

## Instructions for PA-20S/PA-65 Schedule H-Corp Corporate Partner Apportioned Business/Income (Loss)

### GENERAL INFORMATION

#### What's New

The three-factor apportionment used to calculate corporate net income tax has been replaced by the single sales factor apportionment for tax years beginning on or after Jan. 1, 2013. However, property and payroll apportionment information may still be required for purposes of the capital stock/foreign franchise tax.

#### Purpose of Schedule

The PA-20S/PA-65 Schedule H-Corp is for information purposes only. Partnerships are required to complete this schedule and provide a copy of the PA-20S/PA-65 Schedule H-Corp to all partners who are PA S corporations, partnerships, limited liability companies and C corporations. All amounts not in agreement with information on federal Form 1065 must be reconciled.

 **Important.** Railroad, truck, bus, airline, pipeline, natural gas or water transportation companies do not use the single sales factor approach shown on PA-20S/PA-65 Schedule H-Corp. Rather, they use a special apportionment at the bottom of the schedule.

For the corporate partner, the partnership uses PA-20S/PA-65 Schedule H-Corp to calculate the apportionment for Line 14 of the PA-20S/PA-65 Schedule CP if they are required to file a PA-65 Corp for nonfiling C corporation(s).

For the partner who is a partnership, the PA-20S/PA-65 Schedule H-Corp ensures that if the partnership, as an owner, has corporate partners, the corporate partners will have the necessary documentation for apportionment to calculate PA corporate net income tax, capital stock/foreign franchise tax.

For a limited liability company and PA S corporation, the PA-20S/PA-65 Schedule H-Corp is used to calculate capital stock/foreign franchise tax.

The PA-20S/PA-65 Schedule H-Corp sales factor for this entity should be included with the other respective sales factors at the corporate level to determine the applicable corporate net income tax associated with the distributive share from the entity.

 **Important.** Do not use PA-20S/PA-65 Schedule H-Corp to arrive at the calculations for non-corporate owner's income.

### APPORTIONMENT FOR TAX TYPE

Certain types of entities – such as limited liability companies and business trusts – are generally subject to the capital stock/foreign franchise tax even though they may not be subject to the corporate net income tax consistent with their federal income tax classification as a partnership or disregarded entity.

In situations where a corporate taxpayer has an investment in a limited liability company or other business entity subject to capital stock/foreign franchise tax, but not subject to corporate net income tax, the apportionment factors used in the calculation of corporate net income tax will include the sales of the limited liability company or business trust. However, the activity of the limited liability company will not be included in the apportionment factors used for the calculation of capital stock/foreign franchise tax.

Accordingly, a limited liability company or business trust that is subject to the capital stock/foreign franchise tax but not subject to the corporate net income tax, should check the box for "Corporate Net Income Tax Only" when reporting its apportionment factors to corporate partners and provide a second PA-20S/PA-65 Schedule H-Corp marked "Capital Stock/Foreign Franchise Tax Only" reporting zeros for each factor.

A partnership with investments in these types of entities is also required to provide two PA-20S/PA-65 Schedules H-Corp: one for "Corporate Net Income Tax Purposes Only" including the activity of the underlying limited liability companies and business trusts, and another for "Capital Stock/Foreign Franchise Tax Only" excluding the property, payroll and sales of those entities.

#### Non Filing Corporate Partner

If the partnership is required to withhold corporate net income tax for nonfiling corporate partner(s), it must complete PA-20S/PA-65 Schedule CP. The apportionment figure used to calculate the corporate net income tax withholding should be the Pennsylvania apportionment figure derived from PA-20S/PA-65 Schedule H-Corp prepared for the corporate net income tax.

### APPORTIONED BUSINESS INCOME (LOSS) FOR CORPORATE PARTNERS ONLY

If the partnership derives business income from sources within and outside Pennsylvania or totally within Pennsylvania, complete this form.

The entity calculates a decimal figure from a formula, which consists of a single sales factor apportionment only.

 **Note.** A partnership with no Pennsylvania activity (no Pennsylvania-source income and/or no Pennsylvania assets) is still required to complete the PA-20S/PA-65 Schedule H-Corp showing the total property, payroll and sale of the partnership.

When completing this form, enter the name, (FEIN) federal employer identification number and date the taxable period ended for the partnership.

## COMPLETING PA SCHEDULE H-CORP

### Apportionment for (Tax Type)

Check the appropriate box for the type of tax the entity is reporting.

See [Apportionment for Tax Type](#).

### 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 INSTRUCTIONS

### TABLE 1

#### Property Factor (Real Estate and Tangible Property)

#### LINE 1A

##### Inside PA

The numerator of the fraction is the average value of the partnership's real and tangible personal property owned and/or used or rented and used in Pennsylvania during the taxable period. The denominator of the fraction is the average value of all the partnership's real and tangible personal property owned and used or rented and used during the taxable period.

#### LINE 1B

##### Inside and Outside PA

The numerator of the fraction is the average value of the partnership's real and tangible personal property owned and/or used or rented and used in Pennsylvania during the taxable period. The denominator of the fraction is the average value of all the partnership's real and tangible personal property owned and used or rented and used during the taxable period.

Note the property factor will be used only to calculate capital stock/foreign franchise tax by corporate partners.

### TABLE 2

#### Payroll Factor (Wages, Salaries, Commissions, and Other Compensation)

#### LINE 2A

##### Inside PA

The numerator of the fraction is the total amount paid in Pennsylvania during the tax period by the partnership for compensation, and the denominator of the fraction is the total compensation paid everywhere during the tax period.

#### LINE 2B

##### Inside and Outside PA

The numerator of the fraction is the total amount paid in Pennsylvania during the tax period by the partnership for compensation, and the denominator of the fraction is the total compensation paid everywhere during the tax period.

Note the payroll factor will be used only to calculate capital stock/foreign franchise tax by corporate partners.

### TABLE 3

#### Sales Factor (Sales)

#### LINE 3A

##### Inside PA

The numerator of the fraction is the total sales of the partnership in Pennsylvania during the tax period, and the denominator is the total sales of the partnership everywhere during the taxable period.

#### LINE 3B

##### Inside and Outside PA

The numerator of the fraction is the total sales of the partnership in Pennsylvania during the tax period, and the denominator is the total sales of the partnership everywhere during the taxable period.

## PENNSYLVANIA APPORTIONMENT

Divide Line 3A by Line 3B from Table 3 of the Sales Factor only. Calculate to six decimal places.

 **Important.** Only the sales factor applies to calculating the apportionment factor for corporate net income tax purposes. It represents 100 percent of the corporate net income tax apportionment. However, all three factors continue to apply for purposes of the capital stock/foreign franchise tax.

### SPECIAL APPORTIONMENT TO BE COMPLETED ONLY BY RAILROAD, TRUCK, BUS, AIRLINE, PIPELINE OR NATURAL GAS, AND WATER TRANSPORTATION ENTITIES

Enter as (A) the numerator, which is the total Revenue miles in Pennsylvania. Enter as (B) the denominator, which are the total Revenue miles everywhere. Divide and enter the result to six decimal places.

- **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 follows.

<b>Example</b>			
Transportation of Persons PA Rev Miles \$ 40,000	X	Receipts for Transportation of persons \$ 400,000	= .040000
<u>Total Rev Miles \$400,000</u>		<u>Total Receipts \$1,000,000</u>	
Transportation of Property PA Rev Miles \$ 120,000	X	Receipts for Transportation of property \$ 600,000	= .120000
<u>Total Rev Miles \$600,000</u>		<u>Total Receipts \$1,000,000</u>	
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.