

**PA SCHEDULE OC**  
Other Credits

2108310059

PA-20S/PA-65 OC (DR) 05-21 (F1)  
PA Department of Revenue

**2021**

OFFICIAL USE ONLY

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

FEIN

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

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

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

Other Credits

PA-20S/PA-65 OC IN (DR) 05-21

## GENERAL INFORMATION

### PURPOSE OF SCHEDULE

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

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

### REDUCTION IN EXPENSES

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

### TAX CREDITS CLAIMED ON SCHEDULE OC

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

The following is some general information regarding tax credits:

- The restricted tax credits on PA-20S/PA-65 Schedule OC may be passed through to the taxpayer/owner and claimed against the tax liability for a taxpayer/owner without restriction as to the type or class of income included in determining the tax liability of the taxpayer/owner.
- Restricted tax credits are nonrefundable. If applicable, other nonrefundable credits must be applied to the account before restricted tax credits.
- The request to pass through tax credit to an entity owner is irrevocable. Therefore, the entity should not pass through more than the owner can use in any single year.
- Tax credits passed through from pass through entities to other pass through entities may not be passed through to owners or beneficiaries with the exception of EITC and OSTC.

### PASSING THROUGH TAX CREDIT TO ENTITY OWNERS

Prior to passing tax credits through to entity owners, some tax credits must first be applied to the entity's corporate tax

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

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

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

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



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

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

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

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

The claim form or request letter must be emailed to the Department of Revenue's Office of Economic Development at: Email: [ra-btftrevkoz@pa.gov](mailto:ra-btftrevkoz@pa.gov). The Subject Line must contain the name of the credit and specify the type of attachment, claim form.

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

The REV-1123 must be emailed to the Department of Revenue's Bureau of Individual Taxes at: Email: [REV1123@pa.gov](mailto:REV1123@pa.gov). The Subject Line must contain the name of the credit and specify the type of attachment, 1123 form.

For general information pertaining to all restricted tax credits as well as specific details regarding each tax credit individually – including each tax credit's carry forward and pass through rules, applications and guidelines – review the PA Personal Income Tax Guide – Deductions and Credits.

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

## COMPLETING PA SCHEDULE OC

### BUSINESS NAME

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

### FEIN

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

## LINE INSTRUCTIONS

### LINE 1

#### JOB CREATION TAX CREDIT

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

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

### LINE 2

#### RESEARCH AND DEVELOPMENT (R&D) TAX CREDIT

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

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

### LINE 3

#### FILM PRODUCTION TAX CREDIT

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

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

Beginning in 2019, credits sold or assigned to taxpayers in the same federal consolidated group, may be carried forward for the remainder of the carry-forward period of the original credit.

### LINE 4

#### ENTERTAINMENT ECONOMIC ENHANCEMENT PROGRAM TAX CREDIT AND PA LIVE EVENTS INDUSTRY CREDIT

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

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

### LINE 5

#### VIDEO GAME PRODUCTION TAX CREDIT

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

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

### LINE 6

#### PA ORGAN AND BONE MARROW DONOR TAX CREDIT

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

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

### LINE 7

#### KEYSTONE INNOVATION ZONE (KIZ) TAX CREDIT

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

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

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

## LINE 8

### RESOURCE ENHANCEMENT AND PROTECTION (REAP) TAX CREDIT

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

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

## LINE 9

### NEIGHBORHOOD ASSISTANCE PROGRAM (NAP) TAX CREDIT

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

- The tax credit must first be applied to the entity's corporate tax liability, if any, for the year in which the tax credit is awarded before the credit can be passed through to the entity's partners, shareholders or members.
- Pennsylvania does not allow the deduction of certain expenses used to qualify for the Neighborhood Assistance Program tax credit. If the expenses were deducted in calculating federal-taxable income, the amount should be reported as a reduction in expenses on PA-20S/PA-65 Schedule M, Part II, Section V, Line f. Do not reduce Pennsylvania taxable income by amounts paid to qualify for the tax credit.

## LINE 10

### EDUCATIONAL IMPROVEMENT TAX CREDIT (EITC)

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

- As a form of COVID-19 relief for taxpayers, Act 136 of 2020 provides for a limited carry forward of unused educational tax credits, which includes the Educational Improvement Tax Credit (EITC) and Opportunity Scholarship Tax Credit (OSTC).
- For EITC and OSTC credits awarded during Fiscal Years 2020-2021 and 2021-2022, a business entity may carry forward unused credits or credits not passed through to the entity's owners for two years. A business entity may include a C corporation or a pass through entity such as an S corporation, partnership, limited liability company or special purpose entity. Only the business entity awarded the credits may carry the credits forward. The owners of a business entity that has been awarded credits may not carry forward any credits passed through to them. This includes special purpose entities' owner/members.

- Pass through business entities not intending to carry forward credits may elect to pass through the credits in whole or in part to their owners, but they must continue to pass the credits through to all the owners in proportion to the distributive income percentage of the owners.
- To make an irrevocable election to pass through an EITC or OSTC tax credit to partners, shareholders or members, an entity should visit the Department of Revenue's website at [www.revenue.pa.gov](http://www.revenue.pa.gov) and complete REV-1123, EITC/OSTC Tax Credit Election Form. The entity must complete a separate REV-1123 for each year the tax credit is awarded and not used in whole or in part.
- Pennsylvania does not allow the deduction of certain expenses used to qualify for the Educational Improvement Tax Credit. If the expenses were deducted in calculating federal-taxable income, the amount should be reported as a reduction in expenses on PA-20S/PA-65 Schedule M, Part II, Section V, Line f. Do not reduce Pennsylvania taxable income by amounts paid to qualify for the tax credit.

## LINE 11

### OPPORTUNITY SCHOLARSHIP TAX CREDIT (OSTC)

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

- As a form of COVID-19 relief for taxpayers, Act 136 of 2020 provides for a limited carry forward of unused educational tax credits, which includes the Educational Improvement Tax Credit (EITC) and Opportunity Scholarship Tax Credit (OSTC).
- For EITC and OSTC credits awarded during Fiscal Years 2020-2021 and 2021-2022, a business entity may carry forward unused credits or credits not passed through to the entity's owners for two years. A business entity may include a C corporation or a pass through entity such as an S corporation, partnership, limited liability company or special purpose entity. Only the business entity awarded the credits may carry the credits forward. The owners of a business entity that has been awarded credits may not carry forward any credits passed through to them. This includes special purpose entities' owner/members.
- Pass through business entities not intending to carry forward credits may elect to pass through the credits in whole or in part to their owners, but they must continue to pass the credits through to all the owners in proportion to the distributive income percentage of the owners.
- To make an irrevocable election to pass through an EITC or OSTC tax credit to partners, shareholders or members, an entity should visit the Department of Revenue's website at [www.revenue.pa.gov](http://www.revenue.pa.gov) and complete REV-1123, EITC/OSTC Tax Credit Election Form. The entity must complete a separate REV-1123 for each year the tax credit is awarded and not used in whole or in part.

## LINE 16

### WATERFRONT DEVELOPMENT TAX CREDIT

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

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

## LINE 12

### KEYSTONE SPECIAL DEVELOPMENT ZONE TAX CREDIT

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

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

## LINE 17

### MANUFACTURING AND INVESTMENT TAX CREDIT

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

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

## LINE 13

### HISTORIC PRESERVATION INCENTIVE TAX CREDIT

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

- Beginning in 2019, credits sold or assigned to taxpayers may be carried forward for the remainder of the carry-forward period of the original credit.
- The tax credit must first be applied to the entity's tax liability, if any, for the year in which the building is placed into service before it can be passed through to its partners, shareholders or members.

## LINE 18

### OTHER RESTRICTED CREDITS NOT LISTED ABOVE

## LINE 19

### OUT-OF-STATE CREDITS S CORPORATIONS ONLY

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



**NOTE:** A C corporation return must be submitted.

Do not use Line 20 to report a resident credit for an entity level tax. Certain states have imposed an entity level tax (ELT) on pass through entities resulting from the Federal Tax Cut and Jobs Act (P.L. No: 115-97). Please see Answer ID 3618: ([https://revenue-pa.custhelp.com/app/answers/detail/a\\_id/3618/kw/3618](https://revenue-pa.custhelp.com/app/answers/detail/a_id/3618/kw/3618)) on the Department's website for additional information and clarification.



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

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

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

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

## LINE 14

### COAL REFUSE ENERGY AND RECLAMATION TAX CREDIT

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

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

## LINE 15

### MIXED USE DEVELOPMENT TAX CREDIT

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

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

**EXAMPLE**

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



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

**LINE 20**

**TOTAL PENNSYLVANIA OTHER CREDITS**

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

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