

Instructions for Form PA-20S/PA-65 PA S Corporation/Partnership Information Return

WHAT'S NEW

Act 52 of 2013, necessitates several revisions to the 2014 PA-20S/PA-65 instructions, and the following changes are effective for tax years beginning after Dec. 31, 2013.

- A partnership, S corporation or limited liability company classified as a partnership or S corporation for federal tax purposes (entity) that fails to file a PA-20S/PA-65, S Corporation/Partnership Information return, will be subject to a \$250 failure to file penalty. The \$250 penalty also applies to each missing Schedule RK-1 or NRK-1.
- Assessments of tax may be made at the entity level if there is an understatement of income for more than \$1.0 million and the entity has 11 or more owners or a partnership has at least one owner that is another entity or trust.
- The entity is required to keep an accurate list of owners' names, addresses and tax identification numbers. Failure to comply may result in any tax, penalty and interest assessed being the tax, penalty and interest of the general partner, tax matters partner or corporate officer.
- Entities may now deduct start-up expenditures in the same manner as under IRC §195 (b)(1)(A). The first \$5,000 of such expenses may be directly expensed with any amount over \$5,000 being amortized over 180 months. If the amount of start-up expenses is more than \$50,000, there is a dollar-for-dollar reduction up to \$55,000 of the direct expense amount.
- A copy of federal tax return Form 1120S, U.S. Income Tax Return for an S Corporation, or Form 1065, U.S. Return of Partnership Income, now must be included with the entity's PA-20S/PA-65, PA S corporation/Partnership Information Return.
- An entity may elect to currently expense up to one-third of the intangible drilling and development costs (IDCs) it incurs in tax years beginning after Dec. 31, 2013. The remainder of the IDCs may be amortized over 10 years. If the entity does not elect to currently expense its IDCs, it may amortize them over 10 years.
- The resident credit for taxes paid to other states or countries is now only available as a credit for taxes paid to a state of the U.S., the District of Columbia, the Commonwealth of Puerto Rico or any territory or possession of the U.S. The credit for taxes paid to foreign countries is no longer permitted as a credit against a personal income tax liability.
- Beginning with tax year 2014 and the 2015 filing season, the department will accept REV-276 Application for Extension of Time to File the PA20S/PA65 Information Return including the catch-up payment for the nonresident withholding tax.
- Beginning with the 2014 filing season the department began accepting through the MeF Fed/State program the electronic payment of the quarterly estimated withholding tax for nonresident owners filed with the PA-65ESR.
- A mandatory e-filing mandate is in effect for third party preparers who prepare 11 or more PA-65 Corp Directory of Corporate Partners returns. Once subject to this mandate, the preparer must continue to e-file regardless of how many returns prepared.
- The PA Organ and Bone Marrow Tax Credit has been reintroduced as a tax credit with the passage of Act 193 of 2014. As a result, the credit has been added to Schedule OC.

The 2014 tax year changes for the PA-20S/PA-65 Information Return, schedules and forms include:

PA-20S/PA-65 Information Return Page 3, Part X

An e-file opt-out oval was added for entities that request their preparers to file the PA-20S/PA-65 Information Return in paper format.

PA-20S/65 Schedule I - Amortization of Intangible Drilling Costs

A new schedule has been created to report on current year deductions of intangible drilling costs (IDCs) for PA S corporations, partnerships and LLC's.

PA-20S/PA-65 Schedule M Part B, Section E, Line b

Revised line entry to read "Differences in depreciation/amortization taken for PA and federal purposes".

PA-20S/PA-65 Schedule M Part B, Section F, Line c

Revised line entry to read "Differences in depreciation/amortization taken for PA and federal purposes".

PA-20S/PA-65 Schedule M Part B, Section F, Lines h and i

Moved current line "h" to line "i". Replaced line "h" with: "Current Expensing of Intangible Drilling Costs".

PA-65 Corp

Added "100% Corp. Owned" fill-in oval to identify partnerships with only corporate partners.

Added "payment enclosed" fill-in oval when payments are submitted with the form.

PA-20S/PA-65 Schedule NW Lines C and D

Moved Line C to Line D and changed the wording for Line D to read: "Reconciliation Payment. Subtract B and C

from A, and enter here and on the PA-20S/PA-65 Information Return". Line C now reads: "Payment remitted with the PA-40NRC, Nonresident Consolidated Tax Return, if all nonresident individual owners elect to participate in a group return".

PA-20S/65 Schedule OC

Added new Line 6 for the PA Organ and Bone Marrow Tax Credit. Lines 7 through 16 shifted downwards

HOW TO GET FORMS AND PUBLICATIONS

Internet. Visit the department's website at www.revenue.state.pa.us to:

- Download forms, instructions and publications;
- Research tax questions by using the Online Customer Service Center; or
- Search publications online by topic or keyword.

If you do not have Internet access, visit your local public library or district office.

Email. Send email requests for forms to: ra-forms@pa.gov

Written Requests. Send written requests for forms to:

PA DEPARTMENT OF REVENUE
TAX FORMS SERVICE UNIT
711 GIBSON BLVD
HARRISBURG PA 17104-3218

By phone and in person. You can order forms and publications by calling the department's automated, 24-hour, toll-free forms ordering message service at 1-800-362-2050.

You can also get most forms and publications at your nearest district office. Please call ahead to verify a district office's address and services or visit www.revenue.state.pa.us for more information. Taxpayer assistance hours are 8:30 a.m. to 5:00 p.m.

Copies of Previously Filed Returns

To receive copies of previously filed tax returns, complete and sign Form REV-467, Authorization for Release of Tax Records, and send it to:

PA DEPARTMENT OF REVENUE
BUREAU OF ADMINISTRATIVE SERVICES
12TH FLOOR STRAWBERRY SQUARE
HARRISBURG PA 17128-1200

You may also fax the request to

717-783-4355. If someone other than the taxpayer is making the request, Form REV-677, Power of Attorney and Declaration of Representative, must be submitted with the request for the release of the tax records. If a taxpayer is deceased, sufficient evidence to establish authority to act for the taxpayer's estate must be provided to the department.

Please allow four to six weeks for a request to be processed.

PRIVACY NOTIFICATION

By law (42 U.S.C. §405(c)(2)(C)(i); 61 Pa. Code §117.16), the department has the authority to use the Social Security number (SSN) to administer the Pennsylvania personal income tax and other Commonwealth of Pennsylvania tax laws.

The department uses the SSN to identify individual taxpayers and verify their incomes. The department also uses the SSN to administer a number of tax-offset and child-support programs that federal and Pennsylvania laws require.

The commonwealth may also use the SSN in exchange-of-tax information agreements with governmental authorities. Except for official purposes, Pennsylvania law prohibits the commonwealth from disclosing information that individuals provide on income tax returns, including the SSN(s).

GENERAL INFORMATION

PURPOSE OF FORM

The PA-20S/PA-65 form is an information return and personal income tax filing requirement used to report the income (losses), deductions, credits, etc., from the operation of foreign or domestic PA S corporations, partnerships or limited liability companies classified as partnerships or S corporations for federal income tax purposes (further referred to as "entity" or "entities").

These entities do not pay tax on their income but "pass through" any profits or losses to their owners (shareholders, partners or members). When preparing the PA-20S/PA-65 PA S Corporation /Partnership Information Return, it is best to start with the completed federal Form 1120S or federal Form 1065 and then proceed to the Pennsylvania schedules.

TIP The information on the PA-20S/PA-65 Information Return has no relevance to C corporations except if a credit from PA-20S/PA-65 Schedule OC has been allocated on the PA Schedule RK-1, Line 9. Otherwise, the only information relevant to a corporate taxpayer is the PA-20S/PA-65 Schedule H-Corp for calculating CNI tax.

WHO MUST FILE

Every domestic or foreign PA S corporation (72 P.S. §7330.1), partnership (72 P.S. §7335(c)) or entity formed as a limited liability company that is classified as a partnership or S corporation for federal income tax purposes must file the PA-20S/PA-65 Information Return if any of the following apply:

1. During the taxable year, the partnership, PA S corporation or its qualified subchapter S subsidiary earned, received or acquired any gross taxable income (loss) allocable or apportionable to Pennsylvania, regardless of the amount of its income (loss) and whether or not the income was distributed; or
2. During the taxable year, the PA S corporation had at least one shareholder that was a Pennsylvania resident individual or part-year resident estate, trust or disregarded entity owned by a resident individual or part-year resident;
3. The partnership, at year-end, had at least one partner that was a Pennsylvania resident individual, estate, trust or disregarded entity owned by a resident individual.

All PA S corporations and limited liability companies that conduct business in Pennsylvania must also file the RCT-101, PA Corporate Tax Report, for the capital stock/foreign franchise tax.

A minimum penalty is imposed for failure to file appropriate tax reports, including \$250 for each return and each missing RK-1 and NRK-1.

Note. A PA S corporation, incorporated in another state with a Pennsylvania resident shareholder and a limited liability company organized in another state with a Pennsylvania resident member having no Pennsylvania-source income or Pennsylvania activity, is not required to file an RCT-101, PA Corporate Tax Report, but is required to file the PA-20S/PA-65 return.

 **Important.** All income for an S corporation must be proportionally distributed and cannot be specifically allocated.

Inactive S Corporations and Partnerships

Even if no business activity was conducted during the taxable year, the PA S corporation or partnership is still required to file the PA-20S/PA-65 Information Return and all schedules.

CLASSIFYING INCOME

In many instances, Pennsylvania personal income tax law and regulations differ from federal tax laws. This is especially true with regard to federal elections concerning the timing of income and expense items.

Taxpayers should not use federal elections to determine Pennsylvania personal income tax income (loss).

PA S corporations, partnerships and limited liability companies classified as partnerships or S corporations for federal income tax purposes report income (loss) using the Pennsylvania personal income tax rules. Pennsylvania does not adopt federal rules for purposes of personal income taxation. Accordingly, the determination of reportable amounts in each personal income tax classification may vary significantly from the classifications and amounts as determined for federal income tax purposes.

For Pennsylvania personal income tax purposes, read the rules for classifying income found in the Pennsylvania Personal Income Tax Guide. The income must be reported on the owner's tax return in the same classification of income as it is reported to them on their PA Schedules RK-1 and/or NRK-1 from the entity.

The entity must maintain sufficient books and records to properly report income (losses), expenses, credits, deductions, and other amounts for Pennsylvania personal income tax purposes. A PA S corporation or partnership that only operates a business, profession or farm must include all activities and transactions to determine Part I or Part II of the PA-20S/PA-65 Information Return, whichever is applicable, regardless of the name of the transaction and regardless of how it reports for federal income tax purposes. Use PA-20S/PA-65 Schedule M to classify

federal income (loss) for Pennsylvania personal income tax purposes. Please review the PA-20S/PA-65 Schedule M instructions on the department's website at www.revenue.state.pa.us.



Note. Pennsylvania personal income tax law taxes resident partners, shareholders and members (owners) on income from sources within and outside Pennsylvania and taxes nonresident owners on Pennsylvania-source income only.

PENNSYLVANIA S CORPORATION S STATUS (S ELECTIONS)

Starting with tax years beginning on or after Jan. 1, 2006, all corporations, including those incorporated in a state other than Pennsylvania, with a valid federal subchapter S election are considered Pennsylvania S corporations and are no longer required to file the Pennsylvania S Corporation Election and Shareholders' Consent form (REV-1640) in order to be a Pennsylvania S corporation. Under Act 67 of 2006, all federal subchapter S corporations are Pennsylvania S corporations. Act 67 also includes a provision for federal subchapter S corporations to make an election to **not** be taxed as a Pennsylvania S corporation. To make this election, the taxpayer is required to file a completed 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 period in which the election is to be in effect.

Example. A federal subchapter S corporation that does not want to be a PA S corporation for the tax year ending Dec. 31, 2014, must file the REV-976 on or before April 15, 2015. If the taxpayer has a valid extension to file the RCT-101, PA Corporate Tax Report, then the REV-976 would be due on or before Oct. 15, 2015.



NOTE: 72 P.S. §7301(n.1) stipulates all federal S corporations filling in Pennsylvania are automatically PA S corporations.

PENNSYLVANIA S CORPORATION S STATUS REVOCATIONS

First, it is important to remember the election to not be taxed as a PA S corporation may not be revoked for five years from the date it went into effect. A revocation received within this five year period will be effective for the first tax period for which the taxpayer is eligible to revoke the election.

Elections which first went in effect in 2008 may be revoked for 2014. To revoke the election 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, the federal employer identification number (FEIN), the PA S corporation's Revenue ID 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 include the name and Revenue IDs of all qualified subchapter S subsidiaries doing business in Pennsylvania.

Mail the letter to:

PA DEPARTMENT OF REVENUE
BUREAU OF CORPORATION TAXES
PROCESSING DIVISION
PO BOX 280705
HARRISBURG PA 17128-0705

The deadline for revocation of an election not to be taxed as a PA S corporation is the 15th day of the third month of the year in which the revocation is to be in effect. A revocation submitted after the due date will be in effect for the next tax period.

ELECTRONIC FILING

Fed/State Electronic Filing for S Corporations and Partnerships

The department will accept original, and beginning with tax year 2011, amended PA S Corporation/Partnership Information Returns (PA-20S/PA-65) including corresponding forms and schedules filed through the Modernized e-File (MeF) platform provided by the IRS (also known as the Fed/State e-File).

⚠ Important. An amended PA-20S/PA-65 Information Return filed through Fed/State e-File will only be accepted for 2011 tax year returns and forward. You may not file an amended PA-20S/PA-65 Information Return through Fed/State e-File prior to 2011 tax year return. See [How To Amend a PA-20S/PA-65 Information Return](#) prior to 2011 tax year return.

Fed/State e-File allows you to file federal and state returns together or separately. It is available through tax preparers or computer software. When you file using Fed/State e-file, the department sends an acknowledgement directly to you, your tax professional or Electronic Return Originator (ERO). Whoever submits the tax return will receive the acknowledgement.

The PA-20S/PA-65 Information Return can be filed through Fed/State e-File through an approved vendor that has tested with and been approved by the department to offer electronic filing in Pennsylvania. Even if a vendor is federally approved they must also be approved by Pennsylvania. As a result, every year vendors must go through a testing process for the department's approval of their software. When the vendors complete the testing process, they will be listed on Revenue's e-Services Center at www.doreservices.state.pa.us.

💡 Note. Mandatory e-filing is required for third-party preparers of greater than or equal to eleven PA-20S/PA-65 returns. The Department published a "Method of Filing" notice for electronic filing requirements in a Pennsylvania Bulletin on the PA Department of Revenue website.

Tax filers may direct third party preparers to file returns in a different method than mandated.

Electronically Filed Returns with Attachments

When the PA-20S/PA-65 S Corporation/Partnership Information Return is filed through the Fed/State e-File all attachments other than the PA-20S/PA-65 schedules must be sent in PDF format. Examples of other attachments to an electronically filed PA-20S/PA-65 Information Return may include statements required with the PA-20S/PA-65 Information Return; PA Schedules RK-1 and NRK-1 that a pass through entity receives from another pass through entity; federal Form 8824, Like-Kind Exchanges; federal Form 3115, Applica-

tion for Change in Accounting Method; and federal Form 7004, Application for Automatic Extension of Time To File.

The department will consider the tax return incomplete if all required documents are not submitted with an electronically filed return.

⚠ Important. Do not include the PA-20S/PA-65 Schedules RK-1 and NRK-1 that the entity issues to its owners as a PDF attachment. These schedules are part of the e-File package for the PA-20S/PA-65 Information Return.

HOW TO PAY ELECTRONICALLY

Fed/State Electronic Filing Option for Estimated Nonresident Individual Quarterly Withholding Payments

Beginning with the 2014 filing season the department began accepting through the MeF Fed/State program the electronic payment of the quarterly estimated withholding tax for nonresident owners filed with the PA-65ESR. The following types of payments can be electronically transferred if filed through Fed/State e-File program:

- Final nonresident individual tax withholding tax "catch-up" payment submitted with the 2014 tax year PA-20S/PA-65 Information Return; and
- 2015 (future) estimated payments for nonresident individual quarterly withholding tax submitted with the 2014 tax year PA-20S/PA-65 Information Return; and
- Capital stock/foreign franchise tax payments if a RCT-101 is filed with the PA-20S/PA-65 Information Return; and
- PA-65ESR Quarterly Estimated Payments for nonresident individuals.

Future estimated nonresident individual tax withholding payments for tax year 2015 will be stored in the system as separate electronic transaction payments until the specified due date. The nonresident individual quarterly tax withholding payment may not be submitted through electronic funds transfer, credit/debit cards or e-TIDES.

⚠ Important. The nonresident individual quarterly withholding payment may not be submitted through Electronic Funds Transfer (EFT), credit/debit cards or e-TIDES.

Payment Not Submitted with Electronic Return

If the PA-20S/PA-65 Information Return has been electronically submitted and the nonresident withholding was not sent at the time of electronic submission of the return, then you may send a paper check for the nonresident withholding.

📌 TIP You may send in the PA-40 ESR (F/C) with a check if the entity electronically files the PA-20S/PA-65 Information. Submit a check or money order made payable to the PA Dept. of Revenue along with the PA-40 ESR (F/C). Print the entity's federal employer identification number (FEIN) and "2014 Final Nonresident Withholding" on the check or money order.

⚠ Caution. Failure to include the PA-40 ESR (F/C) with your check will result in a delay of processing.

Mail the payment to:

PA DEPARTMENT OF REVENUE
BUREAU OF INDIVIDUAL TAXES
PO BOX 280502
HARRISBURG PA 17128-0502

For payment by check with paper tax return, see [How To Pay](#).

HOW TO AMEND THE PA-20S/PA-65 INFORMATION RETURN

Prior to 2011 Tax Year Return

If after filing the PA-20S/PA-65 Information Return, the entity discovers that an incorrect PA-20S/PA-65 tax return has been submitted to the department and/or has amended federal Form 1065 or 1120S or if the IRS changed or corrected any items of income, gain or loss previously reported, the entity must submit an amended PA-20S/PA-65 Information Return to the Pennsylvania Department of Revenue.

Prior to the 2011 tax year return, an amended PA S Corporation/Partnership Information Return (PA-20S/PA-65) cannot be filed through Fed/State e-File Program.

When amending a PA-20S/PA-65 Information Return that was originally filed through Fed/State e-File, the entity must:

- Obtain the paper form PA-20S/PA-65 Information Return for the year you want to amend. **Do not submit a**

photocopy of your original PA-20S/PA-65 Information Return;

- Complete the amended return including all schedules by entering the corrected information and submit it with the amended PA-20S/PA-65 Schedules RK-1 and/or NRK-1;
- Clearly mark the "Amended Information Return" oval on PA-20S/PA-65 Information Return and the "Amended Schedule" oval on the Schedules RK-1 and/or NRK-1;
- Enter the amended amounts and enclose a statement explaining the reasons an amended return is being filed. Submit only the forms or schedules supporting the amended amounts;
- Provide a copy of the amended PA-20S/PA-65 Schedules RK-1 and/or NRK-1 to the partners, shareholders or members; and
- Enclose a copy of the amended federal Form 1120S or federal Form 1065.

Tax Year Return 2011 and Forward

For tax years 2011 and forward, the department will accept amended PA-20S/PA-65 Information Returns including corresponding forms and schedules filed through Fed/State e-File.

To file a 2011 or later amended return through Fed/State E-File, visit Revenue's e-Services Center at www.doreservices.state.pa.us.

Follow all the steps listed above under "Prior to 2011 Tax Year Return" with exception to the first bullet referencing a paper return.

WHEN TO AMEND THE PA-20S/PA-65 INFORMATION RETURN

Over-Reported Income

If the entity over reported income, failed to claim allowable credits, failed to report allowable deductions, or events transpired that decreased its reportable Pennsylvania-taxable income, including an IRS Report of Change, the entity must file an amended PA-20S/PA-65 Information Return.

The amended return must be filed within three years of the original due date or extended due date of the PA-20S/PA-65 Information Return. The amended PA-20S/PA-65 Schedules

RK-1 and/or NRK-1 must show the corrected Pennsylvania-taxable income, so the shareholders or partners can request refunds of Pennsylvania income tax they overpaid.

In order to obtain any refunds, owners must also file an amended Pennsylvania tax return within three years of the original due date of their return. See [How To Amend a PA-20S/PA-65 Information Return](#).

Under-Reported Income

If the entity under reported income, erroneously claimed credits or deductions to which it was not entitled, or events transpired that increased reportable Pennsylvania-taxable income, including an IRS Report of Change, the entity must file an amended PA-20S/PA-65 Information Return within 30 days from the determination of such increase. The amended PA-20S/PA-65 Schedules RK-1 and/or NRK-1 must show the corrected Pennsylvania-taxable income so the shareholders or partners can pay the tax due.

The entity and owners must also file an amended Pennsylvania tax return within 30 days of the discovery of the error to report any increase in income for taxes due. See [How To Amend a PA-20S/PA-65 Information Return](#).



Important. There is no statute of limitations to file an amended return when reporting additional income. Amended returns cannot be filed in response to a Department of Revenue Assessment; in those cases an appeal must be filed with the Board of Appeals.

WHAT TO FILE

PA S Corporations and Partnerships

Each entity submits with the PA-20S/PA-65 Information Return a complete copy of its federal income tax return including all schedules, statements, federal Schedules K-1, and PA-20S/PA-65 Schedules RK-1 and NRK-1 received from other pass through entities.

With the PA-20S/PA-65 Information Return, the entity must also submit copies of the PA-20S/PA-65 Schedules RK-1 that it provides to resident partners/shareholders (owners) and copies of the PA-20S/PA-65 Schedules NRK-1 that it provides to nonresident owners.



Note. If the PA S corporation or limited liability company has already forwarded a complete copy of its federal return to the Bureau of Corporation Taxes with the RCT-101, PA Corporate Tax Report, do not send another copy.

PA S Corporations and Partnerships as Owners of Another Pass Through Entity

If the shareholder, partner, member (owner) of a PA S corporation, partnership, limited liability company, or a beneficiary of a trust or estate is classified as a pass through entity, the issuing entity must provide the entity owner with both PA-20S/PA-65 Schedules RK-1 and NRK-1 showing the entity owner's share of the income (loss) passed through from the issuing entity in the same class in which the issuing entity distributed the income to its entity owner.

When the entity owner receives a PA-20S/PA-65 Schedule RK-1 and NRK-1, it has the classified income (loss) amount to complete the PA-20S/PA-65 Information Return, Parts I, II and III. The entity owner is required to file both the PA-20S/PA-65 RK-1 and NRK-1 with their PA-20S/PA-65 Information Return.

Example. When a PA S corporation receives income from a partnership, the PA S corporation must file a copy of the PA Schedule RK-1 and NRK-1 it received from the partnership along with the PA-20S/PA-65 Information Return.

Partnerships with C Corporation Partners

Partnerships or limited liability companies classified as partnerships for federal income tax purposes with operations within Pennsylvania that have corporate partners that have not filed the RCT-101, PA Corporate Tax Report for the prior or current tax year or whose partners are all C corporations must file the PA-65 Corp, Directory of Corporate Partners.

If the partners are all C corporations, the partnership:

- Must include a complete copy of federal Form 1065 with the PA-65 Corp, Directory of Corporate Partners; and
- Does not file a PA-20S/PA-65 Information Return.

For additional information, please review the instructions for the PA-65 Corp, Directory of Corporate Partners on the

department's website.

Limited Partnership Filing as Disregarded Entity for Federal Income Tax Purposes

If an eligible entity has two members under local law but one of the members of the eligible entity is, for federal income tax purposes, disregarded as an entity separate from the other member of the eligible entity, then the eligible entity cannot be classified as a partnership. The eligible entity is either disregarded as an entity separate from its owner or an association taxable as a corporation.

Example. A limited partnership (LP A) is owned by a single-member limited liability company (SMLLC) and a limited partnership (LP B). The LP B owns 100 percent of the SMLLC which gives LP B 100 percent control of LP A. The LP B is required to file the PA-20S/PA-65 Information Return and report the income of both LP A and the SMLLC. The SMLLC is required to file the RCT-101, PA Corporate Tax Report.

PA S Corporations and Partnerships Filing on Behalf of their Qualified Electing Nonresident Individual Owners

PA S corporations, partnerships and limited liability companies classified as partnerships and S corporations for federal income tax purposes may file a composite return (PA-40 NRC, Nonresident Consolidated Income Tax Return) on behalf of their qualified nonresident individual owners who elect to be included in the composite filing.

For additional information, please review the instructions for the PA-40 NRC, Nonresident Consolidated Income Tax Return on the department's website.

Individual Owners in a PA S Corporation, Partnership or Limited Liability Company Classified as a Partnership or S Corporation for Federal Income Tax Purposes

Individual owners of an entity must report on the PA-40, Individual Income Tax Return, their share of the income (loss), passed through from the entity in the same class in which the partnership or PA S corporation reported the income to its individual owners, as shown on their PA Schedules RK-1 and/or NRK-1.

Limited Liability Company

Regardless of how a limited liability

company is classified for federal income tax purposes, the limited liability company is subject to capital stock/foreign franchise tax, reported on the RCT-101, PA Corporate Tax Report. A limited liability company that meets the de minimis standards as outlined in Corporation Tax Bulletin 2004-01 may file the RCT-101D, Declaration of de minimis PA Activity, in lieu of the RCT-101, affirming the Pennsylvania activity during that period is de minimis.

Classified as a C Corporation

A limited liability company that elects to file as a C corporation for federal income tax purposes files as a C corporation for Pennsylvania and is subject to Pennsylvania corporate net income tax, reported on the RCT-101, PA Corporate Tax Report. A limited liability company that files as a C corporation with the IRS does not file the PA-20S/PA-65 Information Return.

Classified as an S Corporation

A limited liability company that elects to file as an S corporation for federal income tax purposes and has not elected out of PA Subchapter S status for Pennsylvania by filing form REV-976, Election Not To Be Taxed as A Pennsylvania S Corporation, must file as an S corporation for Pennsylvania using the PA-20S/PA-65 Information Return. The members are subject to personal income tax.

Classified as a Partnership

A limited liability company that elects to file as a partnership for federal income tax purposes files as a partnership for Pennsylvania using the PA-20S/PA-65 Information Return. The members are subject to personal income tax.

CLASSIFIED AS A SINGLE-MEMBER LIMITED LIABILITY COMPANY

1. Income Reported on Federal Tax Return of an Individual

A single-member limited liability company (SMLLC) owned by an individual or a limited liability company jointly owned by a taxpayer and spouse that files as a disregarded entity for federal income tax purposes is an entity separate from its owner for corporation tax purposes and is liable for capital stock/foreign franchise tax but not for Pennsylvania corporate net income tax.

For personal income tax purposes, a single-member limited liability company owned by an individual or a limited liability company jointly owned by a taxpayer and spouse is a disregarded entity. The income of the limited liability company is reported on PA-40 Schedule C, Profit or Loss from Business or Profession, or PA-40 Schedule E, Rent and Royalty Income (Loss), of the member's PA-40, Individual Income Tax Return, and the single-member limited liability company does not file a PA-20S/PA-65 Information Return. Examples include rental property or partnership interest held by a limited liability company.

2. Income Reported on Federal Tax Return of another Business Entity

The income of a single-member limited liability company owned by another entity is reported on the tax return of the member as if earned by the member. The limited liability company is an entity separate from its owner for corporation tax purposes and is liable for capital stock/foreign franchise tax. It is prohibited to combine the activity of the limited liability company with the activity of the member when reporting capital stock/foreign franchise tax.

Qualified Subchapter S Subsidiary and its Parent S Corporation

Pennsylvania personal income tax law does not treat a qualified subchapter S subsidiary (QSSS) owned by a PA S corporation (parent) as a separate corporation for personal income tax.

However for corporation tax, Pennsylvania law does treat a QSSS owned by a PA S corporation as two separate corporations.

Consequently, a QSSS may not have a personal income tax filing obligation but may have a corporation tax filing obligation.

Pennsylvania personal income tax law treats all assets, liabilities and items of income, deduction and credit of a QSSS as assets, liabilities and items of income, deduction and credit of the parent PA S corporation for income tax purposes.

The parent PA S corporation must report the assets, liabilities, and items of income, deduction, and credit of the QSSS on the parent's PA-20S/PA-65 Information Return.

 **Note.** Shareholders receive the income distribution from the parent corporation, not from each QSSS.

The following provisions apply only to a qualified subchapter S subsidiary in Pennsylvania:

- A QSSS cannot elect corporation treatment independent of its parent corporation.

If a QSSS and/or parent of a QSSS does not desire to be taxed as a PA S corporation, the parent must file REV-976, Election Not to be Taxed as a Pennsylvania S Corporation, for itself and all QSSS(s). The parent corporation submits a schedule with the election identifying the name, address, the PA S corporation's Revenue ID and federal employer identification number (FEIN) of each QSSS owned by the corporation and doing business in Pennsylvania.

- The parent corporation is not required to register with the Department of State if its only activity in Pennsylvania is its investment in the QSSS that is registered in Pennsylvania. Therefore, the parent corporation is not required to file the RCT-101, PA Corporate Tax Report. If the QSSS is not registered, then either the parent or the QSSS must register.

Additionally, the parent is required to file a PA-20S/PA-65 Information Return and list the QSSS(s) on Part IX and include all of the QSSS' items of income, deduction and credit on the return. There is no ownership percentage for the QSSS because it is a division of the parent company.

Since the QSSS is a division of the parent company, the QSSS is not included on the Partner/Member/Shareholder Directory. Only the owners of the parent company are listed on the directory.

- For Pennsylvania corporation tax purposes (capital stock and foreign franchise tax), the parent corporation and each QSSS is a separate entity with its own Revenue ID.

Each entity must file an RCT-101, PA Corporate Tax Report, on a separate company basis. Each entity submits with its RCT-101, PA Corporate Tax Report, an individual in-

come statement, beginning and ending balance sheet and statement of retained earnings (or a pro-forma federal Form 1120S).

- If the parent corporation must file the RCT-101, PA Corporate Tax Report, the parent must also submit a consolidated beginning and ending balance sheet that includes all foreign and domestic QSSS(s). Please refer to REV-1200, CT-1 PA Corporation Tax Booklet on the department's website for additional guidelines.

 **TIP** The parent PA S corporation may also file the PA-40 Non-resident Consolidated Income Tax Return (NRC) for its nonresident owners if they meet the parameters. See the PA-40 NRC instructions on the department's website.

ASSEMBLING THE PA-20S/PA-65 S CORPORATION/PARTNERSHIP INFORMATION RETURN

Assemble the PA-20S/PA-65 Information Return, forms and schedules in the following order:

- Signed original PA-20S/PA-65 Information Return (Pages 1 through 3). Do not mail a photocopy;
- PA Schedule P-S KOZ – attach behind the information return;
- PA-20S/PA-65 Partner/Member Shareholder Directory;
- PA-20S/PA-65 Schedule D-I, D-II, D-III and D-IV;
- PA-20S/PA-65 Schedule E;
- PA-20A/PA-65 Schedules RK-1 that the entity provides to resident owners;
- PA-20S/PA-65 Schedules NRK-1 that the entity provides to nonresident owners;
- PA-20S/PA-65 Schedule M;
- PA-20S/PA-65 Schedule OC and the required supporting documents for claiming any of the business credits allowed by Pennsylvania law;
- PA-20S/PA-65 Schedule A;
- PA-20S/PA-65 Schedule B;
- PA-20S/PA-65 Schedule H;

- PA-20S/PA-65 Schedule H-Corp;
- PA-20S/PA-65 Schedule NW;
- PA-20S/PA-65 Schedule J;
- PA-20S/PA-65 Schedule T;
- PA-20S/PA-65 Schedule I;
- All other required supporting and supplemental documentation, including a copy of the federal extension;
- A complete copy of the corresponding federal tax return, including all schedules, statements and federal Schedules K-1. If the entity is a PA S corporation or limited liability company and has already forwarded a complete copy of its federal return to the Bureau of Corporation Taxes with the RCT-101, PA Corporate Tax Report, do not send another copy.

 **TIP** Assemble documents in the order above.

- Do not staple documents.
- On all additional statements you include with your return, please include the entity's name, FEIN, tax year and brief line reference to PA-20S/PA-65 Information Return or PA-20S/PA-65 Schedules.
- Do not include federal returns or federal Schedules K-1 in CD format. The PA-20S/PA-65 Information Return will be considered incomplete if the federal information is not included in the paper form with the paper return unless the entity is a PA S corporation or limited liability company and included a complete copy of its federal return with the RCT-101, PA Corporate Tax Report.

 **Important.** Do not create a substitute PA-20S/PA-65 Information Return that has not been approved by the department. A spreadsheet is an unapproved and unacceptable tax form. Unapproved tax forms filed with the department may be rejected and returned to the taxpayer or tax return preparer. This may result in an assessment of interest and penalty.

If you are filing any tax form other than an official tax form, please review Miscellaneous Tax Bulletin 2008-02 on the department's website.

ESTIMATED QUARTERLY TAX PAYMENTS AND WITHHOLDING

Estimated Quarterly Tax Payments for Resident Owners

Individual resident partners and shareholders (owners) are subject to the estimated quarterly tax provisions under the Pennsylvania Income Tax Act.

Resident owners must file declarations and make quarterly estimated Pennsylvania tax payments if they reasonably expect income, other than compensation on which Pennsylvania tax is withheld, to exceed \$8,000.

The individual owners use REV-414I, Individuals Worksheet, and REV-413I, Instructions for Estimating PA Personal Income Tax (For Individuals Only), to determine the proper amount of estimated tax payments.

Estimated Quarterly Withholding Payments for Nonresident Owners

Under Act 22 of 1991, entities must withhold and pay quarterly Pennsylvania personal income tax for nonresident partners and shareholders (owners) that are individuals, estates or trusts.

This quarterly withholding tax payment is based on each nonresident owner's expected share of distributable Pennsylvania-source taxable income.

When there has been a change in an accounting period that requires filing of a short-year return, the tax is calculated on an annualized basis. See [Short-Year Return](#).

The entity must indicate the amount of Pennsylvania personal income tax it withheld for each nonresident on the PA-20S/PA-65 Schedule NRK-1 and provide the PA-20S/PA-65 Schedule NRK-1 to each nonresident owner.

The entity uses REV-414 P/S, Partnerships and PA S Corporations Withholding Tax Worksheet, and REV-413 P/S, Instructions for Withholding PA Personal Income Tax from Nonresident Owners by Partnerships and PA S Corporations, to determine the proper amount of withholding.

Partnerships or PA S corporations filing a nonresident quarterly withholding tax return for the first time should use PA-40ESR (F/C), Declaration of Estimated Tax or Estimated Withholding Tax for Fiduciaries and Partnerships. Thereafter, the department will provide preprinted forms PA-40ES (P/S).

The partnership or PA S corporation makes the initial quarterly tax withholding payment and all future quarterly tax withholding payments under the federal employer identification number, name and address of the entity.

⚠ Important. An entity cannot withhold Pennsylvania personal income tax on another entity or a Pennsylvania resident individual, and should not withhold Pennsylvania personal income tax on income from intangibles such as interest, dividends or sale of stock.

📌 TIP If the entity did not make any or sufficient estimated quarterly withholding tax payments for its nonresident owners, a final payment or catch-up payment can be made with the filing of the PA-20S/PA-65 Information Return or PA-40 NRC, Nonresident Consolidated Income Tax Return. Failure to remit withholding payments for all nonresident owners on a quarterly basis will result in the imposition of interest, penalty and underpayment penalty. See [Final Payment of Nonresident Withholding Tax](#) for how and where to send the final nonresident withholding tax payment with the PA-20S/PA-65 Information Return.

Please review the instructions on the department's website for the PA-40 NRC, Nonresident Consolidated Income Tax Return, for how and where to send the final nonresident withholding tax payment with the PA-40 NRC, Nonresident Consolidated Income Tax Return.

Be sure to review the electronic option. See [Fed/State Electronic Filing Option for Estimated Nonresident Individual Withholding Payments](#).

Overpayment/Adjustment of Withholding Tax for Nonresident Owners

The PA-20S/PA-65 PA S Corporation/Partnership Information Return is for information purposes only.

It is not a return where you can indicate a refund or carry-forward credit. Payments submitted to this account are for nonresident tax withholding only and are held for transfer to the partner,

member or shareholder (owner) as indicated on their individual tax returns. The department will not make the assumption that the entity paid more than was needed.

Under Act 22 of 1991, entities must withhold quarterly Pennsylvania personal income tax from nonresident partners and shareholders (owners) that are individuals, estates or trusts. This withholding tax is based on each nonresident owner's expected share of distributable Pennsylvania-source taxable income. The partnership, PA S corporation or limited liability company classified as a partnership or PA S corporation is required to remit the withholding tax to the department on a quarterly basis.

If the entity overpaid the nonresident withholding tax, the entity should pass through the total nonresident owners' withholding tax payment (including the overpayment) as PA Nonresident Tax Withheld on Line 6 of their PA Schedule NRK-1. The owners can then include Line 6 amount as a tax payment on their respective PA-40, Pennsylvania Income Tax Return, on Page 2, Line 17, Nonresident Tax Withheld from your PA Schedule(s) NRK-1.

If the entity did not pass through the overpayment of nonresident tax withholding to its nonresident owners on PA Schedule NRK-1, and if the entity wants a refund or to carry forward to the next tax year the entire amount of tax withheld or the excess over the withholding passed through to the nonresident owners that are individuals, estates or trusts (providing the entity did not file a PA-40 Nonresident Consolidated Income Tax Return), the entity must submit a written request to:

PA DEPARTMENT OF REVENUE
BUREAU OF INDIVIDUAL TAXES
NONRESIDENT WITHHOLDING TAX
REFUND
PO BOX 280600
HARRISBURG PA 17128-0600

The request must be on company letterhead and include the entity's name, federal employer identification number, tax year, Social Security number(s) of the owner(s), amount of nonresident withholding paid, amount of nonresident withholding tax liability, the requested refund amount and/or carry-forward to the next tax year of nonresident withholding and reason for the request.

WHEN TO FILE

File the PA-20S/PA-65 Information Return for the current calendar year or the fiscal year that begins in the current tax year and ends in the next tax year. Use the current tax year return for a tax year of less than 12 months that begins and ends in the current tax year.

For a calendar-year filer, file the current tax year PA-20S/PA-65 Information Return and PA-20S/PA-65 Schedules RK-1 and NRK-1 on or before April 15, 2015, including an extension date of Sept. 15, 2015.

For a fiscal-year filer, file the current tax year PA-20S/PA-65 Information Return and PA-20S/PA-65 Schedules RK-1 and NRK-1 on or before the 15th day of the fourth month following the close of the fiscal year including an extension date of five months after the original due date.

If the entity cannot file by the original due date, request an extension of time to file. See [Extension of Time To File](#).

If the entity does not file its return by the original due date or extended due date and does not pay the tax due by the original due date, the department imposes late filing and underpayment penalties.

Tax Years

Pennsylvania follows the same tax year as federal rules.

Calendar-Year Entity

An entity that files on a calendar year basis reports all taxable income recognized between Jan. 1 and Dec. 31. See [When To File](#).

Fiscal-Year Entity

A fiscal year is a period of 12 consecutive months without regard to the calendar year. The fiscal year is designated by the calendar year in which it begins. A fiscal-year entity reports all taxable income recognized during the fiscal year. See [When To File](#).

An entity may use a 52/53 week taxable year if it keeps its books on that basis.

Changing From a Fiscal-Year Entity to a Calendar-Year Entity

To change from a fiscal-year filer to a calendar-year filer, the entity files a short-year return. See [Short-Year Return](#). The entity then files the next calendar

year on or before April 15, 2015, including an extension date of Sept. 15, 2015.

The entity is also required to submit a copy of its federal election Form 1128, Application to Adopt, Change or Retain a Tax Year, with both the short-year return and the calendar-year return.

Short-Year Return

A short year is an accounting period shorter than one year and not a 52/53 week taxable year.

A short-year return is required for the following reasons:

- Changes in the annual accounting period. For example, the entity changes from a fiscal-year filer to a calendar-year filer; or
- An entity is in existence during only part of the tax year. For example, if the year is the initial year or final year for all entities; or, if the partnership or an entity formed as a limited liability company classified as a partnership for federal income tax purposes sells or exchanges 50 percent or more of ownership interest (technical termination).



Note. When there has been a change in an accounting period that requires filing of a short-year return, the nonresident withholding tax is calculated on an annualized basis.

How To File a Short-Year Return

If the entity is required to file a short-year return, the entity must use the most recent PA-20S/PA-65 Information Return, schedules and forms on the department's website.

If the tax year on the forms is not the current tax year and/or the tax year for which the entity is filing, then the entity must cross out and write the correct tax year for which it is filing a short-year return.



If the entity is a calendar-year filer and files a short-year return, do not fill in the fiscal-year oval. A short-year return is not a fiscal-year return.

Technical Termination

A technical termination occurs when there is a sale or exchange of 50 percent or more of the total interest in the partnership capital and profits within a 12-month period and the taxable year of the partnership closes.

The terminating partnership is required to file a short-year PA-20S/PA-65 Information Return for the taxable year ending with and including the date of its termination.

The new partnership is required to file a PA-20S/PA-65 Information Return for its taxable year beginning after the date of termination of the terminated partnership. The new partnership retains the employer identification number of the terminated partnership and its Revenue ID if it is a limited liability company.

When the new partnership files its PA-20S/PA-65 Information Return, it is required to list on the Partner/Member/Shareholder Directory all partners/members/shareholders (owners) involved with the entity within the tax year or in this case, short year.

EXTENSION OF TIME TO FILE

If the entity cannot file the PA-20S/PA-65 Information Return on or before the original return due date, the entity can use REV-276, Application for Extension of Time to File, to file for a five-month extension. Beginning with tax year 2014 and the 2015 filing season, the department will accept REV-276 Application for Extension of Time to File the PA20S/PA65. Information Return through the MeF Fed/State e-file program. See [How to Obtain an Extension of Time to File](#).

The department will not grant an extension for more than five months, except for taxpayers outside the U.S.

An extension of time to file does not extend the payment deadline. Pay in full the amount reasonably estimated as the entity's Pennsylvania tax due on or before the original return due date.

How To Obtain an Extension of Time to File

Follow one of these procedures when applying for an extension of time to file:

1. If the entity owes catch-up nonresident withholding tax with the PA-20S/PA-65 Information Return, the entity must pay by check with a timely filed REV-276, Application for Extension of Time to File, on or before the original return due date. The return due date is usually April 15 for calendar-year filers and the 15th day of the fourth month following

the close of the fiscal year for fiscal-year filers. The department will not send a letter granting the extension but it will write if there is a question concerning the request.

2. If the entity has an extension of time to file federal Form 1065 or federal Form 1120S and does not owe Pennsylvania nonresident withholding tax on the PA-20S/PA-65 Information Return, the department will automatically grant the entity a five-month extension of time to file the PA-20S/PA-65 Information Return. The entity is not required to submit REV-276 or federal Form 7004 before the original return due date. However, federal Form 7004 must be submitted with the filing of the PA-20S/PA-65 Information Return.
3. If a PA S corporation or limited liability company has an extension of time to file the RCT-101, PA Corporate Tax Report, the department will automatically grant a five-month extension of time to file the PA-20S/PA-65 Information Return. The entity is not required to submit REV-276 or federal Form 7004 before the original return due date. However, federal Form 7004 must be submitted with the filing of the PA-20S/PA-65 Information Return.
4. If the entity does not have an extension to file federal Form 1065 or federal Form 1120S and/or the RCT-101, request an extension on REV-276, and file it in sufficient time for the department to consider and act upon it prior to the original return due date. The REV-276 can be filed electronically through the MeF Fed/State program.

 **Caution.** An extension of time to file the PA-20S/PA-65 Information Return by filing REV-276, Application for Extension of Time to File, does not extend the filing deadline for the RCT-101, PA Corporate Tax Report. A PA S corporation or limited liability company must obtain a separate extension of time to file the RCT-101, PA Corporate Tax Report.

A five-month extension of time to file requires PA Schedules RK-1 and NRK-1 to be filed one month earlier and allows owners time to prepare and file their personal income tax returns within the normal six-month time period for individuals.

Qualifying for the Extension

When an entity requests an extension of time to file, it does not extend the filing time for its owners. Each owner must individually obtain an extension of time to file the PA-40, Individual Income Tax Return, PA-41, Fiduciary Income Tax Return, or PA-40NRC, Non-Resident Consolidated Tax Return.

An extension of time to file a PA-20S/PA-65 Information Return does not extend the time for full payment of the catch-up nonresident withholding tax, nor does it preclude an assessment of interest and penalty for late payment and underpayment of tax due.

To get the extra time to file you must:

1. Properly estimate the current year nonresident withholding tax liability using the information available to you.
2. Enter the tax liability on REV-276.
3. File REV-276 by the original due date of the return along with a check or money order for the current year tax liability.

File a Paper REV-276

REV-276 can only be filed in paper form and cannot be filed electronically. If the entity electronically filed the PA-20S/PA-65 Information Return and did not file REV-276 in paper form and requested an extension for the federal return, include a copy of federal Form 7004 with the PA-20S/PA-65 Information Return as a PDF attachment.

Mail REV-276 To:

PA DEPARTMENT OF REVENUE
BUREAU OF INDIVIDUAL TAXES
PO BOX 280504
HARRISBURG PA 17128-0504

How to File the PA-20S/PA-65 Information Return with an Extension

When filing a PA-20S/PA-65 Information Return for which an extension was requested, the entity must:

- Fill in the "Extension Requested" oval at the top of the PA-20S/PA-65 Information Return;
- Submit a copy of federal Form 7004 with the PA-20S/PA-65 Information Return if the entity did not file REV-276, Application for Extension of Time to File.
- Submit a statement with the federal confirmation number received if the entity electronically filed a federal

extension and did not file REV-276;

- List the extension payment amount on the statement and be sure to include the total nonresident withholding payments on PA-20S/PA-65 Schedule NW, Line B.

 **Note.** Do not submit REV-276, Application for Extension of Time to File, with the PA-20S/PA-65 Information Return.

Extension Due Dates

See [When To File](#).

WHERE TO FILE

The entity must submit the PA-20S/PA-65 Information Return, the PA-20S/PA-65 supporting schedules and the PA-20S/PA-65 Schedules RK-1 and/or NRK-1, and if applicable, the final withholding payment or "catch-up" payment.

If the entity did not forward a complete copy of federal Form 1065 or 1120S including the federal Schedules K-1 to the Bureau of Corporation Taxes with the RCT-101, PA Corporate Tax Report, it must submit a complete copy of federal Form 1065 or 1120S, with the federal Form 1065 or 1120S Schedules K-1.

Where the entity should mail the PA-20S/PA-65 Information Return depends whether there is a final withholding payment or "catch-up" payment. Choose the appropriate mailing address:

Without Payment:

PA DEPARTMENT OF REVENUE
BUREAU OF INDIVIDUAL TAXES
PO BOX 280509
HARRISBURG PA 17128-0509

With Payment:

PA DEPARTMENT OF REVENUE
BUREAU OF INDIVIDUAL TAXES
PO BOX 280502
HARRISBURG PA 17128-0502

See [Final Payment of Nonresident Withholding Tax](#) for how and where to send the final nonresident withholding tax payment.

 **Important.** Do not mail the PA-20S/PA-65 Information Return with the RCT-101, PA Corporate Tax Report.

HOW TO PAY

Final Payment of Nonresident Withholding Tax

Payment by Check

If your tax preparation software prints a Nonresident Withholding Voucher facsimile approved by the Department of Revenue, that voucher may be used when no preprinted voucher (PA-40ES (P/S)) is available. Mail the voucher and check to the department. See [Where to File](#).

In the event the entity does not have a preprinted voucher and your software is unable to produce a department-approved facsimile, make the check or money order payable to PA Dept. of Revenue. Write the entity's federal employer identification (FEIN) and 2014 Final Nonresident Withholding on the check or money order. The department will need the entity's FEIN to accurately apply the payment. See [Where to File](#).

Do not staple the check or money order to the return.

Electronic Payment

See [Fed/State Electronic Filing Option For Estimated Nonresident Individual Quarterly Withholding Payments](#).

 **Important.** The nonresident individual quarterly withholding tax payment may not be submitted through Electronic Funds Transfer (EFT), credit/debit cards or e-TIDES.

Mailing Address for Final Withholding Payment

See [Where To File](#).

RECORDKEEPING

An entity must retain all books and records for at least seven years. All amounts reported on the PA-20S/PA-65 Information Return, schedules and forms are subject to verification and audit by the department.

Information that substantiates the calculation of basis for an entity or individual, in any investment (partnership, S corporation, stocks, bonds, real estate, etc.), must be retained indefinitely or for at least four years after the investment is sold.

Information that substantiates the calculation of basis in an investment shall include but not be limited to broker statements, Pennsylvania and other

states' income tax returns, PA-20S/PA-65 Schedules RK-1, closing statements, etc.

COMPLETING PA-20S/PA-65 INFORMATION RETURN

Foreign Address Standards

If the entity is located outside the U.S., it is important to write the foreign address on the PA-20S/PA-65 Information Return, according to U.S. Postal Service standards.

Failure to use these standards may delay processing or correspondence necessary to complete the processing of the return.

To comply with foreign address standards, use the following rules when completing the address portion of the PA-20S/PA-65 Information Return.

- Eliminate apostrophes, commas, periods and hyphens. Write the address in all uppercase letters. Addresses should have no more than five lines and must be written in ink or typewritten. Pencil is unacceptable.
- Write the name of the entity in the spaces provided. Mail may not be addressed to a person in one country "in care of" a person in another country. The address of items sent to general delivery must indicate the addressee's full legal name.
- Write the address in the space provided, including street and building name and number, apartment or suite numbers, city name and city or provincial codes. All lines of the delivery address should appear in all capital letters. The house number and street address or box number must appear when mail is addressed to towns or cities.
- Write only the name of the country in the space provided for the city or post office.
- **Do not** include any entries in the state field other than "OC" for Out-of-Country. The ZIP Code spaces should remain blank on the PA-20S/PA-65. Information Return. Providing the address in this format will better ensure that the department is able to contact the entity if we need additional information.

Below are two examples of properly completed foreign addresses.

Foreign Address Examples

Name: DIETRICH ENTERPRISES
Address 1: HARTMANNSTRASSE 7
Address 2: 5300 BONN 1
City: FEDERAL REPUBLIC OF GERMANY
State: OC
ZIP Code: Leave Blank

OR

Name: DIETRICH ENTERPRISES
Address 1: 117 RUSSELL DR
Address 2: LONDON W1PGHQ
City: ENGLAND
State: OC
ZIP Code: Leave Blank

Canada (Only) Address Example

The following address format may be used when the postal address delivery zone number is included in the address:

Name: NORTH BY NORTHWEST CO
Address 1: 1010 CLEAR ST
Address 2: OTTAWA ONT K1A OB1
City: CANADA
State: OC
ZIP Code: Leave Blank

If the entity's address does not fit in the available spaces on the PA-20S/PA-65 Information Return using this format, please include a separate statement with the return showing the complete address.

 **Note.** For a Canadian address, two spaces must exist between the province abbreviation and the postal code. Please review the example where "ONT" (province abbreviation) and "K1A OBI (postal code) are separated by two spaces in the address format.

PAGE 1

Filing Status

Fill in the oval for a PA S corporation (PA-20S) or partnership (PA-65).

P-S KOZ

Fill in the oval if approved for the Keystone Opportunity Zone and include a PA Schedule P-S KOZ - Keystone Opportunity.

TAX IDENTIFICATION NUMBERS

Federal Employer Identification Number (FEIN)

Enter the entity's nine-digit federal employer identification number.

REVENUE ID

S Corporations/Limited Liability Companies

Enter the Revenue ID of the PA S corporation or limited liability company.

 **Caution.** Do not use the tax number assigned by the Department of State.

As the department continues to transition to an integrated tax system, 10-digit Revenue ID numbers are being assigned and communicated to taxpayers. A corporation's seven-digit PA Tax Account ID will still be accepted by the department on tax forms and schedules. Upon assignment of a 10-digit Revenue ID, taxpayers should start using this number.

The department will begin using the 10-digit Revenue ID on outbound correspondence in lieu of referencing the seven-digit Tax Account ID.

Partnerships

A partnership is not a corporate entity and would not have a seven-digit PA Tax Account ID or 10-digit Revenue ID unless it is an entity formed as a limited liability company that is classified as a partnership. Additionally partnerships remitting CNI Tax will also be assigned a 10-digit Revenue ID.

If the taxpayer is such an entity, it must register with the Department of State for a certificate of authority. Once the limited liability company is registered with the Department of State, business information is shared with the Department of Revenue so Revenue can assign a Revenue ID.

 **Note.** Partnerships that are not LLCs will not be assigned 10-digit Revenue IDs. Only S corporations and limited liability companies will be issued 10-digit Revenue ID numbers. However partnerships remitting CNI Tax will also be assigned a 10-digit Revenue ID.

North American Industry Classification System (NAICS) Code

Provide your six-digit federal NAICS code identified on Page 1 of your federal Form 1120S or 1065. If this number changed from the previous year, fill in the NAICS oval.

Business Name

Enter the complete name of the entity or business.

First Line of Address

Enter the street address. If the address has an apartment number, suite or RR number, enter after the street address. Eliminate all punctuation such as apostrophes, commas, periods and hyphens.

 **Note.** If the street address along with the apartment number, suite or RR number does not fit on the first line of address, then enter the street address on the second line of address and the apartment number, suite or RR number on the first line of address.

The U.S. Postal Service preference is to put the actual delivery address on the line immediately above the city, state and ZIP code.

Second Line of Address

Enter the post office box, if applicable. If there is no post office box, leave the second line of address blank. Eliminate all punctuation such as apostrophes, commas, periods and hyphens.

For a foreign address, enter the city or municipal designation. See [Foreign Address Examples](#).

For a Canadian address, enter the city and postal delivery zone number. See [Canada \(Only\) Address Example](#).

 **Important.** If the address has only a post office box, enter on the first line of address.

City or Post Office, State and ZIP Code

Enter the appropriate information in each box. Eliminate all punctuation such as apostrophes, commas, periods and hyphens.

For Canadian and foreign addresses, the bottom line of the address should show only the country name, written in full (no abbreviations) and in capital letters. See [Foreign Address Example](#) and [Canada \(Only\) Address Example](#).

FILL IN THE APPLICABLE OVALS

Method of Accounting

Indicate whether the entity uses the accrual, cash or other method of accounting. If other, please identify your method of accounting on a supplemental statement.

Income is calculated under the method of accounting on which the entity regularly calculates income in keeping its books. If the department determines that no method has been regularly used or the method used does not clearly reflect income, the calculation of income shall be made under a method that clearly reflects income in the opinion of the department.

 **Important.** If the entity changes its method of accounting, it must submit a copy of its federal Form 3115, Application for Change in Accounting Method, with its PA-20S/PA-65 Information Return.

Extension Requested

Fill in the oval if the entity requested an extension of time to file the PA-20S/PA-65 Information Return. If the entity did not file REV-276, Application for Extension of Time to File, submit a copy of federal Form 7004, Application for Automatic Extension of Time to File Certain Business Income Tax, Information, and Other Returns with the PA-20S/PA-65 Information Return. See [Extension of Time To File](#).

Initial Year

If the entity is in the first year of operations, fill in the oval.

Fiscal Year

A fiscal year is a 12-month accounting period, other than a calendar year, ending on the last day of a particular month, for example July 1 to June 30 of the following year.

The entity must use its federal taxable year for Pennsylvania purposes.

If the entity does not file on a calendar-year basis, fill in the fiscal-year oval. Enter the month, day and year (MMDDYY) when the fiscal year begins and ends.

Note. A fiscal year includes anything other than a calendar year.

TIP Do not fill in the fiscal-year oval for a calendar-year filer whose initial year does not begin 01/01/20XX or for a calendar-year filer whose final return does not end 12/31/20XX.

If the entity is a calendar-year filer and files a short-year return, do not fill in the fiscal-year oval.

Short Year

Fill in the short-year oval if the entity is filing a short-year return. Enter the month, day and year (MMDDYY) when the short year begins and ends.

For more information about short-year returns, refer to [Short-Year Return](#).

Final Return

Fill in the oval if the PA S corporation or partnership went out of business during its taxable year.

FEIN/Name/Address Change

Fill in the oval if the FEIN, name or address on the PA-20S/PA-65 Information Return differs from the last filed return.

Amended Information Return

Fill in the oval if amending the PA-20S/PA-65 Information Return. The entity must also provide amended PA-20S/PA-65 Schedules RK-1 and NRK-1 to its owners.

For more information on amended returns, see [How To Amend PA-20S/PA-65 Information Return](#).

Date Activity Began In Pennsylvania

The entity must include the date activity began in Pennsylvania.

If the entity is only filing the PA-20S/PA-65 Information Return because it has a Pennsylvania resident shareholder or partner and has no Pennsylvania-source income, then the date activity began in Pennsylvania would be the date the shareholder or partner moved to Pennsylvania or the date a partnership or S corporation had a resident partner or shareholder invest in the entity.

LINE INSTRUCTIONS

PAGE 1 - PART I

Total Taxable Business Income (Loss) from Operations Everywhere

In Part I, report the entity's income (loss) from all business operations from all sources within and from outside Pennsylvania.

LINE 1a

Taxable Business Income (Loss) from Operations Everywhere

Enter the calculation from PA-20S/PA-65 Schedule M for the total amount of taxable income (loss) from its own separate operation of a business, profession or farm from the books and records of the entity.

This is the entity's total business income (loss) from all of its operations everywhere. Do not include income (loss) received as an owner from other entities providing PA-20S/PA-65 Schedules RK-1 or federal Schedules K-1 on Line 1a. Report only the income (loss) from an entity's own operations from all locations inside Pennsylvania and outside Pennsylvania. If a negative amount, fill in the "loss" oval.

LINE 1b

Share of Business Income (Loss) from All Other Entities

Enter the share of net profit (loss) that the entity receives as a partner or shareholder (owner). Also complete the PA-20S/PA-65 Information Return, Part IX on Page 3. If a negative amount, fill in the "loss" oval.

If the entity completing the PA-20S/PA-65 Information Return received a PA-20S/PA-65 Schedule RK-1 from another entity in which it is a shareholder or partner (owner), this PA-20S/PA-65 Schedule RK-1 already has the classified income (loss) amount for completing PA-20S/PA-65 Information Return.

On Line 1b, enter the business income (loss) received as an owner from all other entities reported on the PA-20S/PA-65 Schedules RK-1, Line 1.

LINE 1c

Total Income (Loss)

Add Line 1a and Line 1b. Include losses when determining Line 1c. If Line 1c is a negative, fill in the "loss" oval.

LINE 1d

Previously Disallowed Corporate Net Income (CNI) Deductions PA S Corporations Only

Enter the total amount of previously disallowed corporate net income deductions on this line.

The department allows any deduction that it disallowed when the corporation was subject to Pennsylvania corporate net income tax as an additional deduction while the corporation is in a PA S corporation status, except a net loss carry forward deduction.

Pennsylvania limits the additional deduction to the same extent and in the same manner that the additional deduction would have been allowed had the corporation remained subject to Pennsylvania corporate net income tax.

Any previously disallowed Pennsylvania corporate net income deduction shall be separately determined and must be taken against net profits from a business, profession or farm. Resident shareholders are allowed the full amount of any previously disallowed Pennsylvania corporate net income deduction.

Nonresident shareholders are allowed only a previously disallowed Pennsylvania corporate net income deduction to the extent that the deduction would have been considered a deduction against income from sources within Pennsylvania in the year disallowed.

Submit a separate statement for each deduction indicating the basis for each claimed deduction and the year in which the deduction was disallowed. Use the earliest previously disallowed Pennsylvania corporate net income deduction first.

Disallowed Accelerated Depreciation on Tax Preference Items

Pennsylvania allows accelerated depreciation of tax preference items that were disallowed when the corporation was subject to Pennsylvania corporate net income tax as an additional deduction, to the extent and amount allowed had the corporation remained subject

to Pennsylvania corporate net income tax. For further information, refer to the department's regulations in 61 Pa. Code §153.14.

LINE 1e

Total Adjusted Business Income (Loss)

Subtract Line 1d from Line 1c. Include losses when determining Line 1e. If a negative amount, fill in the "loss" oval.

PAGE 1 - PART II

Apportioned/Allocated PA-Taxable Business Income (Loss)

In Part II, an entity that has business operations within and outside Pennsylvania must allocate or apportion its income (loss), costs, expenses and liabilities if it has an owner that is:

- A nonresident individual;
- A resident or nonresident estate or trust;
- A PA S corporation; or
- A partnership

 **Note.** If the entity's operations are entirely within Pennsylvania, the amounts in Part I will be the same as the amounts in Part II, PA Source Column. Part II, Outside PA Column, will have all zero amounts.

When an entity operates a business that is neither wholly within nor wholly outside Pennsylvania and is required to allocate or apportion its income (loss), it allocates by separate accounting if both of the following conditions are met:

- The business operations within Pennsylvania and the business operations outside Pennsylvania constitute independent profit centers. This means 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 retains its books so that the amounts of revenues, costs, and expenses attributable to

Pennsylvania operations can be properly disclosed.

For more information on the apportionment and allocation of income from a business carried on partly within and partly outside Pennsylvania, refer to 61 Pa. Code §109.5.

If the entity must apportion income, submit a completed PA-20S/PA-65 Schedule H, Apportioning Income from a Business, Profession or Farm derived from sources both within and outside Pennsylvania. Please review the PA-20S/PA-65 Schedule H instructions on the department's website.

 **Note.** For reporting income (loss) from another entity on Lines 1b, 2b and 2f, the Pennsylvania entity needs both a PA-20S/PA-65 Schedule RK-1 and NRK-1 so it can pass through Pennsylvania-source amounts and amounts from sources outside Pennsylvania to its owners.

If the other entity is not a PA S corporation, partnership or entity formed as a limited liability company that is classified as a partnership or S corporation for federal income tax purposes, a supplemental statement must be provided by the other entity that shows Pennsylvania-source amounts in the same class in which the other entity received the income.

LINE 2a

Net Business Income (Loss) Outside PA Column

Subtract Line 2e in Part II from Line 1a in Part I. Enter the difference. If a negative amount, fill in the "loss" oval.

LINE 2b

Share of Business Income (Loss) from Other Entities

Outside PA Column

Subtract Line 2f in Part II from Line 1b in Part I. Enter the difference. If a negative amount, fill in the "loss" oval.

If the entity completing the PA-20S/PA-65 Information Return received a PA-20S/PA-65 Schedule RK-1 and/or NRK-1 from another entity in which it is an owner, it already has the classified

income (loss) amount for completing the PA-20S/PA-65 Information Return.

If the entity completing this PA-20S/PA-65 Information Return received a federal Schedule K-1 from another entity, in which it is an owner, it should request a PA-20S/PA-65 Schedule RK-1 and/or NRK-1 from the entity because the federal Schedule K-1 does not classify income for Pennsylvania personal income tax purposes.

LINE 2c

Previously Disallowed PA-Source Corporate Net Income Deductions

Outside PA Column

PA S Corporations Only

Subtract Line 2g in Part II from Line 1d in Part I. Enter the difference.

LINE 2d

Calculate Adjusted/ Apportioned Net Business Income (Loss)

Outside PA Column

Add Line 2a and Line 2b and then subtract Line 2c. Enter the difference. Include losses when determining Line 2d. If a negative amount, fill in the "loss" oval.

LINE 2e

Net Business Income (Loss)

PA-Source Column

If the entity has operations inside and outside of Pennsylvania, enter the apportioned income (loss) from PA-20S/PA-65 Schedule H, Line 7. If the entity only has operations inside Pennsylvania, enter the allocated income (loss) from its PA-20S/PA-65 Schedule M, Part B, Section G, Line 1. If a negative amount, fill in the "loss" oval.

LINE 2f

Share of Business Income (Loss) from Other Entities

PA-Source Column

Enter the sum of Line 1 of all the PA-20S/PA-65 Schedules NRK-1 received. If a negative amount, fill in the "loss" oval.

If the entity completing the PA-20S/PA-65 Information Return received a PA-20S/PA-65 Schedule NRK-1 from another entity in which it is an owner, this PA-20S/PA-65 Schedule NRK-1 already has

the classified income (loss) amount for completing PA-20S/PA-65 Information Return.

If the entity completing the PA-20S/PA-65 Information Return received a federal Schedule K-1 from another entity in which it is an owner, it should request a PA-20S/PA-65 Schedule RK-1 and/or NRK-1 from the entity because the federal Schedule K-1 does not classify income for Pennsylvania personal income tax purposes.

LINE 2g

Previously Disallowed PA-Source Corporate Net Income Deductions

PA-Source Column PA S Corporations Only

Multiply Line 1d by the applicable apportionment figure(s) from the RCT-101, PA Corporate Tax Report, for the year(s) in which the deduction was disallowed.

The corporation's corporate net income three-factor apportionment decimal for the year in which the deduction was disallowed may be used. Enter the result.

LINE 2h

Calculate Adjusted/Appportioned Net Business Income (Loss) PA-Source Column

Add Line 2e and Line 2f and then subtract Line 2g. Include losses when determining Line 2h. If a negative amount, fill in the "loss" oval.

PAGE 1 - PART III

Allocated Other PA PIT Income (Loss)

In Part III, the entity must allocate all other income (loss) to Pennsylvania source and outside Pennsylvania. If all owners are full-year nonresident individuals, zero amounts must be shown in Part III on Lines 3 and 4.

LINE 3

Interest Income from PA Schedule A

PA-Source

Enter the amount from PA-20S/PA-65 Schedule A, Line 8. This is the total amount of interest income earned by the entity.

The entity must report on Line 3 any

amount it received for the use of its money that it does not include in another income class. Do not report on Line 3 interest from obligations that are statutorily free from Pennsylvania tax.

TIP Include in Line 1a, not Line 3, interest from assets to generate working capital and interest used in operating commercial activities (generally from current assets) when determining net profit (loss).

LINE 4

Dividend Income from PA Schedule B

PA-Source

Enter the amount from PA-20S/PA-65 Schedule B, Line 9.

Dividend income is any distribution to the entity of cash or property from the accumulated earnings and profits or current earnings and profits of a corporation, association, or business trust.

TIP Include in Line 1a, not Line 4, dividend income from assets to generate working capital and dividend income that the entity used in operating its commercial activities (generally current assets) when determining its net profit (loss).

LINE 5

Net Gain (Loss) from PA Schedule D

PA-Source Column

A PA-20S/PA-65 Schedule D must be completed for any net gain (loss) income.

These figures represent net gains or net income, less net losses, derived from the sale, exchange or disposition of property including real or personal, whether tangible or intangible, as determined in accepted accounting principles and practices per 72 P.S. §7303(a)(3).

LINE 5a

Net Gain (Loss) from PA Schedule D Outside PA Column

If the entity disposed of property located outside Pennsylvania, complete PA-20S/PA-65 Schedule D-III and Schedule D-IV. Enter the amount from PA-20S/PA-65 Schedule D-III, Line 16. If a negative amount, fill in the "loss" oval.

LINE 5b

Net Gain (Loss) from PA Schedule D PA-Source Column

If the entity disposed of property located inside Pennsylvania from information on its books and records complete PA-20S/PA-65 Schedule D-I and Schedule D-II. Enter the amount from PA-20S/PA-65 Schedule D-I, Line 16. If a negative amount, fill in the "loss" oval.

Important. Include the sales, exchanges or dispositions of inventories and/or stock-in-trade in determining net business income (loss).

LINE 6

Rent/Royalty Net Income (Loss) from PA Schedule M, Part B

Net Rent

Net rents and royalties from real and tangible personal property located in Pennsylvania are allocable to Pennsylvania.

Net Royalties

Patent, copyright and other intangible royalties are allocable to Pennsylvania to the extent that the payer of such income uses the patent or copyright in Pennsylvania.

A business uses a patent in Pennsylvania to the extent that it employs the patent in the production, fabrication, manufacturing, or other processing in Pennsylvania, or to the extent that it produces a patented product in Pennsylvania.

A business uses a copyright in Pennsylvania to the extent that it prints or otherwise publishes in Pennsylvania.

LINE 6a

Rent/Royalty Net Income (Loss) from PA Schedule M, Part B

Outside PA Column

Complete and submit a PA-20S/PA-65 Schedule E. The PA-20S/PA-65 Schedule E should reflect what is reported on federal Form 8825, Rental Real Estate Income and Expenses of a Partnership or S Corporation.

Complete PA-20S/PA-65 Schedule M, Part B to reflect your Pennsylvania adjustments. From PA-20S/PA-65 Schedule M, Part B, Section G, enter the difference of Line 2 minus Line 1. If a negative amount, fill in the "loss" oval.

LINE 6b**Rent/Royalty Net Income (Loss) from PA Schedule M, Part B PA-Source Column**

Complete and submit a PA-20S/PA-65 Schedule E. PA-20S/PA-65 Schedule E should reflect what is reported on federal Form 8825, Rental Real Estate Income and Expenses of a Partnership or S Corporation.

Complete PA-20S/PA-65 Schedule M, Part B to reflect your Pennsylvania adjustments. Enter the amount from PA-20S/PA-65 Schedule M, Part B, Section G, Line 1. If a negative amount, fill in the "loss" oval.

LINE 7a**Estates or Trusts from PA Schedule J Outside PA Column**

Complete and submit the PA-20S/PA-65 Schedule J. If the entity is a beneficiary of an estate or trust, enter the total figure from the PA-20S/PA-65 Schedule J, Column (d) minus the total figure from PA-20S/PA-65 Schedule J, Column (c).

LINE 7b**Estates or Trusts from PA-20S/PA-65 Schedule J PA-Source Column**

Complete and submit PA-20S/PA-65 Schedule J. If the entity is a beneficiary of an estate or trust, enter the total figure from the PA-20S/PA-65 Schedule J, Column (c).

LINE 8**Gambling and Lottery Winnings (Loss) from PA Schedule T**

Complete and submit PA-20S/PA-65 Schedule T. The entity must enter any winnings it realizes from gambling or lotteries other than the Pennsylvania Lottery. It may not deduct any expenses related to realizing such income. However, it can offset winnings and losses within this income class. Submit with Schedule T a detailed statement/explanation of any amount reported, including information such as the source of winnings, specific amounts, etc.

LINE 8a**Gambling and Lottery Winnings (Loss) from PA Schedule T Outside PA Column**

Enter the total figure from the PA-20S/PA-65 Schedule T, Column (b) minus the total figure from PA-20S/PA-65 Schedule T, Column (a). If a negative amount, fill in the "loss" oval.

LINE 8b**Gambling and Lottery Winnings (Loss) from PA-20S/PA-65 Schedule T PA-Source Column**

Enter the total figure from the PA-20S/PA-65 Schedule T, Column (a). If a negative amount, fill in the "loss" oval.

LINE 9**Total Other PA PIT Income (Loss) PA-Source Column**

If all owners are full-year residents, a combination of Pennsylvania residents and nonresidents; or a part-year resident, then Line 9 equals the sum of Lines 3, 4, 5a, 5b, 6a, 6b, 7a, 7b, 8a and 8b. Include losses.

If all owners are full-year nonresident individuals, then Line 9 equals the sum of Lines 5b, 6b, 7b and 8b. Include losses. If a negative amount, fill in the "loss" oval.



When determining income (loss) distributable to their owners for each class of income, the entity does not use Line 9 because the income (loss) is reflected in Line 9.

The figure on Line 9 is a sum of total other income used in calculating accumulated adjustments account and the total in Part IV.

Summary

Below are cross references for resident and nonresident partners and shareholders (owners) for Parts I, II, III from the PA-20S/PA-65 Information Return

and the line entries on the PA-20S/PA-65 Schedule(s) RK-1 or NRK-1.

Resident Partners and Shareholders (Owners)**Business Income**

PA-20S/PA-65 Part I, Line 1e	Schedule RK-1 RK-1, Line 1
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Interest Income

PA-20S/PA-65 Part III, Line 3	Schedule RK-1 RK-1, Line 2
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Dividend Income

PA-20S/PA-65 Part III, Line 4	Schedule RK-1 RK-1, Line 3
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Net Gain (Loss) - Schedule D

PA-20S/PA-65 Part III, Line 5a+5b	Schedule RK-1 RK-1, Line 4
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Rent, Royalty, Net Income

PA-20S/PA-65 Part III, Line 6a + 6b	Schedule RK-1 RK-1, Line 5
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Estates or Trust Income

PA-20S/PA-65 Part III, Line 7a+7b	Schedule RK-1 RK-1, Line 6
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Gambling and Lottery Winnings

PA-20S/PA-65 Part III, Line 8a + 8b	Schedule RK-1 RK-1, Line 7
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Nonresident Partners and Shareholders (Owners)**Business Income**

PA-20S/PA-65 Part II, Line 2h	Schedule NRK-1 NRK-1, Line 1
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Net Gain (Loss) - Schedule D

PA-20S/PA-65 Schedule D, Part I Line 18	Schedule NRK-1 NRK-1, Line 2
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Rent, Royalty, Net Income

PA-20S/PA-65 Part III, Line 6b (Loss)	Schedule NRK-1 NRK-1, Line 3
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Estates or Trust Income

PA-20S/PA-65 Part III, Line 7b	Schedule NRK-1 NRK-1, Line 4
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Gambling and Lottery Winnings

PA-20S/PA-65 Part III, Line 8b	Schedule NRK-1 NRK-1, Line 5
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PAGE 2 - PART IV

Total PA S Corporation or Partnership Income (Loss)

In Part IV, the entity calculates the difference between its book income (loss) and the income (loss) it reports on the PA-20S/PA-65 Information Return. The amounts reported to Pennsylvania differ from the federal reportable income (loss).

LINE 10

Total Income (Loss) per Books and Records

The entity uses book income to arrive at this figure. This figure (book income) would not take into account any federal or Pennsylvania tax adjustments. This figure is not Pennsylvania income after adjustments.

Enter the total entity income (loss) from its underlying Pennsylvania books and records for the taxable year. If a negative amount, fill in the "loss" oval.

Interest and gains that the entity derives from government obligations, exempt from Pennsylvania personal income tax, do not pass through to its owners as taxable.

Conversely, the entity cannot use losses on Pennsylvania personal income tax-exempt obligations to offset taxable income.

In addition, the entity must include such income (loss) on Line 10 as the Pennsylvania-exempt income (loss) affects each owner's basis. Accordingly, the entity passes through to each owner its pro rata share of the Pennsylvania-exempt income (loss).

LINE 11

Total Reportable Income (Loss)

If the entity has only full-year resident individual owners or both full-year resident and nonresident individual owners, add Line 1e and Line 9. If a negative amount, fill in the "loss" oval.

If entity has only full-year nonresident individual owners, add Line 2h and Line 9. If a negative amount, fill in the "loss" oval.

LINE 12

Total Nontaxable/Non Reportable Income (Loss)

This amount represents the difference between book income and Pennsylvania-reportable income (loss). Subtract Line 11 from Line 10 (include losses). If a negative amount, fill in the "loss" oval.

PAGE 2 - PART V

Pass Through Credits

In Part V, the entity is required to identify pass through credits that it reports on the PA-20S/PA-65 Information Return.

LINE 13a

Total Other Credits. Submit PA 20S/PA-65 Schedule OC

Enter amount from Schedule OC, Line 17. The entity is required to submit the PA-20S/PA-65 Schedule OC detailing all credits.

LINE 13b

Resident Credit

This figure is based on composite returns filed in other states on behalf of the individual owners. It is an individual tax credit that is passed through to owners. Submit a copy of the out-of-state returns for all resident credits claimed.

Certain PA S corporations are not taxed as S corporations in other states. Report taxes paid in those other states on PA-20S/PA-65 Schedule OC, Line 5.

LINE 14a

Pennsylvania 2014 Quarterly Tax Withholding Payments/Extension Payment for Nonresident Owners

Enter the amount from PA-20S/PA-65 Schedule NW, Line B. The amount on Line 14a will include an extension payment (if one was made) as listed and reported on PA-20S/PA-65 Schedule NW, Line B.

LINE 14b

Final Payment of Nonresident Withholding Tax

Enter the amount from PA-20S/PA-65 Schedule NW, Line D. See [How To Pay](#).

LINE 14c

Total Pennsylvania Income Tax Withheld

Add Line 14a and Line 14b. Enter the total here.

International ACH Transactions

The Federal Office of Foreign Assets Control has imposed additional reporting requirements on all electronic banking transactions that directly involve a financial institution outside of the territorial jurisdiction of the U.S. These transactions are called international ACH transactions (IAT). Presently, the Pennsylvania Department of Revenue does not support IAT debit transactions. Taxpayers who instruct the department to process electronic banking transactions on their behalf are certifying that the transactions do not directly involve a financial institution outside of the territorial jurisdiction of the U.S. at any point in the process.

PAGE 2 - PART VI

Distributions for Partnerships

On Lines 15 through 18, list all distributions and guaranteed payments made to partners during the taxable year.

LINE 15

Distributions of Cash, Marketable Securities, and Property (Do not include guaranteed payments.)

Distributions that the partnership makes that represent cash, marketable securities, and other property that are not guaranteed payments may represent Pennsylvania-taxable income to the extent the distributions exceed the resident partner's outside basis.

Non-liquidating Distributions from Partnership to Partner

With respect to non-liquidating distributions from a partnership to a resident partner, the partner's adjusted basis in its partnership interest is decreased to the extent of the partnership's Pennsylvania personal income tax adjusted

basis in the property distributed to the partner.

In non-liquidating distributions, a resident partner will recognize taxable income to the extent that the partnership's adjusted basis in the property distributed exceeds the resident partner's adjusted basis in its partnership interest. Although not taxable to a nonresident partner, the nonresident partner reduces his or her economic investment by the partnership's adjusted basis in the property distributed.

Liquidating Distributions from Partnership to Partner

With respect to liquidating distributions from a partnership to a resident partner, the partner's adjusted basis in its partnership interest is decreased to the extent of the fair market value of the property distributed to the partner.

In liquidating distributions, a resident partner will recognize taxable gain on PA-40 Schedule D to the extent that the fair market value of the property distributed exceeds the resident partner's adjusted basis in its partnership interest.

LINE 16

Guaranteed Payments for Capital or Other Services

Enter the total guaranteed payments for capital or other services made to the partners.

Pennsylvania personal income tax law characterizes such distributions as:

- A withdrawal proportionately from the capital of all partners;
- A gain from the disposition of the recipient's partnership interest and a loss from the disposition of the other partners' partnership interests, to the extent derived from the capital of the other partners; and
- A return of capital by the resident recipients to the extent derived from their own capital. The distributions that the partnership makes that represent repayments of the partner's own capital are not income for Pennsylvania personal income tax purposes.

 **Important.** Pennsylvania personal income tax law does not allow a deduction for guaranteed payments for capital or if services have not been rendered.

LINE 17

All Other Guaranteed Payments for Services Rendered

Enter the total guaranteed payments to partners to the extent that the partnership makes guaranteed payments for services rendered directly in the production of income for a Pennsylvania income class.

The partnership characterizes guaranteed payments to partners in the following manner:

- to the extent paid for services rendered directly in the production of income from a business, profession, or farm, the guaranteed payments are gross income from that income class; and
- to the extent paid for services rendered directly in the production of rental or royalty income, the guaranteed payments are gross income from that income class.

 **TIP** If guaranteed payments have been deducted in calculating business income, include these payments on Line 17.

LINE 18

Guaranteed Payments to Retired Partners

Guaranteed payments to retired partners are not taxable if the exception as stated in IRC §1402(a) (10) is met. Only nontaxable amounts should be reported on Line 18. For further detail, refer to the Pennsylvania Personal Income Tax Guide, Chapter 16.

 **Important.** Pennsylvania does not allow a deduction for guaranteed payments for the use of capital, or if services have not been rendered. Each recipient partner reports its classified income (loss) in each class by adding its guaranteed payments to the amounts in their PA-20S/PA-65 Schedule(s) RK-1 and/or NRK-1, Part IV.

LINE 19

Distributions from PA Accumulated Adjustments Account

Generally, distributions from the Pennsylvania accumulated adjustments account (AAA) are not taxable to the extent of the resident shareholder's basis. The resident shareholder will recognize tax-

able income to the extent that the Pennsylvania AAA distribution exceeds the shareholder's basis in its stock.

Distributions for PA S Corporations

On Lines 19 and 20, list all distributions made to shareholders during the taxable year.

A distribution that a PA S corporation makes from its Pennsylvania accumulated earnings and profits before becoming a PA S corporation is dividend income to its resident shareholders. Other distributions can represent a nontaxable return of the resident shareholders' stock basis.

Nontaxable return of basis distribution will reduce each resident shareholder's basis in the stock first. If the nontaxable return of distribution exceeds the shareholder's basis in its stock holdings, the shareholder can apply the excess against the basis of any indebtedness of the PA S corporation to that shareholder. If the distribution exceeds the shareholder's basis in the stock and the PA S corporation's indebtedness, the resident shareholder must report a gain from the disposition of property.

If the PA S corporation distributes appreciated property, it must treat the distribution as if it sold the property to the shareholders at fair market value. Such a distribution will produce a gain from the sale of property that the PA S corporation will have to report as net gain (loss) from the sale, exchange or disposition of property.

 **TIP** Distributions out of C corporation accumulated earnings and profits are reported as dividends on PA-20S/PA-65 Schedule B, Line 5.

Although not taxable to a nonresident shareholder, the nonresident shareholder reduces its economic investment by the fair market value of the property distributed.

A nonresident cannot deduct losses in excess of its economic investment in the PA S corporation.

 **Important.** When distributions are determined from all income sources and the shareholders are only full-year nonresident individual owners, the Pennsylvania AAA distribution should be factored by the PA-20S/PA-65 Schedule H percentage to prevent premature depletion of the Pennsylvania AAA balance, which may trigger a possible tax event

LINE 20

Distributions of Cash, Marketable Securities, and Property

Distributions by the PA S corporation from its C corporation earnings and profits are Pennsylvania-taxable dividends. Include such Pennsylvania-taxable dividends on each shareholder's PA-20S/PA-65 Schedule RK-1, Line 3.

Distributions of cash, marketable securities and property (other than dividends) in excess of the shareholder's Pennsylvania AAA are considered a tax-free return of investment to the extent of the resident shareholder's basis in its stock. The resident shareholder will recognize taxable income to the extent that the fair market value of such distribution exceeds the resident shareholder's basis in its stock.

Although not taxable to a nonresident shareholder, the nonresident shareholder reduces its economic investment by the fair market value of the property distributed.

PAGE 2 - PART VII

Other Information

This section asks a series of questions similar to federal Schedule B. The questions should be answered with a "Yes" or "No." If the entity answered "Yes", supplemental statements must be submitted.

LINE 1

The entity must answer "Yes" to Question 1 if during the tax year:

- It owned an interest in another partnership, foreign (located outside the U.S.) or domestic; or
- It was the tax owner of a foreign entity, located outside the U.S. that was disregarded as an entity separate from its owner under federal Treasury Regulations §301.7701-2 and 301.7701-3. The tax owner of a foreign entity located outside the U.S. that was disregarded as an entity is treated as owning the assets and liabilities of the foreign disregarded entity located outside the U.S. for purposes of U.S. income tax law.

The statement must show each entity's name, federal employer identification number (if any), and

the country under whose laws the entity was organized if the entity directly or indirectly owned at least a 10 percent interest in any other foreign (located outside the U.S.) or domestic partnership.

LINE 2

The entity must answer "Yes" if there are any tax-exempt partners/members/shareholders and select tax-exempt as the owner type on the PA-20S/PA-65 Schedule RK-1 and/or NRK-1.

LINE 3

The entity must answer "Yes" and submit a statement indicating entity and foreign location if the partnership, S corporation or limited liability company classified as a partnership or PA S corporation had any owners located outside the U.S. at any time during the tax year.

LINE 4

The entity must answer "Yes" if there was a distribution of property or a transfer (e.g., by sale or death) of a partner/member interest during the tax year (partnership only). If the entity answered yes, submit a statement indicating the disposing partner, the acquiring partner and the amount paid for the interest.

LINE 5

The entity must answer "Yes" if the federal government changed taxable income as originally reported for any prior tax year for which amended returns have not been filed in Pennsylvania. If the entity answered "Yes", submit a statement indicating tax year and include a copy of the Revenue Agent's Report.

If required, the entity must file an amended return within 30 days of the adjustment.

LINE 6

The entity must answer "Yes" if either 1 or 2 of the following apply to the partnership:

1. At any time during the tax year, the entity had signature or other authority over a bank account,

securities account, or other financial account in a foreign country (outside the U.S.); and

- The combined value of the accounts was more than \$10,000 at any time during the calendar year; and
- The accounts were not with a U.S. financial institution.

2. The entity owns more than 50 percent of any partnership or 50 percent of the stock in any corporation that would answer the question "Yes" based on item 1 above.

If the entity answered yes:

- Submit a statement with the name of the foreign country/countries; and
- Submit a copy of federal FinCEN Form 114 that was filed with the Department of the Treasury.

LINE 7

The entity must answer "Yes" if it is involved in a reportable transaction, listed transaction, or registered tax shelter within this return.

Federal Form 8886, Reportable Transaction Disclosure Statement, must be submitted with any return on which a deduction, loss, credit or any other tax benefit is claimed or is reported; or any income the partnership reported from an interest in a registration-required tax shelter. If the partnership is required to file this form with the federal return, submit a copy with the partnership's PA-20S/PA-65 Information Return.

A reportable transaction is any transaction as defined in Treasury Regulation 1.6011-4 and includes, but is not limited to:

- A confidential transaction, which is offered to an entity under conditions of confidentiality and for which the entity has paid a minimum fee;
- A transaction with contractual protections, which provides the entity with the right to a full or partial refund of fees if all or part of the intended tax consequences from the transaction are not sustained;
- A loss transaction under IRC §165, which is at least \$10 million in any

one year or \$20 million in any combination of tax years;

- A transaction with a significant book-tax difference; and
- A transaction where the entity is claiming a tax credit of greater than \$250,000 and held the asset for less than 45 days.

A listed transaction is a specific reportable transaction, or one that is substantially similar, which has been identified by the IRS to be a tax avoidance transaction.

A registered tax shelter is any investment that must be registered with the Internal Revenue Service under IRC §6111.

LINE 8

The entity must answer "Yes" if the entity filing as a partnership has other partnerships as partners.

LINE 9

The entity must answer "Yes" if tax credits were sold.

If the entity answered "Yes", submit a statement identifying the buyer, the Social Security number or federal employer identification number, the type and amount of credit sold and the sales price.

LINE 10

The entity must answer "Yes" if it changed its method of accounting for federal income tax purposes during this tax year.

Pennsylvania does not allow the four-year spread of the effect in accounting method change under IRC §481. The effect of the change must be recognized entirely in the year of the change.

LINE 11

The entity must answer "Yes" if it entered into any like-kind exchanges under IRC §1031 for the current tax year.

If the entity answered "Yes", submit federal Form 8824.

If Section 179 properties are involved submit the information provided to the owners on their federal Schedules K-1.

LINE 12

Enter the Pennsylvania-apportionment decimal from PA-20S/PA-65 Schedule H-Corp used for calculating CNI tax. If using special apportionment, enter that decimal here.

PAGE 3 - PART VIII

Accumulated Adjustments Account and Accumulated Earnings and Profits

PA S Corporations Only

The Pennsylvania accumulated adjustments account (AAA) should not equal the federal AAA, because Pennsylvania AAA is based on Pennsylvania tax principles; however, Pennsylvania parallels certain federal calculation rules in arriving at Pennsylvania AAA, such as the following:

- The Pennsylvania AAA is based upon the Pennsylvania personal income tax income (loss) and distributions.
- The PA S corporation's AAA reflects only the income (loss) and distribution from the inception of the election of PA S corporation status.
- The PA S corporation does not make an adjustment for any income (loss) that is not enumerated in Pennsylvania personal income tax law or any non-deductible Pennsylvania personal income tax expense.

Example. For Pennsylvania personal income tax purposes, tax-exempt income is not added to income subject to Pennsylvania personal income tax.

 **Important.** The AE&P column is for former C corporations only. If an entity has been an S corporation from inception, this column will always be zero.

LINE 1

Balance at the Beginning of the Taxable Year

For the corporation's first tax year as a PA S corporation, enter zero. In subsequent years, enter the ending balance from the prior year's account. If a negative amount, fill in the "loss" oval.

 **Note.** If an S corporation had no prior earnings in Pennsylvania, the beginning AAA would be zero.

LINE 2

Total Reportable Income from Part IV, Line 11

Enter the total Pennsylvania-reportable income from the PA-20S/PA-65 Information Return, Part IV, Line 11.

Do not enter a loss from Part IV, Line 11 on this line.

LINE 3

Other Additions - Submit an Itemized Statement

Enter other additions to the Pennsylvania AAA. **Do not** enter non-taxable income. Submit an itemized statement of the additions reported on this line.

Example. If an S corporation acquired another S corporation, the AAA in the acquired S corporation would be included in this line. The itemized statement must include the name(s) of the S corporation purchased and federal employer identification number(s).

LINE 4

Loss from Part IV, Line 11

Enter the loss from Part IV, Line 11 of the PA-20S/PA-65 Information Return.

LINE 5

Other Reductions - Submit an Itemized Statement

Enter other reductions to the Pennsylvania AAA. **Do not** enter Pennsylvania non-deductible expenses associated with non-taxable income. Submit an itemized statement of the reductions reported on this line.

Example. If an S corporation acquired another S corporation, the negative AAA in the acquired S corporation would be included in this line. The itemized statement must include the name(s) of the S corporation purchased and federal employer identification number(s).

LINE 6

Sum of Lines 1 through 5

Enter the sum of Line 1 through Line 5. If a negative amount, fill in the "loss" oval.

LINE 7

Distributions

Enter all distributions other than dividend distributions. Dividend distributions are not part of the Pennsylvania AAA.

 **Important.** When distributions are determined from all income sources and the shareholders are only full-year nonresident individual owners, the Pennsylvania AAA distribution should be factored by the PA-20S/PA-65 Schedule H percentage to prevent premature depletion of the Pennsylvania AAA balance, which may trigger a possible tax event.

LINE 8

Balance at Taxable Year-End

Subtract Line 7 from Line 6. Enter the total. If a negative amount, fill in the "loss" oval.

If a PA S corporation reverts to being a corporation subject to corporate net income tax, it may distribute the balance of its Pennsylvania AAA to shareholders as a non-taxable return of capital to the extent of basis. Such distributions, however, will reduce the shareholder's basis in the C corporation.

If the distributions exceed the resident shareholder's basis in the stock of the former PA S corporation, the shareholders must report the distributions as taxable gains on the sale, exchange or disposition of property to the extent of Pennsylvania AAA.

PAGE 3 - PART IX

Ownership in Pass Through Entities

If the entity received income (loss) from an S corporation, partnership, estate or trust, limited liability company or any other pass through entity including a qualified subchapter S subsidiary (QSSS), list the federal employer identification number and name and address of each entity.

If the income (loss) is from a qualified subchapter S subsidiary, enter "yes" in the qualified subchapter S subsidiary box.

The entity filing the PA-20S/PA-65 Information Return would list in Part IX all entities in which it is a shareholder, member, partner or beneficiary.

An S corporation can be a member, partner or beneficiary in a limited liability company, partnership, estate or trust, respectively. An S corporation cannot own another S corporation unless the other corporation is a qualified subchapter S subsidiary.

A partnership can be a member, partner or beneficiary in a limited liability company, partnership, estate or trust, respectively. A partnership cannot be a shareholder in an S corporation.

The entities listed in Part IX provide a Schedule RK-1 and NRK-1 to the entity filing the PA-20S/PA-65 Information Return. However, a qualified subchapter S subsidiary does not issue a PA Schedule K-1.

The entity must report the income from PA Schedules RK-1 and NRK-1 in the same class of income on the PA-20S/PA-65 Information Return.

The entity reports pass through business income from PA Schedules RK-1 and NRK-1 on the PA-20S/PA-65 Information Return, Parts I and II.

Income from PA-20S/PA-65 Schedule RK-1 less the amount reported on PA-20S/PA-65 Schedule NRK-1 is reported in the Outside PA column and income from PA-20S/PA-65 Schedule NRK-1 is reported in the PA Source column on the PA-20S/PA-65 Information Return.

 **Note.** If additional space is needed, submit on a separate statement. Do not submit additional copies of Page 3 from the PA-20S/PA-65 Information Return.

PAGE 3 - PART X

WHO MUST SIGN

Paper-Filed Returns

General Partner, Principal Officer or Authorized Individual Signature and Name

The PA-20S/PA-65 Information Return must be signed and dated.

The entity has not filed a valid PA-20S/PA-65 Information Return unless it is properly signed. The individual signing the return must be a general partner,

principal officer or individual expressly authorized to sign.

The PA S corporation or partnership official signing the return verifies by written declaration, under penalties of perjury, that he or she personally has examined the PA-20S/PA-65 Information Return and its accompanying schedules and to the best of his or her knowledge, PA-20S/PA-65 Information Return is true, correct and complete.

The PA S corporation or partnership official that is responsible for signing the PA-20S/PA-65 Information Return must sign it by hand; signature stamps or labels are not acceptable, and include his or her title, date and daytime phone number.

The responsible official must submit all required schedules with the PA-20S/PA-65 Information Return, including the PA-20S/PA-65 Schedules RK-1 and NRK-1 for each owner.

Preparer's Signature and Name

A paid preparer may sign original or amended returns by rubber stamp, mechanical device, or computer software program. Pennsylvania follows federal guidelines for signature requirements for the preparer.

If a partner, shareholder or employee of the entity completes the PA-20S/PA-65 Information Return, the paid preparer's space should remain blank. In addition anyone who prepares the PA-20S/PA-65 Information Return but does not charge the entity should not complete the paid preparer section.

Anyone who prepares a PA-20S/PA-65 Information Return for a fee or incident to the performance of services for which the preparer charges a fee, e.g., an attorney provides legal services for a fee and includes for free, the preparation of the PA-20S/PA-65 Information Return, must complete the required paid preparer information listed below:

- Print or type the paid preparer's name in the space provided.
- Sign the return in the space provided for the paid preparer's signature.
- Fill in the other areas in the "Paid Preparer Use Only" section.
- Print or type the paid preparer's company or corporation name and federal employer identification number, if applicable.

- Print or type the paid preparer's Preparer Tax Identification Number (PTIN). If you are a paid preparer, you must use a PTIN issued by the Internal Revenue Service (IRS) to identify yourself in the paid preparer section of the tax return.

- Give a copy of the return to the taxpayer.

If someone prepares the return at no charge, the paid preparer's area need not be completed.

Electronically Filed Returns

An electronic return must be signed by a general partner, principal officer or authorized individual.

An electronic return must also be signed by the paid preparer, if applicable.

Two signature options are available:

1. PA-8879-P, Pennsylvania e-File Signature Authorization for PA S Corporation/Partnership Information Return (PA-20S/PA-65) – Directory of Corporate Partners (PA-65 Corp); or
2. PA-8453-P, PA S Corporation/Partnership Information Return (PA-20S/

PA-65) – Directory of Corporate Partners (PA-65 Corp) Tax Declaration for a State e-File Return.

PA-8879-P Form

The federal self-select PIN option consists of two PINs, one for the taxpayer and one for the practitioner.

In order for the department to accept the federal self-select PIN as a signature, software developers must display a jurat/disclosure statement (similar to the language on the PA-8453-P and meeting the requirements of 72 P.S. §7333 and 61 Pa. Code §121.23) attached as Page 3 to PA-8879-P.

Taxpayers and Electronic Return Originators (ERO) must complete PA-8879-P when using this method and consenting to electronic funds withdrawals.

The department requires the ERO to retain completed PA-8879-P forms for three years after the due dates of the returns or the dates the returns were filed electronically, whichever is later. **Do not** mail these forms to the department.

PA-8453-P Form

If a taxpayer elects not to use the federal self-select PIN option or if the state submission is filed as a state stand-alone (no link to an original federal submission), the department requires the ERO to retain completed PA-8453-P forms for three years after date the returns were filed electronically:

Do not mail these forms to the department. PA-8453-P must be completed and signed by all appropriate parties before the return is transmitted electronically.

In the event the department selects an electronic return for examination, the ERO may be required to provide the PA-8879-P form and, if appropriate, the PA-8453-P form within five business days of the request. A percentage of these forms will be randomly requested yearly for monitoring compliance.

E-File Opt-Out Oval

Mandatory e-filing is now required for third party practitioners who prepare more than ten PA-20S/PA-65 returns. Entities that prefer their preparers to complete a paper return should fill in the opt-out e-filing oval.