

# Instructions for PA-20S/PA 65 Schedule D Sale, Exchange or Disposition of Property

## General Information

### Purpose of Form

PA S corporations, partnerships or limited liability companies filing as partnerships or PA S corporations for federal income tax purposes use PA-20S/PA-65 Schedule D to report the allocated gain (loss) from the sale, exchange or disposition of property within and outside of Pennsylvania.

### Net Gain (Loss) from the Sale, Exchange or Disposition of Property

The PA S corporation or partnership must report the sale, exchange or disposition of capital assets and gains on the distribution of appreciated assets to its partners, members and shareholders (owners). The entity must report the gain on the sale, exchange or disposition of property to its owners in the year in which the amount realized from the conversion of the property into cash or other property exceeds the adjusted basis of the property. A loss is recognized only on transactions the PA S corporation or partnership entered into for profit and only in the taxable year in which the transaction, in respect to which loss is claimed, is closed and completed by an identifiable event that fixes the amount of the loss so there is no possibility of eventual recoupment.

Use this schedule to report net gain (loss) derived from the sale, exchange or disposition of property, including real property, tangible personal property, intangible personal property or obligations issued on or after the effective date of this amendatory act by the Commonwealth; 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 political subdivision; or by the federal government as determined in accordance with accepted accounting principles and practices.

 Note. Amounts from federal Schedule D and other federal forms may not be accurate for Pennsylvania personal income tax purposes.

Other issues that the PA S corporation or partnership must consider:

- Pennsylvania law recognizes capital

gains distributions from mutual funds and other regulated investment companies as dividend income on the partner's/shareholder's (owner's) personal income tax return, not as gains on federal Schedule D.

- Adjusted Basis - The entity determines the basis of real, personal, tangible and intangible property it acquired on or after June 1, 1971, on the date of acquisition. The entity must adjust the basis of property it acquired before June 1, 1971, to reflect the property's value on that date. For determining a gain, the basis of such property is the greater of (1) the property's cost or other basis, as adjusted, or (2) the property's fair market value on June 1, 1971. For determining a loss, the basis of such property is the cost or other basis, as adjusted, without reference to its fair market value on June 1, 1971. For instructions on how to determine the basis of assets acquired on or before June 1, 1971, obtain REV-1742, Gain or Loss on Property Acquired Prior to June 1, 1971, PA Schedule D-71.

Report the kinds of transactions in the following table on PA-20S/PA-65 Schedule D. However, nonresident owners may or may not have to report the gains (losses).



Note. Gain (loss) from ordinary

business transactions where the proceeds are reinvested in the same line of business is classified as incurred in the ordinary course and operations of the business, profession or other qualified activity. The determination of whether gain is classified

as incurred in the ordinary course of operations of the business, profession or other qualified activity is a factual

### Reporting Gain (Loss) from Federal Forms for Pennsylvania Personal Income Tax Purposes

Federal Form Reference	Pennsylvania Personal Income Tax
Federal Form 4797: Sale or exchange of property used in trade or business and involuntary conversions from other than casualties or thefts - most property held more than one year. Ordinary gain (loss) includes property held one year or less.	Gain on the sale or exchange of property used in a business, profession, or farm and involuntary conversion from other than casualty or theft of business property and the proceeds reinvested and used to acquire similar property used in the same kind of business must be classified by the entity as business income used in determining the net profit (loss) of the PA S corporation or partnership. Otherwise it should be classified as PA-20S/PA-65 Schedule D gain. There are no provisions for the carryover of losses from one tax year to another year. Pennsylvania does not allow an offset of loss against gain from one class of income to another or between two taxpayers (i.e. spouses).
Federal Schedule D: Long-term and short-term capital gain (loss) is reported on federal Schedule K.	Pennsylvania makes no distinctions for capital gains, whether long-term or short-term. Such gain (loss) must be classified by the entity as either net profit (loss) of the PA S corporation or partnership, or PA-20S/PA-65 Schedule D gain. There are no provisions for the carryover of losses from one tax year to another year. PA does not allow an offset of loss against gain from one class of income to another or between two taxpayers (i.e. spouses).

determination that requires a tracing of the sales' proceeds and the reinvestment of the proceeds in the same line of business

as defined under the North American Industry Classification System (NAICS) code.

Refer to the Pennsylvania Personal Income Tax (PA PIT) Guide, Chapter 12 for the specific rules used to define a line of business under the North American Industry Classification System code.

The determination of whether gains are classified as incurred in the ordinary course of operations of the business, profession or qualified activity are not determined based on the character of the federal income. As an example, ordinary income recapture is not automatically classified as incurred in the ordinary course of operations of the business, profession or qualified activity. Likewise, as to the long-term and short-term federal classification as Schedule D gain:

- Aggregate federal gain (loss) from operations other than real estate is first aggregated and then classified for Pennsylvania personal income tax purposes as either Schedule D gain (loss) or net profit (loss).

- All aggregate federal gain (loss) that is not classified as net profits and reported on PA-20S/PA-65 Schedule M, Part A are adjusted for Pennsylvania/federal differences on the PA-20S/PA-65 Schedule D, Part I and PA-20S/PA-65 Schedule D, Part III.

- Gains from the disposal of IRC § 179 deductions reported on the federal Schedule K-1 should be addressed on PA-20S/PA-65 Schedule D, Part-I and/or PA-20S/PA-65 Schedule D, Part-III, Lines 6.

- Net IRC § 1231 gain (loss) from federal Form 4797 is reported on PA-20S/PA-65 Schedule M and/or PA-20S/PA-65 Schedule D. If IRC § 1231 gain (loss) is classified as PA-20S/PA-65 Schedule D gain, it is included in PA-20S/PA-65 Schedule D, Part-I and/or PA-20S/PA-65 Schedule D, Part-III and reported on Line 5. PA-20S/PA-65 Schedule D, Part-I and PA-20S/PA-65 Schedule D, Part-III also includes any other sales not included above. If IRC § 1231 gain (loss) is classified to net profits from a business, it is included in PA-20S/PA-65 Schedule M, Part A.

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## Line Instructions

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### PA-20S/PA-65 Schedule D-I

#### Allocated Gain (Loss) from the Sale, Exchange or Disposition of Property within Pennsylvania

In Part I, enter the allocated gain (loss) from the sale, exchange or disposition of property within Pennsylvania.

Enter whole dollars only. If this is an amended schedule, fill in the oval. If Part I is blank, fill in the oval.

### Business Name

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

### FEIN

Enter the 9-digit federal employer identification number (FEIN) of the entity or business as shown on the PA-20S/PA-65 Information Return.

### Line 1

#### All Pennsylvania-Source Gain (Loss) Included in Ordinary Business Income (Loss)

Enter the amount reported on PA-20S/PA-65 Schedule M, Part A, Line 1 and Line 11, Column (e) (Pennsylvania-source gain (loss) only).



Note. On the PA-20S/PA-65 Schedule D, the sum of Part I, Line 1 and Part III, Line 1 will equal the amount reported on PA-20S/PA-65 Schedule M, Part A, Line 1 and Line 11, Column (e).

### Line 2

#### All Pennsylvania-Source Gain (Loss) Included in Ordinary Net Rental/Royalty Income (Loss) from Federal Form 8825

Enter the amounts reported on PA-20S/PA-65 Schedule M, Part A, Lines 2, 3, and 6, Column (e) (Pennsylvania-source gain (loss) only).



Note. On the PA-20S/PA-65 Schedule D, the sum of Part I, Line 2 and Part III, Line 2 will equal the amount reported on PA-20S/PA-65 Schedule M, Part A, Lines 2, 3 and 6, Column (e).

### Line 3

#### All Pennsylvania-Source Net Short-Term Capital Gain (Loss) from Federal Schedule D

Enter the amount reported on PA-20S/PA-65 Schedule M, Part A, Line 7, Column (a) (Pennsylvania-source gain (loss) only).



Note. On the PA-20S/PA-65 Schedule D, the sum of Part I, Line 3 and Part III, Line 3 will equal the amount reported on the PA-20S/PA-65 Schedule M, Part A, Line 7, Column (a).

### Line 4

#### All Pennsylvania-Source Net Long-Term Capital Gain (Loss) from Federal Schedule D

Enter the amount reported on PA-20S/PA-65 Schedule M, Part A, Line 8, Column (a) (Pennsylvania-source gain (loss) only).



Note. On the PA-20S/PA-65 Schedule D, the sum of Part I, Line 4 and Part III, Line 4 will equal the amount reported on the PA-20S/PA-65 Schedule M, Part A, Line 8, Column (a).

### Line 5

#### All Other Pennsylvania-Source Net IRC § 1231 Gain (Loss) Reported on Federal Form 4797 not Listed Above

Enter the amount reported on PA-20S/PA-65 Schedule M, Part A, Line 10, Column (e) (Pennsylvania-source gain (loss) only).



Note. On the PA-20S/PA-65 Schedule D, the sum of Part I, Line 5 and Part III, Line 5 will equal the amount reported on the PA-20S/PA-65 Schedule M, Part A, Line 10, Column (e).

### Line 6

#### All Pennsylvania-Source Gain (Loss) from the Disposition of IRC § 179 Property

Enter the amount reported on PA-20S/PA-65 Schedule M, Part A, Line 9, Column (e) (Pennsylvania-source gain or loss only).



Note. On the PA-20S/PA-65 Schedule D, the sum of Part I, Line 6 and Part III, Line 6 will equal the amount reported on the PA-20S/PA-65 Schedule M, Part A, Line 9, Column (e).

### Line 7

#### Capital Gains Distributions Taxed as Dividends

Enter the amounts reported on PA-20S/PA-65 Schedule M, Part A, Lines 7 and 8, Column (d).

### Line 8

#### Total Pennsylvania-Source Federal-Realized and Recognized Reportable Gain (Loss) Before Classification and/or Adjustment Amounts for Pennsylvania Personal Income Tax Purposes

Add Lines 1 through 6, minus Line 7. Enter the result on Line 8.



## Lines 1 through 5

The entity must take the gross sales price, less cost or other Pennsylvania basis, less Pennsylvania-allowed or allowable depreciation, to obtain the Pennsylvania gain (loss). Pennsylvania gain (loss) minus federal gain (loss) equals the difference between Pennsylvania/federal gain (loss). If any of the federal gain (loss) transactions require adjustment, list each transaction and show the differences in federal gain (loss).

## PA-20S/PA-65 Schedule D-III

### Allocated Gain (Loss) from the Sale, Exchange or Disposition of Property Outside Pennsylvania

On PA-20S/PA-65 Schedule D, Part III, enter the allocated gain (loss) from sale, exchange or disposition of property outside Pennsylvania.

Enter whole dollars only. If this is an amended schedule, fill in the oval. If Part III is blank, fill in the oval.



Note. The gain (loss) from the sale or disposition of an intangible asset is not Pennsylvania-source for nonresidents unless employed in a Pennsylvania trade or business. See PIT Bulletin 2005-02. This gain (loss) is reported on PA-20S/PA-65 Schedule D, Part III, Sale, Exchange or Disposition of Property Outside Pennsylvania.

### Line 1

#### All Outside Pennsylvania Gain (Loss) Included in Ordinary Business Income (Loss)

Enter the amount reported on PA-20S/PA-65 Schedule M, Part A, Line 1 and Line 11, Column (e) (Outside Pennsylvania gain (loss) only).



Note. On the PA-20S/PA-65 Schedule D, the sum of Part I, Line 1 and Part III, Line 1 will equal the amount reported on PA-20S/PA-65 Schedule M, Part A, Line 1 and Line 11, Column (e).

### Line 2

#### All Outside Pennsylvania Gain (Loss) Included in Ordinary Net Rental/Royalty Income (Loss) from Federal Form 8825

Enter the amounts reported on PA-20S/PA-65 Schedule M, Part A, Lines 2, 3, and 6, Column (e) (Outside Pennsylvania gain (loss) only).



Note. On the PA-20S/PA-65 Schedule D, the sum of Part I, Line 2 and Part III, Line 2 will equal the amounts reported on PA-20S/PA-65 Schedule M, Part A, Lines 2, 3 and 6, Column (e).

### Line 3

#### All Outside Pennsylvania Net Short-Term Capital Gain (Loss) from Federal Schedule D

Enter the amount reported on PA-20S/PA-65 Schedule M, Part A, Line 7, Column (a) (Outside Pennsylvania gain (loss) only).



Note. On the PA-20S/PA-65 Schedule D, the sum of Part I, Line 3 and Part III, Line 3 will equal the amount reported on the PA-20S/PA-65 Schedule M, Part A, Line 7, Column (a).

### Line 4

#### All Outside Pennsylvania Net Long-Term Capital Gain (Loss) from Federal Schedule D

Enter the amount reported on PA-20S/PA-65 Schedule M, Part A, Line 8, Column (a) (Outside Pennsylvania gain (loss) only).



Note. On the PA-20S/PA-65 Schedule D, the sum of Part I, Line 4 and Part III, Line 4 will equal the amount reported on the PA-20S/PA-65 Schedule M, Part A, Line 8, Column (a).

### Line 5

#### All Other Outside Pennsylvania Net IRC § 1231 Gain (Loss) Reported on Federal Form 4797 Not Listed Above

Enter the amount reported on PA-20S/PA-65 Schedule M, Part A, Line 10, Column (e) (Outside Pennsylvania gain (loss) only).



Note. On the PA-20S/PA-65 Schedule D, the sum of Part I, Line 5 and Part III, Line 5 will equal the amount reported on the PA-20S/PA-65 Schedule M, Part A, Line 10, Column (e).

### Line 6

#### All Outside Pennsylvania Gain (Loss) from the Disposition of IRC § 179 Property

Enter the amount reported on PA-20S/PA-65 Schedule M, Part A, Line 9, Column (e) (Outside Pennsylvania gain (loss) only).



Note. On the PA-20S/PA-65 Schedule D, the sum of Part I, Line 6 and Part III, Line 6 will equal the amount reported on the PA-20S/PA-65 Schedule M, Part A, Line 9, Column (e).

### Line 7

#### Capital Gains Distributions Taxed as Dividends

Enter the amounts reported on PA-20S/PA-65 Schedule M, Part A, Lines 7 and 8, Column (d).

### Line 8

#### Total Federal-Realized and Recognized Outside Pennsylvania Reportable Gain (Loss) Before Classification and/or Adjustment Amounts for Pennsylvania Personal Income Tax Purposes

Add Lines 1 through 6, minus Line 7. Enter the result on Line 8.

### Line 9

#### Outside Pennsylvania Gain (Loss) on Federal Non-Taxable Exchanges on IRC Sections 1031 and 1033

Enter the outside Pennsylvania amount from federal Form 8824, like-kind exchanges. Pennsylvania does not recognize like-kind exchanges under IRC Sections 1031 and 1033. Report federal deferred gain (loss) on this line.

### Line 10

#### Total Outside Pennsylvania /Federal Gain (Loss) Reportable for Pennsylvania Personal Income Tax Before Additional Classification and/or Adjustments

Enter the sum of Lines 8 and 9.

### Line 11

#### Outside Pennsylvania Adjustment for Gain (Loss) Reflected on PA-20S/PA-65 Schedule M, Part A, for Business Income (Loss) (Net Profits from a Business, Profession or Farm)

Enter the amounts reported on PA-20S/PA-65 Schedule M, Part A, Lines 7 and 8, Column (b) (Outside Pennsylvania gain (loss) only).

