed in service on or after Sept. 28, 2017.

LINE 3

Current Year Bonus Depreciation Addition – Total of Line 2A plus 2B. Carry to Line 3C, Page 2, of RCT-101.

LINE 4

Additional PA Bonus Depreciation Deduction – This represents recovery of the previously disallowed bonus depreciation over the life of the qualified property.

LINE 4A

Property placed in service prior to Sept. 28, 2017 – The additional deduction is determined by multiplying the excess of current year federal depreciation reported on the federal Form 4562 for all qualified property placed in service prior to Sept. 28, 2017, for which bonus depreciation was claimed under IRC Section 168(k), less current year bonus depreciation deducted on qualified property placed in service prior to Sept. 28, 2017, times 3/7. In effect, the taxpayer is entitled to an additional deduction of 3/7 of the MACRS depreciation deduction on this property.

LINE 4B

Property placed in service on or after Sept. 28, 2017 – Calculate depreciation pursuant to Sections 167 and 168 of the IRC, without regard to Section 168(k) bonus depreciation. See Corporation Tax Bulletin 2018-03 and Act 72 of 2018.

LINE 5

PA Bonus Depreciation Deduction – Total of Line 4A plus 4B. Carry to Line 2C, Page 2, of the RCT-101.

LINE 6

Deduction for Property Which is Fully Depreciated, Sold or Otherwise Disposed. Include on Line 6A and 6B.

LINE 6A

Property placed in service prior to Sept. 28, 2017 – Total from Line 2, Schedule C-9. For qualified property placed in service prior to Sept. 28, 2017, a taxpayer is entitled to deduct any added backed bonus depreciation not previously deducted in the earlier of the tax year the qualified property is sold or otherwise disposed of, or fully depreciated for federal income tax purposes.

LINE 6B

Property placed in service on or after Sept. 28, 2017 – Total from Line 4, Schedule C-9. For qualified property placed in service on or after Sept. 28, 2017, a taxpayer is permitted to deduct any remaining unrecovered 168k “bonus depreciation” previously added back and not previously deducted in the tax year the qualified property is sold or otherwise disposed.

LINE 7

Disposition of Property Which is Fully Depreciated, Sold or Otherwise Disposed – Total of Line 6A plus 6B.

LINE 8

Total PA Bonus Depreciation Deduction – Total of Line 5 plus 7. Carry to Line 2C, Page 2, of the RCT-101.

LINE 9

Remaining Unused Bonus Depreciation Balance Carry-Forward – Line 1 plus Line 1A plus Line 3 minus Line 8.

SCHEDULE C-9 – ADJUSTMENT FOR DEDUCTION FOR PROPERTY WHICH IS FULLY DEPRECIATED, SOLD OR OTHERWISE DISPOSED

This schedule must be completed for each year. REV-1834, Schedule C-9 replaces REV-799, Schedule C-4.

LINE 1

Property Placed in Service Prior to Sept. 28, 2017 – For qualified property placed in service prior to Sept. 28, 2017 that has been sold, disposed of or fully depreciated for federal income tax purposes; a taxpayer is entitled to deduct any bonus depreciation on that qualified property added back to arrive at Pennsylvania taxable income that has not been deducted in a subsequent taxable year. The deduction should be taken in the earlier of the tax year that the qualified property is sold or otherwise disposed of, or fully depreciated for federal income tax purposes.

LINE 1A

Bonus Depreciation previously added back on the property – Include bonus depreciation previously added back in determining Pennsylvania taxable income on qualified property either sold or otherwise disposed of, or fully depreciated for federal income tax purposes during the taxable year.

LINE 1B

Total PA Deduction previously claimed on the property – Include additional deductions of previously added back bonus depreciation taken on qualified property either disposed of, or fully depreciated for federal income tax purposes during the taxable year.

LINE 2

Recovery of Unrecovered Bonus Depreciation – Line 1A minus Line 1B. Carry to Line 6A of Schedule C-8.

LINE 3

Property Placed in Service on or after Sept. 28, 2017 – For qualified property placed in service on or after Sept. 28, 2017 that has been sold, disposed of or fully depreciated for federal income tax purposes; a taxpayer is entitled to deduct any bonus depreciation on that qualified property added back to federal taxable income in a prior taxable year to arrive at Pennsylvania taxable income that has not been deducted in a subsequent taxable year. The deduction should be taken in the tax year that the qualified property is sold or otherwise disposed of, or fully depreciated for federal income tax purposes.

LINE 3A

Bonus Depreciation previously added back on the property – Include bonus depreciation previously added back in determining Pennsylvania taxable income on qualified property either disposed of during the taxable.

LINE 3B

Total PA deduction previously claimed on the property (MACRS) – Include the aggregate prior-year and current year depreciation deductions on sold or disposed of qualified property that has been previously taken for corporate net income tax purposes.

LINE 4

Recovery of Unrecovered Bonus Depreciation – Line 3A minus 3B. Carry to Line 6B of Schedule C-8.

REV-1175

AMENDED REPORTS – SCHEDULE AR

All amended RCT-101s must include REV-1175, Schedule AR, 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 PA 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.

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.

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 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.

 **CAUTION:** This must be numeric with a numerator and a denominator present. If no activity anywhere, the numerator must be "0" and the denominator must be "1".

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:

- 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.
- 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.
- 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.
- 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, AIRLINE OR AIR FREIGHT FORWARDING 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.

 **IMPORTANT:** Corporations with two distinct activities like warehousing/trucking and distribution/trucking or personal transportation and property transportation **MUST** check the Section 381/382/Merger NOLS/Alternate Apportionment checkbox for timely processing.

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 sales factor, the numerator and the denominator of the factor must include the sales of the corporate taxpayer plus the corporate taxpayer's share of the sales of the unincorporated entity. In situations where the corporate taxpayer has an investment in a business not subject to the corporate net income tax (i.e. an LLC that files federal Form 1065 with the IRS), the apportionment factor used in the calculation of the PA corporate net income tax will include only the sales of the LLC.

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.

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 nonbusiness 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.

 **IMPORTANT:** Taxpayers claiming nonbusiness income must include REV-934, Schedule of Nonbusiness 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.

TAX CREDITS

RESTRICTED TAX 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 Credit717-705-6225
- Employment Incentive Payment Credit1-800-345-2555
- Organ and Bone Marrow Donor Tax Credit717-772-3896
- Mobile Telecommunications Broadband Investment Tax Credit717-772-3896
- Coal Refuse Energy and Reclamation Tax Credit . . .717-772-3896

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

- 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.pa.gov:

- Resource Enhancement and Protection Tax Credit

2019 Corporate Net Income Tax			
TAX PERIOD BEGINNING	TAX RATE	WEIGHTING OF FACTORS	NET LOSS PERCENTAGE
		SALES	PERCENT OF INCOME
2018	9.99%	100	35%
2019	9.99%	100	40%

Correct Method to Reflect No Sales Anywhere

SCHEDULE C-1: Apportionment Schedule For Corporate Net Income Tax (Include Form RCT-106.)

Sales Factor				Special Apportionment			
Sales - PA	1A		1C		Numerator	2A	
Sales - Total	1B				Denominator	2B	
					Apportionment Proportion	2C	

REV-860 A (SU) 10-19**CORPORATE NET INCOME TAX****QUALIFIED MANUFACTURING INNOVATION AND REINVESTMENT DEDUCTION (QMIRD) WORKSHEET****EXAMPLE**

Please see example worksheet on next page.

XYZ Corporation commits to a project to create \$300,000,000 of new manufacturing capacity with a project that will begin 2019. The project is completed in June of 2021 and the Department of Revenue determines that XYZ has met all of the eligibility criteria. Further, the department calculates the maximum QMIRD that may be taken by XYZ to be \$15,000,000 (\$300,000,000 multiplied by 5%) per year for each tax year between 2022 and 2026.

The QMIRD may not reduce a taxpayer's liability by more than 50% in any given tax year. Because of this, XYZ must calculate their Corporate Net Income Tax (CNIT) liability both **before and after** the application of the deduction. Note: An adjusted QMIRD may be required if the calculated deduction results in a reduction in the tax liability that exceeds 50% of the tax liability due without taking the QMIRD deduction.

The QMIRD amount should be included on REV-860, Schedule OD. Carry the total of all deductions to RCT-101, Page 2, Line 2D in the CNIT calculation.

Complete the REV- 860A, QMIRD Worksheet, following the example on Page 24 of the REV-1200, CT-1 Instructions.

Step 1, Column 1 (CNIT calculation before deducting QMIRD)

Use the example to calculate the entity's corporate net income tax "before" the deduction for the Qualified Manufacturing Innovation and Reinvestment Deduction. Note: Other allowable deductions included on REV-860 must be included in this calculation.

Step 2, Column 2 (CNIT calculation after deducting QMIRD prior to adjusting to 50% of tax liability, if applicable)

Use the example to calculate the entity's corporate net income tax "including" the deduction for the Qualified Manufacturing Innovation and Reinvestment Deduction.

Calculate the reduction in tax liability between Column 1 and Column 2 and record the amount in Column 2, Line 16.

If Column 2, Line 16 is less than 50% of the calculated tax liability in Column 1 Line 15, STOP. Carry the QMIRD amount to REV-860.

Step 3, Column 3 (CNIT calculation with adjusted QMIRD deduction)

If Column 2, Line 16 exceeds 50% of the calculated tax liability in Column 1, determine the QMIRD deduction allowable (in Column 3, Line 2D) that results in a calculated tax due that does not exceed 50% of the calculated tax due in Column 1, Line 15. Carry ALL values from Column 3 to RCT-101 Page 2, CNIT calculation, then carry this reduced amount to REV-860.

Please see example worksheet on next page.

REV-860 A (SU) 10-19
CORPORATE NET INCOME TAX
QUALIFIED MANUFACTURING INNOVATION AND REINVESTMENT DEDUCTION (QMIRD) WORKSHEET

EXAMPLE

CORPORATE NET INCOME TAX CALCULATION

	Column 1 BEFORE	Column 2 AFTER	Column 3 ADJUSTED
1. Income or loss from federal return on a separate-company basis.	30,000,000	30,000,000	30,000,000
2. DEDUCTIONS:			
2A. Corporate dividends received (must include REV-798, Schedule C-2, Line 8).	5,000,000	5,000,000	5,000,000
2B. Interest on U.S. securities (GROSS INTEREST minus EXPENSES).	0	0	0
2C. Current yr. addtl. PA deprec. plus adjust. for sale (REV-1834, Sched. C-8, Line 8).	0	0	0
2D. Other (must include REV-860, Schedule OD) See instructions.	0	15,000,000	12,500,000
TOTAL DEDUCTIONS - Add Lines 2A through 2D and enter the result here.	5,000,000	20,000,000	17,500,000
3. ADDITIONS:			
3A. Taxes imposed on or measured by net income (include REV-860, Schedule C-5, Line 6).	0	0	0
3B. Employment incentive payment credit adjustment (must include Schedule W).	0	0	0
3C. Current year bonus depreciation (REV-1834, Sched. C-8, Line 3).	0	0	0
3D. Intangible expense or related interest expense (include REV-802, Sched. C-6, Line 11).	0	0	0
3E. Other (must include REV-860, Schedule OA) See instructions.	0	0	0
TOTAL ADDITIONS - Add Lines 3A through 3E and enter the result here.	0	0	0
4. Income or loss with Pennsylvania adjustments (Line 1 minus Line 2 plus Line 3).	25,000,000	10,000,000	12,500,000
5. Total nonbusiness income or loss (must include REV-934, Column C, Total).	0	0	0
6. Income or loss to be apportioned (Line 4 minus Line 5).	25,000,000	10,000,000	12,500,000
7. Apportionment (from Schedule C-1, 1C, OR 2C if using Special Apportionment).	0.200000	0.200000	0.200000
8. Income or loss apportioned to PA (Line 6 times Line 7).	5,000,000	2,000,000	2,500,000
9. Nonbusiness income or loss allocated to PA (must include REV-934, Column A, Total).	0	0	0
10. PA taxable income or loss after apportionment (Line 8 plus Line 9).	5,000,000	2,000,000	2,500,000
11. Total net operating loss deduction (must include RCT-103, Part A, Line 4).	2,000,000	800,000	1,000,000
12. PA taxable income or loss (Line 10 minus Line 11).	3,000,000	1,200,000	1,500,000
13. PA corporate net income tax (Line 12 times 0.0999). If Line 12 is less than zero, enter "0".	299,700	119,880	149,850
14. Less: Credit for tax paid by affiliate(s) for intangible expense or related interest expense (must include REV-803, Schedule C-7, Line 9).	0	0	0
15. Tax Due (Line 13 minus Line 14.)	299,700	119,880	149,850
16. Difference from Column 1 (Column 1, Line 15 minus Column 2, Line 15).		-179,820	

Based on the BEFORE calculation, the QMIRD can lower XYZ's CNIT liability by a maximum of **\$149,850 (50% of \$299,700)**.

XYZ's CNIT liability is reduced by **\$179,820** due to the QMIRD. Because this is more than **\$149,850**, XYZ may **not** take the full value of the deduction. Instead, XYZ must determine the amount of QMIRD they may claim that will result in a liability that is 50% lower than their CNIT liability before QMIRD. In this case, XYZ may claim \$12,500,000 as that results in a CNIT liability of **\$149,850**. The remaining \$2,500,000 for tax year 2022 expires.