

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

## Amortization of Intangible Drilling and Development Costs

PA-20S/PA-65 Schedule I (10-15)

### GENERAL INFORMATION

#### PURPOSE OF SCHEDULE

Use PA-20S/PA-65 Schedule I to report the PA S corporations, partnerships or LLC's deduction of intangible drilling and development costs (IDCs). Pennsylvania does not follow federal election rules for expensing intangible drilling and development costs.

### COMPLETING PA SCHEDULE I

#### Business Name

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

#### FEIN

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

### LINE INSTRUCTIONS

#### PART A

##### LINE 1

For wells created prior to 2014, indicate whether or not the PA S corporation, partnership or LLC had a Geophysical Survey completed. Geophysical Surveys are a systematic collection of geophysical data for spatial studies, collecting data from above or below the Earth's surfaces.

##### LINE 2

The Pennsylvania Tax Reform Code of 1971, unlike the Internal Revenue Code §263(c), does not contain a provision that allows for expensing of capital expenditures. These include intangible drilling and development costs associated with oil and gas wells or wells drilled for geothermal deposit. Check yes if the entity expensed on the Federal return.

##### LINE 3

Enter the total amount of intangible drilling and development costs that the entity incurred during the tax year. These costs represent drilling and development expenses for wells in the United States where the entity has an operating or working interest. These expenses include costs necessary in the drilling and preparation of wells for the production of oil and gas, such as survey work, ground clearing, drainage, wages, fuel, repairs and supplies. The entity can elect to deduct only the costs of items with no salvage value.

#### PART B

##### LINE 4

This is not a one-time election. A PA S corporation, partnership or LLC may elect each tax year to expense up to one-third of the intangible drilling and development costs that the entity incurs. The PA S corporation, partnership or LLC incurring the drilling and development cost makes the election to expense the intangible drilling and development costs for Pennsylvania personal income tax purposes. Its partners or shareholders cannot make the election. If Line 4, Part B is marked "Yes", then Line 7(d) of Part C must be completed.

##### LINE 5

Indicate the amount of intangible drilling and development costs that the S Corporation, partnership or LLC is electing to immediately expense in the tax year. Since each well can elect to immediately expense up to one third of intangible drilling and development costs, the amount listed here may not equal one-third of the entity's total intangible drilling and development costs. The total amount reported on Line 5, Part B should be reported on Schedule M, Section F, Line h of Part B.

### PART C

#### Well Description

##### LINE 6

Complete chart for well(s) placed in service prior to 1/1/2014.

##### LINE 6(a)

#### Description of Well

Enter the location of each well or the name of each well. Description of the well should be same as the description the entity uses for record keeping.

##### LINE 6(b)

#### Date well placed in service

Enter the date that the well was placed into production.

##### LINE 6(c)

#### Intangible Drilling and Development Cost Expense

Enter the total amount of the intangible drilling and development costs allocated to each well.

##### LINE 6(d)

#### Life of well

Enter the estimated useful life of the well. Prior to January 1, 2014, Pennsylvania required the intangible drilling and development costs to be amortized over the estimated useful life of each well.

##### LINE 6(e)

#### Accumulated Amortization

Enter the cumulative amount of intangible drilling and development costs amortized in prior years.

##### LINE 6(f)

#### PA Deduction of IDCs

Enter the amortization expense that will be deducted for Pennsylvania personal income tax purposes during the tax year.

**LINE 7**

Complete chart for well(s) placed in service after 12/31/2013.

**LINE 7(a)****Description of Well**

Enter the location of each well or the name of each well. Description of the well should be same as the description the entity uses for record keeping.

**LINE 7(b)****Date well placed in service**

Enter the date that the well was placed into production.

**LINE 7(c)****Intangible Drilling Cost Expense**

Enter the total amount of the intangible drilling and development costs allocated to each well.

**LINE 7(d)****Elected Expense**

If Part B, Line 4 is marked yes, enter amount to expense. This amount cannot exceed one-third of the intangible drilling and development costs incurred.

**LINE 7(e)****Amortizable Amount**

Subtract Line 7(c) - 7(d).

**LINE 7(f)****Accumulated Amortization**

For year well(s) placed in service, this amount will be zero.

**LINE 7(g)****Amortization for this year**

Divide line 7(e) by 10.

 **Note.** If additional space is required to list wells on Line 6 and 7 of Part C, then please submit additional copies of Schedule I.

**LINE 8**

Add amounts from Line 6 and Line 7 of Part C. Total amount of amortization reported on Line 8 should be reported on Schedule M, Section F, Line c of Part B.