

# PA SCHEDULE H

Apportioned Business Income  
(Loss)/Calculation of PA Net  
Business Income (Loss)  
PA-20S/PA-65 H (DR) 04-25 (FI)  
PA Department of Revenue

2506910054

2025

OFFICIAL USE ONLY

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

FEIN

## APPORTIONED INCOME (LOSS) FROM A BUSINESS, PROFESSION, OR FARM DERIVED FROM SOURCES BOTH WITHIN AND OUTSIDE PENNSYLVANIA.

Complete this schedule and submit it with the PA-20S/PA-65 Information Return if a PA S corporation, partnership or limited liability company filing as a partnership or PA S corporation for federal income tax purposes derives business income from sources within and outside Pennsylvania or is located in a KOZ. If one or more of the partners is a C corporation, the partnership must also complete PA-20S/PA-65 Schedule H-Corp and submit a copy to each corporate partner. **DO NOT USE THIS SCHEDULE TO APPORTION PA-SOURCE INCOME FROM OTHER ENTITIES.**

The entity must calculate a figure as required in 1C, 2C and 3C to apply to net business income (loss) to determine the amount from within Pennsylvania. Line 5 is an average of the sum of three fractions shown below.

### NET BUSINESS INCOME (LOSS) APPORTIONMENT FORMULA

Submit a statement listing all places BOTH WITHIN AND OUTSIDE PENNSYLVANIA where the entity operates its business.

TABLE 1 - PROPERTY FACTOR	Description	Total Everywhere	Within Pennsylvania
Real and Tangible Property Owned (original cost value)			
Land and Buildings, including property rented * . . . . .			
Machinery and Equipment, including property rented * . .			
Furniture and Fixtures, including property rented * . . . .			
Automobiles and Trucks, including property rented * . . .			
Inventories . . . . .			
Other Tangible Property, including property rented * . . . .			
<b>Total Property</b> . . . . .		<b>1 (A)</b>	<b>1 (B)</b>

\* Eight times net annual rental rate (Attach Schedule)

1C Property factor (divide 1(B) by 1(A) - calculate to six decimal places)    . . . . .

TABLE 2 - PAYROLL FACTOR	Description	Total Everywhere	Within Pennsylvania
Wages, salaries, commissions and other compensation to employees in:			
Cost of goods sold . . . . .			
Compensation of officers . . . . .			
Salesmen's salaries and commissions . . . . .			
Other . . . . .			
<b>Total Payroll</b> . . . . .		<b>2 (A)</b>	<b>2 (B)</b>

2C Payroll factor (divide 2(B) by 2(A) - calculate to six decimal places)    . . . . .

TABLE 3 - SALES FACTOR	Description	Total Everywhere	Within Pennsylvania
Sales (Net of Returns and Allowances) . . . . .			
Interest, Dividends, Rents, Royalties . . . . .			
Other Income (receipts only) . . . . .			
Gross Sales Price of Assets (except securities**) . . . . .			
<b>Total Sales</b> . . . . .		<b>3 (A)</b>	<b>3 (B)</b>

\*\* Unless you are a securities dealer

3C Sales factor (divide 3(B) by 3(A) - calculate to six decimal places)    . . . . .

1 Real and Tangible Property. Enter the amount from Line 1C.	1	. . . . .
2 Wages, Salaries, Commissions, and Other Compensation. Enter the amount from Line 2C.	2	. . . . .
3 Sales. Enter the amount from Line 3C.	3	. . . . .
4 <b>Total Lines 1 through 3.</b>	4	. . . . .
5 Apportionment - Divide Line 4 by 3, if all three factors apply; by 2, if only two factors apply; or by 1, if only one factor applies. Calculate to six decimal places.	5	. . . . .
6 <b>Total Net Income (Loss) from business.</b> Schedule M, Part II, Section VII, Line 2	6	
7 Net Income (Loss) for Pennsylvania. Multiply Line 6 by Line 5. Enter on the PA-20S/PA-65 Information Return, Section II, Line 2e.	7	

Special Apportionment to be completed only by railroad, truck, bus, and airline entities, pipeline or natural gas entities and water transportation entities. (Refer to PA-20S/PA-65 Schedule H instructions)

$$\frac{\text{(A) Numerator}}{\text{(B) Denominator}} = . . . . .$$



2506910054

2506910054





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

Apportioned Business Income (Loss) Calculation of PA Net Business Income (Loss)

PA-20S/PA-65 H IN (DR) 04-25

### GENERAL INFORMATION

#### PURPOSE OF SCHEDULE

Use this schedule if a PA S corporation, partnership or entity formed as a limited liability company that is classified as a partnership or PA S corporation for federal income tax purposes derives business income from sources within and outside Pennsylvania or is located in a Keystone Opportunity Zone (KOZ). If one or more of the partners is an entity, the partnership must also complete PA-20S/PA-65 Schedule H-Corp and submit a copy to each entity partner.

**⚠ IMPORTANT:** Railroad, truck, bus, airline, pipeline, natural gas or water transportation companies do not use the 3 factor approach shown on Schedule H. Rather, they use a special apportionment at the bottom of the schedule. See Special Apportionment.

If an entity receives a federal Schedule K-1 in place of a PA Schedule K-1 from another pass through entity, **do not use PA-20S/PA-65 Schedule H to apportion PA-source income from another entity.** Report the information on PA-20S/PA-65 Information Return, Section I, Line 1b and Section II, Lines 2b and 2f.

### ALLOCATING INCOME

A PA S corporation or partnership must apportion net income (loss) from the operation of its business, profession or farm according to the following rules regarding an entity operating within and/or outside of Pennsylvania.

#### OPERATION WHOLLY WITHIN PENNSYLVANIA

If the operation of the business is wholly within Pennsylvania, the entity apportions income (loss) exclusively to Pennsylvania. The operation of a business is wholly within Pennsylvania if, during the entire taxable year:

- The entity or its representative maintained or operated within Pennsylvania an office, shop, store, warehouse, factory, agency or commercial establishment where it systematically and regularly conducted or managed such business; and
- The entity or its representative did not maintain and operate outside Pennsylvania any office, shop, store, warehouse, factory, agency or commercial establishment where it systematically and regularly conducted or managed such business.

For purposes of this rule, do not take into account any establishment maintained or operated by a representative of a PA S corporation or partnership if the representative acted as an independent contractor.

#### OPERATION WHOLLY OUTSIDE PENNSYLVANIA

If the operation of the business is wholly outside Pennsylvania, the entity cannot apportion to Pennsylvania any item of income (loss), cost, or expense that it derives or incurs. The operation of a business is wholly outside Pennsylvania if, during the taxable year:

- The entity does not conduct in Pennsylvania any acts or transactions in the ordinary course of operating its business; or
- The entity only conducts in Pennsylvania acts or transactions in the ordinary course of operating its business that, with a fair measure of permanency or continuity, are either or both of the following:
  - The solicitation of orders or sales sent outside Pennsylvania for approval or rejection and, if approved, are filled by shipment or delivery of goods or services from a point outside Pennsylvania; or
  - The solicitation of orders in Pennsylvania by the entity or entity representative to a prospective customer, and such customer sells entity's product to its customers via solicitation as described in the previous bullet.

For purposes of the above, an entity is not engaged in business activities within Pennsylvania during a taxable year merely by reason of sales of tangible personal property in Pennsylvania or the solicitation of orders for sales of tangible personal property in Pennsylvania on behalf of the entity by one or more independent contractors that maintain an office in Pennsylvania solely for making sales or soliciting orders for sales.

#### OPERATION PARTLY WITHIN PENNSYLVANIA

When an entity operates a business that is neither wholly within nor wholly outside Pennsylvania under the above definitions, it allocates by separate accounting if:

- The business operations within Pennsylvania and the business operations outside Pennsylvania constitute independent profit centers, meaning there are no transfers of finished or partly finished goods, raw materials, supplies, services, or operational assets interspersed; each center is free to buy outside; and because of geographical location, no center is in direct competition with another; and
- The entity keeps its books so revenues, costs, and expenses attributable to Pennsylvania operations can be properly disclosed.

Otherwise, the entity must complete a PA-20S/PA-65 Schedule H.

Submit a statement that lists all places both within and outside Pennsylvania where the PA S corporation or partnership conducts business activity or farming. Include the street address, city, state, and the type of business, profession or farm.

COMPLETING PA SCHEDULE H

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.

TABLE 1

PROPERTY FACTOR (REAL AND TANGIBLE PROPERTY)

The property factor is a fraction. The numerator is the average value of real and tangible personal property employed in the business and located in Pennsylvania. The denominator is the average value of the real and tangible property employed in the business everywhere.

CALCULATING PROPERTY FACTOR

- The PA S corporation or partnership values owned property at its original cost.
- Real property includes property the entity rents and uses in the business.
- If the values of the Pennsylvania real or tangible personal property the entity employs in its business are zero at the beginning of any month during the taxable year, the entity determines its average value of property by averaging the values at the beginning and ending of the taxable year. Otherwise, the entity determines its average value of property by averaging the monthly values.
- The entity values rented property by multiplying the gross rents paid during the taxable year by 8.
- Gross rents are the sum of money or other consideration paid directly or indirectly by the PA S corporation or partnership for its benefit for the use or possession of the rented property.

Gross rents include:

- The amount paid for the use or possession of real property or any part thereof, whether designated as a fixed sum of money or a percentage of sales, profits, or otherwise;
- The amount paid as additional rent, or instead of rent, the amount the entity paid in interest, taxes, insurance, repairs or other amounts under the terms of a lease or other arrangement; and
- The portion of the cost of any improvement to real estate made by or on behalf of the taxpayer, which reverts to the owner or the lessor upon termination of the lease or other arrangement based on the unexpired term of the lease commencing with the completion date of the improvement, or the life of improvement, if its life expectancy is less than the unexpired term of the lease. If the entity erects (or another erects on behalf of the

entity) a building on leased land, the entity determines the value of the land by multiplying the gross rent by 8 and the value of the building in the same manner as if owned by the PA S corporation or partnership. The proportional cost of an improvement (other than the building on leased land) is generally equal to the amount of allowable amortization in calculating Pennsylvania net income, whether the lease does or does not contain an option of renewal.

Gross rents shall not include:

- Any portion of a payment or credit to the proprietor of the business or to a shareholder or partner in the PA S corporation or partnership conducting the business for the use of real property;
- Amounts payable for separate charges for water and electric service furnished by the lessor;
- Amounts payable for storage if no designated space under the control of the taxpayer as a tenant is rented for storage purposes; and
- That portion of any rental payment that, at the discretion of the department, is applicable to property subleased by the taxpayer and is not utilized in conducting business.

TABLE 2

PAYROLL FACTOR (WAGES, SALARIES, COMMISSIONS, AND OTHER COMPENSATION)

The payroll factor is a fraction. The numerator is the total current employee wage and salary expense for the taxable year the PA S corporation or partnership incurs in connection with its business activity within Pennsylvania. The denominator is the total current employee wage and salary expense the entity incurs in connection with its business everywhere.

DETERMINING PAYROLL FACTOR

The entity incurs employee wage and salary expense in connection with its business activity in Pennsylvania if one of the following applies:

- The employee performs personal services entirely within Pennsylvania;
- The employee performs personal services outside Pennsylvania that are incidental to the usual services the employee performs in Pennsylvania; or
- The employee performs some personal services in Pennsylvania, and at least one of the following applies:
  - The employee's "base of operations" is in Pennsylvania;
  - The place from which the employee receives direction or control is in Pennsylvania; and/or
  - The employee is a resident of Pennsylvania.

Base of operations refers to the place or fixed center from which the individual works. An individual's base of operations may be their business office, or a place at which the employee is to receive directions and instructions if the contract of employment so specifies. In the absence of more controlling factors, an individual's base of operations may be the place to which business mail, supplies, and equipment are sent, or the place where the individual maintains business records.

**TABLE 3****SALES FACTOR (SALES)**

The sales factor is a fraction. The numerator is total gross receipts derived from sales in Pennsylvania during the taxable year. The denominator is total gross receipts derived from all sales during the taxable year. The sales factor includes income such as interest, dividends, or from property dispositions, but only to the extent described in these instructions.

**CALCULATING SALES FACTOR**

For purposes of calculating the sales factor, only sales of stock-in-trade or inventory held primarily for sale to customers in the ordinary course of the business, sales of services to customers, and sales of certain assets shall be taken into account. A sale of stock-in-trade or inventory is in Pennsylvania if:

- The seller delivers or ships the property from outside Pennsylvania into Pennsylvania to any purchaser other than the federal government;
- The seller delivers or ships the property from Pennsylvania and the purchaser is the federal government;
- The seller delivers or ships the property from Pennsylvania to another state or country, and the other state or country has no jurisdiction to tax the net income of the business derived from such sales; or
- The seller delivers or ships the property from a point within Pennsylvania to a purchaser in Pennsylvania.

A sale of services is in Pennsylvania if the seller performs the services wholly within Pennsylvania.

A sale of services is in Pennsylvania if the seller performs a greater portion of the services in Pennsylvania than outside Pennsylvania, based on cost or performance. A sale of a tangible asset in Pennsylvania is a sale of property within Pennsylvania. A sale of certain intangible assets employed in a going concern in Pennsylvania is a sale of property within Pennsylvania.

**ALLOCATING GAIN (LOSS) FROM THE DISPOSITION OF TANGIBLE PROPERTY**

Generally, the revenue, cost, expense, and liability that a PA S corporation or partnership derives from or incurs in the sale, exchange or disposition of real property or tangible personal property is entirely derived from or incurred in the state or country in which the property is physically located.

Special rules, however, apply with respect to the following:

- Stock-in-trade or other property of a kind the entity includes in its inventory at the close of the taxable year;
- Property the entity holds primarily for sale to customers in the ordinary course of its business operations; and
- Tangible and intangible assets the entity employs in a line of business.

Gross proceeds from the disposition of tangible property is included in the sales factor with respect to such assets if:

- The entity reinvests proceeds from the sale of the assets in the same line of business (as defined by the North American Industry Classification System (NAICS) code) within the same entity; and
- The entity must use the proceeds to acquire like-kind property used in the same business, profession, or farm.

**GAIN (LOSS) FROM THE DISPOSITION OF INTANGIBLE PERSONAL PROPERTY, OTHER THAN GOODWILL**

Generally, the revenue, cost, expense and liability that the PA S corporation or partnership derives from or incurs in the sale, exchange or disposition of intangible personal property other than goodwill from the disposition of a going concern, is derived from or incurred in the state or country in which the entity has physical presence. Refer to Personal Income Tax Bulletin 2005-02, Gain or Loss Derived from the Disposition of a Going Concern.

Gross proceeds from the disposition of intangible personal property other than goodwill is included in the sales factor with respect to such assets if:

- The entity reinvests proceeds from the sale of the assets in the same line of business (as defined by the North American Industry Classification System (NAICS) code) within the same entity;
- The entity must use the proceeds to acquire like-kind property used in the same business, profession, or farm.

**INTEREST INCOME**

Generally, the PA S corporation or partnership allocates any item of interest, cost, expense or liability incurred in the production of interest.

The PA S corporation or partnership classifies interest as net profits and therefore apportions the interest along with other net profits in the following instances:

- Interest the PA S corporation or partnership derives from, and costs, expenses or liabilities the PA S corporation or partnership incurs in connection with, purchase money mortgages on real estate or land contracts;
- Interest the PA S corporation or partnership derives from, and costs, expenses or liabilities the PA S corporation or partnership incurs in connection with, assets it employs as working capital (generally current assets) in its business and from accounts and notes receivable from sales or products or services it sells in the ordinary course of business; and
- Interest incidental to the production or collection of rental or royalty income.

The PA Personal Income Tax Guide sets forth in detail the rules for classifying interest income. Interest that is not net profits may be classified as interest income, net rental income or net gains.

**DIVIDEND INCOME**

Generally, the PA S corporation or partnership allocates any item of dividend, cost, expense or liability incurred in the production of dividends. The special rules for allocating interest income described previously also apply to dividend income.





**NOTE:** Include interest and dividend income when it is reportable as net profits from the operation of a business. If interest and dividend income were reclassified for Pennsylvania personal income tax purposes on PA-20S/PA-65 Schedule M, then it would be reported on PA-20S/PA-65 Schedule H.

If not reclassified, interest and dividend income are not reportable on PA-20S/PA-65 Schedule H and are not includable in the sales factor for apportionment purposes.

#### RENTAL INCOME FROM REAL ESTATE

Rent the PA S corporation or partnership derives from real estate that it does not employ in the operation of its business – and costs, expenses, and liabilities the entity incurs in the production or collection of such rents – are allocable to Pennsylvania only if the rental property is in Pennsylvania.

#### RENTAL INCOME FROM TANGIBLE PERSONAL PROPERTY RENTS

The PA S corporation or partnership allocates the rent it derives from tangible personal property it does not employ in its business operation and costs, expenses and liabilities that it incurs in the production or collection of such rents – by multiplying the net rent by a fraction. The numerator is the number of days the property is physically in Pennsylvania during the rental period.

The denominator is the number of days for all rental periods in the taxable year.

If the physical location of the property during the rental period is unknown, the entity allocates it to the state or country in which the property was located at the time the rent payer obtained possession.

#### ROYALTIES FROM REAL PROPERTY

Proceeds derived from non-operating interests in coal, oil, gas, or other minerals in place and costs, expenses, and liabilities incurred in the production of such receipts – are allocable to Pennsylvania only if the property from which the operating interests are served is located in Pennsylvania.

#### ROYALTIES FROM PATENTS AND COPYRIGHTS

The PA S corporation or partnership allocates patent and copyright royalties not includable in the calculation of net profits from the operation of a business – and the costs, expenses, and liabilities incurred in the production and collection of such royalties – to Pennsylvania only if and to the extent that:

- The payer employed the patent in the production, fabrication, manufacturing, or other processing in Pennsylvania;
- The payer produced the patented products in Pennsylvania; or
- The payer originates the printing or publication in Pennsylvania.

### TABLE INSTRUCTIONS

#### NET BUSINESS INCOME (LOSS) APPORTIONMENT FORMULA

The entity must calculate a figure as required in 1C, 2C and 3C to apply to net business income (loss) to determine the amount from within Pennsylvania. The figure is an average of the sum of three factors from Tables 1, 2, and 3.

Submit a statement listing all places within and outside Pennsylvania where the entity operates its business.

### TABLE 1

#### PROPERTY FACTOR (REAL AND TANGIBLE PROPERTY)

##### COLUMN 1A

##### TOTAL EVERYWHERE

Enter the average value of the real and tangible personal property owned or rented and used in business or farming, within and outside Pennsylvania.

##### COLUMN 1B

##### WITHIN PENNSYLVANIA

Enter the average value of the real and tangible personal property owned or rented and used in business or farming within Pennsylvania. Refer to Table 1 on page 2 on how to calculate average value.

##### LINE 1C

##### PROPERTY FACTOR

Divide Column 1B by Column 1A. Calculate to six decimal places. Enter the amount.

### TABLE 2

#### PAYROLL FACTOR (WAGES, SALARIES, COMMISSIONS, AND OTHER COMPENSATION)

##### COLUMN 2A

##### TOTAL EVERYWHERE

Enter the total compensation paid within and outside Pennsylvania during the taxable year.

##### COLUMN 2B

##### WITHIN PENNSYLVANIA

Enter the total compensation paid within Pennsylvania during the entire taxable year.

##### LINE 2C

##### PAYROLL FACTOR

Divide Column 2B by Column 2A. Calculate to six decimal places. Enter the amount.

### TABLE 3

#### SALES FACTOR (SALES)

##### COLUMN 3A

##### TOTAL EVERYWHERE

Enter the total sales within and outside Pennsylvania during the entire taxable year.

##### COLUMN 3B

##### WITHIN PENNSYLVANIA

Enter the total sales within Pennsylvania during the entire taxable year.

**LINE 3C****SALES FACTOR**

Divide Column 3B by Column 3A. Calculate to six decimal places. Enter the amount.

**LINE INSTRUCTIONS****LINE 1****REAL ESTATE AND TANGIBLE PROPERTY**

Enter the amount from Table 1, Line 1C.

**LINE 2****WAGES, SALARIES, COMMISSIONS, AND OTHER COMPENSATION**

Enter the amount from Table 2, Line 2C.

**LINE 3****SALES**

Enter the amount from Table 3, Line 3C.

**LINE 4****TOTAL**

Add the amounts from Lines 1, 2, and 3.

**LINE 5****APPORTIONMENT**

Divide Line 4 by 3 if all three factors apply; by 2 if only two factors apply; or by 1 if only one factor applies. Calculate to six decimal places. Enter the amount. For example, if the entity entered amounts only for Property and Sales in Column A, then the entity divides the amount on Line 4 by 2.

**LINE 6****TOTAL NET INCOME (LOSS) FROM BUSINESS**

**Do not include income from other partnerships, estates, or trusts.** Enter the amount from the PA-20S/PA-65 Schedule M, Part II, Section VII, Line 2.

**LINE 7****NET INCOME (LOSS) FOR PENNSYLVANIA**

Multiply the amount on Line 6 by the amount on Line 5. Enter the amount on Line 2e, Section II of the PA-20S/PA-65 Information Return.

**SPECIAL APPORTIONMENT**

Only railroad, truck, bus and airline entities, pipeline or natural gas entities and water transportation entities complete this line.

Enter as the numerator (A) total revenue miles in Pennsylvania. Enter as the denominator (B) total revenue miles everywhere. Calculate to six decimal places and enter here and on Line 5.

All business income for transportation companies is allocated to PA based on a special apportionment involving revenue miles. A revenue mile is the average receipts derived from the transportation of persons or property by the taxpayer for one mile. Business income is apportioned to PA by

multiplying total transportation income by a factor. The factor is derived by taking the numerator which is total revenue miles within PA for a taxable period and dividing it by the denominator, total revenue miles everywhere.

Please view the example for the special apportionment which includes calculations for the transportation of people and property.

**• RAILROAD, TRUCK, BUS OR AIRLINE ENTITIES**

All business income of railroad, truck, bus or airline entities is apportioned to Pennsylvania by multiplying the income by a fraction. The numerator of the fraction is the taxpayer's total revenue miles within Pennsylvania during the taxable period. The denominator of the fraction is the total revenue miles of the taxpayer everywhere during the taxable period. A revenue mile is 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 persons and property, the revenue mile fractions attributable to each class of transportation are calculated separately. The average of the two fractions, weighted in accordance with the ratio of total receipts from each class of transportation everywhere to total receipts from both such classes of transportation everywhere, is used to apportion business income to Pennsylvania.

**Example.** Company A is in the business of transporting persons and property. During the current tax period Company A reported receipts of \$1 million, \$400,000 from transportation of persons and \$600,000 from the transportation of property. Company A's Pennsylvania revenue miles for the transportation of persons is \$40,000. The Pennsylvania revenue miles from the transportation of property are \$120,000.

The special apportionment fraction for Company A for the current tax period is calculated as shown below.

**Example**

Transportation of Persons	Receipts for Transportation			
PA Rev Miles \$ 40,000	of persons \$ 400,000	X		= .040000
Total Rev Miles \$400,000	Total Receipts \$1,000,000			

Transportation of Property	Receipts for Transportation			
PA Rev Miles \$ 120,000	of property \$ 600,000	X		= .120000
Total Rev Miles \$600,000	Total Receipts \$1,000,000			

Company A's apportionment for the current tax period is  
0.040000 + 0.120000 or 0.160000.

**• PIPELINE OR NATURAL GAS ENTITIES**

All business income of pipeline entities is apportioned to Pennsylvania by multiplying the income by a fraction. The numerator of the fraction is the revenue ton miles, revenue barrel miles, or revenue cubic feet miles of the taxpayer in Pennsylvania 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 entities subject to regulation by the Federal Power Commission or by the Pennsylvania Public Utility Commission is apportioned to Pennsylvania by multiplying the income by a fraction. The numerator of the fraction is the cubic foot capacity of the taxpayer's pipelines in Pennsylvania. The denominator of the fraction 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 (in feet) by its length (in feet).

- **WATER TRANSPORTATION ENTITIES OPERATING ON HIGH SEAS**

All business income of water transportation entities operating on high seas is apportioned to Pennsylvania by multiplying the business income by a fraction. The numerator of the fraction is the number of port days spent inside Pennsylvania. The denominator of the fraction is the total number of port days spent outside and inside Pennsylvania.

Port days does not include periods when ships are not in use because of strikes, withheld from service for repair or

out of use 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 ENTITIES OPERATING ON INLAND WATERS**

All business income of water transportation entities operating on inland waters are apportioned to Pennsylvania by multiplying the business income by a fraction.

The numerator of the fraction is the taxpayer's total revenue miles within Pennsylvania during the taxable period. The denominator of the fraction 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 Pennsylvania and another state shall be considered Pennsylvania miles. A revenue mile means the revenue receipts derived from the transportation by the taxpayer of persons or property one mile.