

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

What's New

A short-year return oval has been added to Page 1. Starting with tax year 2010, the entity is required to indicate if the return is a short-year return.

General Information

Purpose of Form

Form PA-20S/PA-65 is an information return used to report the income losses, deductions, credits, etc. from the operation of foreign or domestic PA S corporations, partnerships or limited liability companies filing as partnerships or PA S corporations for federal income tax purposes. 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.

Classifying Income

PA S corporations, partnerships or limited liability companies filing as partnerships or PA S corporations for federal income tax purposes report income using the Pennsylvania personal income tax rules. Pennsylvania generally 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 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. Refer to the PA-20S/PA-65 Schedule M instructions on the department's website.



Note. Pennsylvania personal income tax law taxes resident partners and shareholders (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, 2010, must file the REV-976 on or before April 18, 2011. 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, 2011.

Pennsylvania S Corporation S Status (Revocations)

First, it is important to remember the election to not be taxed as a Pennsylvania 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 2006 may be revoked for 2011. 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 (EIN), the PA corporate tax account number 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 names and PA corporate tax account numbers 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 Pennsylvania 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

Federal/State e-File for S Corporations and Partnerships

Since March 2009, Pennsylvania businesses can electronically file PA-20S/PA-65 PA S Corporation/Partnership Information Returns and schedules.

The final nonresident individual withholding tax payment or final catch-up payment can only be paid electronically if the Pennsylvania return is filed electronically. Visit Revenue's e-Services Center for more information.

A Pennsylvania tax return can be e-Filed through an approved vendor that has tested with and been approved by the department to offer e-file in Pennsylvania. Even if a vendor is federally approved, they also must 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.

Federal/State e-File Option For Estimated Nonresident Individual Quarterly Withholding Payments

Taxpayers have the option of electronically submitting future estimated nonresident individual quarterly withholding tax

payments. Payments can only be electronically submitted when the current PA-20S/PA-65 S Corporation/Partnership Information Return is filed through the Federal/State Modernized e-File (MeF) Program, and the current return includes a final "catch-up" payment through the electronic funds withdrawal method. Payments will be stored in the system as separate electronic transactions payments until the specified due date. Visit Revenue's e-Services Center for more information.

Who Must File

A domestic or foreign PA S corporation (72 P.S. § 7330.1), partnership (72 P.S. § 7335(c)) or limited liability company filing as a partnership or PA 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/or whether or not the income was distributed; and/or

2. The PA S corporation had at least one shareholder that was a Pennsylvania resident individual, estate, trust or single-member limited liability company; and/or

3. The partnership, at year-end, had at least one partner that was a Pennsylvania resident individual, estate or trust, or other pass through entity such as a partnership, PA S corporation or limited liability company.

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.



Note. A PA S corporation, incorporated in another state with a Pennsylvania resident shareholder having no Pennsylvania-source income or Pennsylvania activity, is not required to file an RCT-101, PA Corporate Tax Report.

What To File

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).

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.

PA S Corporations and Partnerships

Each PA S corporation, partnership or limited liability company filing as a partnership or PA S corporation for federal income tax purposes 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. If the PA S corporation or a 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 or limited liability company is an entity (entity owner) in a partnership, PA S corporation or limited liability company, the entity must provide the entity owner with both a PA-20S/PA-65 Schedule RK-1 and NRK-1 showing the entity owner's share of the income (loss) passed through from the entity in the same class in which the 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.

Partnerships with C Corporation Partners

Partnerships or limited liability companies filing as a partnership with operations within Pennsylvania, whose partners are all C corporations must provide the department a complete copy of federal Form 1065. Such a partnership must submit a PA-65 Corp, Directory of Corporate Partners, and does not complete a PA-20S/PA-65 Information Return.

For additional information, refer to the instructions for the PA-65 Corp, Directory of Corporate Partners available 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 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 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 or limited liability companies filing as partnerships or PA S corporations for federal income tax purposes may file a composite return (PA-40 NRC, Nonresident Consolidate Income Tax Return) on behalf of its qualified nonresident individual owners who elect to be included in the composite filing.

For additional information, refer to the instructions for the PA-40 NRC, Nonresident Consolidate Income Tax Return available on the department's website.

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

Individual owners of a partnership, PA S corporation or limited liability company filing as a partnership or PA S corporation for federal income tax purposes, 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 distributed the income to its individual owners, as reported on their PA Schedules RK-1 and/or NRK-1.

Limited Liability Company

All limited liability companies must report capital stock/foreign franchise tax on the RCT-101, PA Corporate Tax Report, unless it meets the de minimis standards as outlined in Corporation Tax Bulletin 2004-01. These corporations file the RCT-101D, Declaration of de minimis PA Activity, affirming the Pennsylvania activity during that period is de minimis.

A limited liability company that elects to file as a C corporation for federal income tax purposes files as a C corporation for Pennsylvania using the RCT-101, PA

Corporate Tax Report and does not file the PA-20S/PA-65 Information Return.

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.

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.

A single-member limited liability company (SM LLC) owned by an individual or a limited liability company jointly owned by husband and wife that elects to file as a disregarded entity for federal income tax purposes is an entity separate from their owner for capital stock/foreign franchise tax purposes, but not for Pennsylvania personal income tax purposes.

For personal income tax purposes, a single-member limited liability company owned by an individual or a limited liability company jointly owned by husband and wife and filing as a disregarded entity for federal income tax purposes files PA-40 Schedule C with the PA-40, Individual Income Tax Return and does not file a PA-20S/PA-65 Information Return.

For corporation tax purposes, a limited liability company that elects to file as a disregarded entity for federal income tax purposes is required to file the RCT-101, PA Corporate Tax Report. A single-member limited liability company owned by an entity reports its income (loss) on the parent return as if earned by the parent.

Assembling the PA-20S/PA-65 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 Schedules D-I, D-II, D-III, and D-IV
- PA-20S/PA-65 Schedule E
- PA-20S/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 Schedules 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
- 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 tax return to the Bureau of Corporation Taxes with the RCT-101, PA Corporate Tax Report, do not send another copy.



Important. 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 with the paper return.



Caution. Do not staple documents.



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 for other than an official tax form, please read Miscellaneous Tax Bulletin 2008-02 available on the department's website.

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 Personal 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 to determine the proper amount of their estimated tax payments.

Quarterly Withholding Tax Payments for Nonresident Owners

Under Act 22 of 1991, PA S corporations, partnerships or limited liability companies filing as partnerships or PA S corporations for federal income tax purposes must withhold quarterly Pennsylvania personal income tax from nonresident partners and shareholders (owners) that are individuals, estates and trusts.

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

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

If making a quarterly withholding tax payment for the first time, use form PA-40 ESR (F/C), Declaration of Estimated or Estimated Withholding Income Tax for Fiduciary and Partnerships. PA S corporations and limited liability companies filing as partnerships or PA S corporations for federal income tax purposes may also use this form. The partnership and PA S corporation makes the initial quarterly withholding tax payment and all future quarterly withholding tax payments under the federal employer identification number, name, and address of the entity.



Important. An entity may not withhold Pennsylvania personal income tax for 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.



Caution. If the entity did not make any estimated quarterly withholding tax payments for their 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 tax payments for all nonresident owners on a quarterly basis will result in the imposition of interest, penalty and estimated under 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.

See 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 new electronic option. See [Federal/State e-File Option for Estimated Nonresident Individual Quarterly Withholding Payments](#).

Overpayment/Adjustment of Withholding 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 withholding only and are held for transfer to the partner, member, shareholder (owner) as indicated on their individual tax returns. The Department of Revenue will not make the assumption that the entity paid more than was needed.

Under Act 22 of 1991, partnerships and PA S corporations must withhold quarterly Pennsylvania personal income tax from nonresident partners and shareholders (owners) that are individuals, estates and trusts. This quarterly withholding tax payment is based on each nonresident owner's expected share of distributable Pennsylvania-source taxable income.

If the entity overpaid the nonresident withholding tax the entity should pass through the overpayment to their nonresident owners on the PA Schedule NRK-1, Line 6, where the owner can then claim a credit on their individual income tax return.

If the entity did not pass through the overpayment of nonresident withholding to their nonresident owners on PA Schedule NRK-1, and 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 and 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
PO BOX 280509
HARRISBURG PA 17128-0509**

The entity must submit a written request on company letterhead and include the entity name, entity's federal employer identification number, tax year, Social Security number of the owners, amount of nonresident withholding paid, the requested refund amount and/or carry-forwarded to the next year of nonresident withholding and reason for request.

When To File

If the due date falls on a Saturday, Sunday, or business holiday, the entity must file its PA-20S/PA-65 Information Return no later than midnight on the first business day following the Saturday, Sunday, or business holiday. The U.S. Postal Service postmark date on the envelope is proof of timely filing. Pennsylvania follows same tax year as federal.

Calendar-Year Filer

A PA S corporation, partnership or limited liability company filing as a partnership or PA S corporation for federal income tax purposes that files on a calendar year basis, reports all taxable income recognized between January 1 and December 31.

File your 2010 PA-20S/PA-65 Information Return by April 18, 2011 unless an extension of time to file has been granted. The due date is April 18, instead of April 15, because of the Emancipation Day holiday in the District of Columbia even if you do not live in the District of Columbia.

Fiscal-Year Filer

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 ends. A fiscal year entity reports all taxable income recognized during the fiscal year.

A PA S corporation, partnership or limited liability company filing as a partnership or PA S corporation for federal income tax purposes that files on a fiscal year reports all gross taxable income (loss) allocable or apportionable to Pennsylvania, regardless of the amount of its income (loss) and/or whether or not the income was distributed.

File your 2010 PA-20S/PA-65 Information Return on or before the 15th day of the fourth month following the close of the fiscal year. A partnership may use a 52/53 week-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 entity to a calendar-year entity, the entity files a short-year return. The entity then files the next calendar year on or before April 18, unless an extension of time to file has been granted. 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 Taxable-Year Return

A short period is an accounting period shorter than one year (and not a 52-, 53-week taxable year). Short periods commonly call for annualization of income. A short period arises for reasons such as creation or dissolution of an entity, birth, death or voluntary changes of accounting periods.

If a PA S corporation, partnership or limited liability company filing as a partnership or PA S corporation for federal income tax purposes 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. Since a short-year return is a fiscal-year return, the due date is on or before the 15th day of the fourth month following the close of the fiscal year.



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

Extension of Time To File

Use form REV-276 for an extension of time to file a PA-20S/PA-65 Information Return if you do not apply for a federal extension of time. The PA-20S/PA-65 Information Return is extended 5 months automatically with the filing of a federal extension.

The department will grant a five-month extension of time to file the PA-20S/PA-65 Information Return. This change is effective for extension requests for tax returns due on or after Jan. 1, 2009, and applies to business entities filing the PA-20S/PA-65 Information Return for a tax year ending on or after Sept. 20, 2009.

This change does not affect the process for requesting an extension of time to file. This change requires PA Schedules RK-1 and NRK-1 to be filed one month earlier and should allow owners time to prepare and file their personal tax returns within the normal six-month time period for individuals.

When a PA S corporation or partnership 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 other Pennsylvania tax returns.

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 underpayment of tax due. Pay in full the amount reasonably estimated as the final/catch-up nonresident withholding tax due on or before the original due date. See [Mail form REV-276](#).

There are several ways for PA S corporations, partnerships and limited liability companies filing as partnerships or PA S corporations to obtain an extension of time to file:

1. If the entity has an extension of time to file the federal income tax return, the department will grant the entity a five-month extension of time to file the PA-20S/PA-65 Information Return.

2. If a PA S corporation or limited liability company has an approved extension of time to file the RCT-101, PA Corporate Tax Report, the department will automatically grant a five-month extension of time for filing the PA-20S/PA-65 Information Return.

3. An extension of time to file the PA-20S/PA-65 Information Return by filing form 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.

Mail Form REV-276 To:

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

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 form REV-276, Application for Extension of Time to File;
- Submit a statement with an explanation and the federal confirmation number received if the entity electronically filed a federal extension;
- List the extension payment amount and include in the total nonresident withholding payments on PA-20S/PA-65 Schedule NW, Line B.



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

The department will not send a letter to confirm an extension of time to file has been granted. However, the department will send a letter if it has questions concerning the extension.

The department will not grant an extension of time to file the PA-20S/PA-65 Information Return for longer than five months except in the case of a taxpayer outside the U.S.

Extension Due Dates

For a calendar year filer, the extension due date for the PA-20S/PA-65 Information Return is on or before September 15.

For a fiscal year filer, the extension due date for the PA-20S/PA-65 Information Return is five months after the original due date.

Amended Return or Federal Change

If after filing the PA-20S/PA-65 Information Return, a PA S corporation, partnership or

limited liability company filing as a partnership or PA S corporation for federal income tax purposes discovers that an incorrect return has been submitted to the department and/or federal Form 1065 or federal Form 1120S has been amended or if the Internal Revenue Service changes or corrects any item 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.

In addition, the amended PA-20S/PA-65 Schedules RK-1 and/or NRK-1 must be included with the amended return.



Important. The PA-20S/PA-65 Information Return cannot be amended through Federal/State e-file.

To amend a PA-20S/PA-65 Information Return that was originally filed through Federal/State e-file, obtain form PA-20S/PA-65 Information Return and instructions for the year you want to amend, and follow the instructions.

To amend your original PA-20S/PA-65 Information Return use a tax return form for the tax year that is to be amended and fill in the "Amended Information Return" oval at the top of the tax return. Do not send a copy of your original return. Complete the return 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 Schedule" oval on PA-20S/PA-65 Schedules RK-1 and/or NRK-1 and provide a copy to each owner. Re-submit federal Form 1120S or federal Form 1065 as amended. See [Where to File](#).

Refund Claim - Over Reported Income

If the PA S corporation, partnership or limited liability company filing as a partnership or PA S corporation for federal income tax purposes 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 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.

Tax Due - Under Reported Income

If the PA S corporation, partnership or limited liability company filing as a partnership or PA S corporation for federal income tax

purposes 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.

Recordkeeping

A PA S corporation, partnership or limited liability company filing as a partnership or PA S corporation for federal income tax purposes 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 a PA S corporation, partnership, limited liability company filing as a partnership or PA S corporation for federal income tax purposes, 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.

Where To File

Partnerships

Partnerships, including limited liability companies filing as partnerships, 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 a limited liability company did not forward a complete copy of its federal return to the Bureau of Corporation Taxes with the RCT-101, PA Corporate Tax Report it must submit a complete copy of federal Form 1065, including federal Form 1065 Schedule(s) K-1.

Where the partnership 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**

PA S Corporations

PA S corporations, including limited liability companies filing as PA S corporations, 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 its federal return to the Bureau of Corporation Taxes with the RCT-101, PA Corporate Tax Report, it must submit a complete copy of federal Form 1120S, including federal Form 1120S Schedule(s) K-1.

Where the PA S corporation 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. Be sure to review the new electronic option.

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

Line Instructions

Page 1

Filing Status

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

PA-KOZ PS

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

Tax Identification Numbers

If filing as a:

- PA S Corporation or Limited Liability

Company. Enter the 9-digit federal employer identification number (FEIN) and the 7-digit PA Account #. The PA Account #, formally known as Box #, is assigned by the Bureau of Corporation Taxes to PA S corporations and limited liability companies who are subject to Pennsylvania capital stock/foreign franchise tax.

- Partnership. Enter the 9-digit FEIN.



Note. Only a corporate entity is assigned a PA Account # by the Bureau of Corporation Taxes. Corporate entities include PA S corporations, C corporations and limited liability companies.

A partnership is not a corporate entity nor would a partnership have a PA Account # unless the entity is a limited liability company filing as a partnership. If the taxpayer is a corporate entity, it is required to register with Pennsylvania. When the corporate entity registers with Pennsylvania it receives a PA Account #.

North American Industry Classification System (NAICS) Code

Provide your 6-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.



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. See [US Postal Service Name and Address Standards](#).

Second Line of Address

Enter the post office box, if appropriate. If there is no post office box, leave the second line of address blank. See [US Postal Service Name and Address Standards](#).

For Canadian addresses, enter the city and postal delivery zone number. See the example for [Canada](#).



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. For Canadian and international addresses, the bottom lines of the address should show only the country name, written in full (no abbreviations) and in capital letters. See [Canadian and International Addresses](#).

US Postal Service Name and Address Standards

Name Standards

- Eliminate apostrophes, commas, periods and hyphens.
- Do not use "The" as the first word in a title except for a two-word title (e.g. "The Boutique").

Address Standards

- Eliminate apostrophes, commas, periods and hyphens, except the hyphen in a ZIP + 4.
- Use only RR (Rural Route) and HC (Highway Contract) abbreviations. All others (Star Route, Mountain Route, Rural Delivery, etc) have been converted to RR or HC.
- Corner Addresses, i.e. "Corner Smith and Duke" will be replaced by numerical street addresses. Examples of the new format would be "1700 DUKE ST" or "1 N SMITH ST".
- Combining two types of addresses is acceptable, like "24 N GREEN ST PO BOX 10", however, the USPS preference is to put the actual delivery address on the line immediately above the city, state and ZIP Code.

Preferred Address Standards

- 1. Non-Address Line.** Logos, Account numbers, subscription codes, etc.
- 2. Information/Attention Line.** Used to direct mail to the attention of a specific person or unit when a business name is placed on the "Name of Recipient Line".
- 3. Name of Recipient Line.** The name of the business or individual of the intended recipients.
- 4. Delivery Address Line.** Street address, post office box number or rural number, or a combination of post office box number and rural route or highway contract number.

Exception. Combining a street address with a post office box. The preferred delivery address must appear on this line with the other address on the line above.



Example:
ATTN CUSTOMER SERVICE
HILLS DEPT STORE
123 MAIN HWY
PO BOX 4567
ANYTOWN PA 17111-1234

5. Post Office, State and ZIP Code Line.

For domestic mail, the Post Office 9(City), State and ZIP Code should appear in the order on the bottom line of the address. If all three elements will not fit on the line, the ZIP (+4) may be placed immediately below, aligned with the left edge of the address block.



Example:
21-674980 - Non-Address Line
ATTN JOHN DOE - Attention Line
ABC CO - Recipient Line
1234 S WEST ST - Delivery Address Line
ANYTOWN PA 17000 - City, State and ZIP

Domestic Address Format Examples

The following examples illustrate various formats that include ZIP + 4 Codes. Use them as a guide.

1. **PO BOX**
AZINGA COMPANY
PO BOX 34
DULUTH MN 55806-0034
2. **RURAL ROUTE OR HIGHWAY CONTRACT ROUTE**
EAST COAST CORP
RR 3 BOX 194 C
CANTON OH 44730-9615
3. **BUILDING/BUSINESS**
SOUTHERN CORP
LOUISIANA INDUSTRIAL PK
1725 E BEAUREGARD AVE
NEW ORLEANS LA 70124-1299
4. **STANDARD STREET ADDRESS - NUMERIC**
MID WEST LTD
5765 E 53RD ST SUITE 221
CHICAGO IL 60615-1234
5. **STANDARD STREET ADDRESS - ALPHABETIC**
WEST COAST INC
603 MAIN ST NE
DETROIT MI 48223-3107

Canadian and International Addresses

General Requirements

The bottom line of the address should show only the country name, written in full (no abbreviations) and preferably in capital letters. Do not place the post codes (ZIP Codes) of foreign country destinations on the last line of the address. An example of a correct foreign address follows:

Foreign Address Example

DIETRICH ENTERPRISES
HARTMANNSTRASSE 7
5300 BONN 1
FEDERAL REPUBLIC OF GERMANY

OR

117 RUSSELL DR
LONDON W1PGHQ
ENGLAND

Canada (Only) Address Example

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

NORTH BY NORTHWEST CO
1010 CLEAR ST
OTTAWA ONT K1A OB1
CANADA

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.



Note. 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 PA S corporation, partnership or limited liability company filing as a partnership or PA S corporation for federal income tax purposes is in the first year of operations, fill in the oval.

Fiscal Year

A fiscal year is a twelve-month accounting period, other than a calendar year, ending on the last day of a particular month, for example July 1 to June 20 of the following year. Numerous taxpayers are free to select a fiscal year in which to report taxable income.

The PA S corporation, partnership or limited liability company filing as a partnership or PA S corporation for federal income tax purposes must use its federal taxable year for Pennsylvania purposes.

If the PA S corporation, partnership or limited liability company filing as a partnership or PA S corporation for federal income tax purposes does not file on a calendar year basis, fill in the oval. Enter the month, day and year when the fiscal year begins and ends.



Note. A fiscal year basis constitutes anything other than tax year beginning 01/01/XX and ending 12/31/XX.



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

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 2010 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. See [Amended Return](#).

Short-Year Return Oval

A short-year period arises for reasons such as creation or dissolution of an entity, birth, death or voluntary changes of accounting periods.

Fill in the oval if the PA S corporation, partnership or limited liability company filing as a partnership or PA S corporation for federal income tax purposes is filling a short-year return.

Date Activity Began In Pennsylvania

The entity must include the date activity began in Pennsylvania as a PA S corporation, partnership or limited liability company filing as a partnership or PA S corporation for federal income tax purposes.

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.

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 PA S corporation, partnership or limited liability company filing as a partnership or PA S corporation for federal income tax purposes. 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 PA S corporation, partnership or limited liability company filing as a partnership or PA S corporation for federal income tax purposes 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 a negative amount, 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 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.

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 Title 61 PA Code § 153.14.

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.

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.

Part II Apportioned/Allocated Pennsylvania Taxable Business Income (Loss)

In Part II, a PA S corporation, partnership or limited liability company filing as a partnership or PA S corporation for federal income tax purposes that has business operations within and outside Pennsylvania must allocate or apportion its income (loss), costs, expenses and liabilities if it has a owner that is:

- A nonresident individual;
- A resident or nonresident estate or trust;
- A PA S corporation
- Another 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, 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.
- 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 Title 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. Refer to 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 Pennsylvania resident and nonresident owners.

If the other entity is not a PA S corporation, partnership or limited liability company filing as a partnership or PA S

corporation for federal income tax purposes, a supplemental statement must be provided from 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 PA S corporation, partnership or limited liability company filing as a partnership or PA S corporation for federal income tax purposes completing the PA-20S/PA-65 Information Return received a PA-20S/PA-65 Schedule RK-1 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 PA S corporation, partnership or limited liability company filing as a partnership or PA S corporation for federal income tax purposes 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 Pennsylvania-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 as 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 PA S corporation, partnership or limited liability company filing as a partnership or PA S corporation for federal income tax purposes 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 PA S corporation, partnership or limited liability company filing as a partnership or PA S corporation for federal income tax purposes 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 Pennsylvania-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/AppORTioned 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.

Part III Allocated Other Pennsylvania Personal Income (Loss)

In Part III, the PA S corporation, partnership or limited liability company filing as a partnership or PA S corporation for federal income tax purposes 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, 4.

Line 3 Interest Income from PA-20S/PA-65 Schedule A

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

The PA S corporation, partnership or limited liability company filing as a partnership or PA S corporation for federal income tax purposes 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.

 **Important.** 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-20S/PA-65 Schedule B

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

Dividend income is any distribution to the PA S corporation, partnership or limited liability company filing as a partnership or PA S corporation for federal income tax purposes of cash or property from the accumulated earnings and profits or current earnings and profits of a corporation, association, or business trust. Do not include stock originally issued by a corporation to its own shareholders if such distribution is not taxable for federal purposes.

 **Important.** 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-20S/PA-65 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. Sec 7303(a)(3).

Line 5a Net Gain (Loss) from PA-20S/PA-65 Schedule D

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

Line 5b Net Gain (Loss) from PA-20S/PA-65 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, Parts I and II. Enter the amount from PA-20S/PA-65 Schedule D, Part 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-20S/PA-65 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-20S/PA-65 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-20S/PA-65 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-20S/PA-65 Schedule J

Outside PA Column. Complete and submit the PA-20S/PA-65 Schedule J. If the PA S corporation, partnership or limited liability company filing as a partnership or PA S corporation for federal income tax purposes 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-20S/PA-65 Schedule T

Complete and submit PA-20S/PA-65 Schedule T. The PA S corporation, partnership or limited liability company filing as a partnership or PA S corporation for federal income tax purposes 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 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-20S/PA-65 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 Pennsylvania Personal Income (Loss)

PA-Source Column. If the owners include all Pennsylvania 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, 8b. Include losses.

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

 Important. When determining income (loss) distributable to their owners for each class of income, the PA S corporation, partnership or limited liability company filing as a partnership or PA S corporation for federal income tax purposes 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 non resident 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 Schedule RK-1
Part I, Line 1e RK-1, Line 1

Interest Income

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

Dividend Income

PA-20S/PA-65 Schedule RK-1
Part III, Line 4 RK-1, Line 3

Net Gain (Loss) - Schedule D

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

Rent, Royalty, Net Income

PA-20S/PA-65 Schedule RK-1
Part III, Line 6a RK-1, Line 5
+ 6b (Loss)

Estates or Trust Income

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

Gambling and Lottery Winnings

PA-20S/PA-65 Schedule RK-1
Part III, Line 8a RK-1, Line 7
+ 8b (Loss)

Nonresident Partners and Shareholders (Owners)

Business Income

PA-20S/PA-65 Schedule RK-1
Part II, Line 2h NRK-1, Line 1

Net Gain (Loss) - Schedule D

PA-20S/PA-65 Schedule RK-1
Schedule D, Part I NRK-1, Line 2
Line 18

Rent, Royalty, Net Income

PA-20S/PA-65 Schedule RK-1
Part III, Line 6b (Loss) NRK-1, Line 3

Estates or Trust Income

PA-20S/PA-65 Schedule RK-1
Part III, Line 7b NRK-1, Line 4

Gambling and Lottery Winnings

PA-20S/PA-65 Schedule RK-1
Part III, Line 8b NRK-1, Line 5

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 PA S corporation, partnership or limited liability company filing as a partnership or PA S corporation for federal income tax purposes 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 PA S corporation, partnership or limited liability company filing as a partnership or PA S corporation for federal income tax purposes 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 the PA S corporation, partnership or limited liability company filing as a partnership or PA S corporation for federal income tax purposes 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 Non-Taxable/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.

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

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. This is an individual tax credit, not an entity-level tax credit and is calculated according to the PA-40 Schedule G-L instructions. Submit a copy of the out-of-state composite returns.

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

Line 14a

Pennsylvania 2010 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 C.

Final Payment of Nonresident Withholding Tax

With Approved Software Form

- Submit a check or money order made payable to the PA Dept. of Revenue along with the 2010 Nonresident Withholding Payment substitute voucher in the same envelope with the PA-20S/PA-65 Information Return. [See Where To File.](#)
- Do not staple check or money order to your return or the substitute voucher.

Without Approved Software Form

- Submit a check or money order made payable to the PA Dept of Revenue in the same envelope with the PA-20S/PA-65 Information Return. Print the last four digits of the entity's federal employer identification number (FEIN) and 2010 Final Nonresident Withholding on the check or money order. [See Where to File.](#)
- Do not staple the check or money order to your return.

Federal/State e-File

- The final nonresident withholding tax payment or final catch up payment can only be filed electronically when submitted with the Federal/State e-File S corporation and partnership returns. Visit Revenue's e-Services Center for more information.
- Taxpayers have the option of electronically submitting future estimated nonresident individual quarterly withholding tax payments. Payments can only be electronically submitted when the current PA-20S/PA-65 S Corporation/Partnership Information Return is filed through the Federal/State Modernized e-File (MeF) Program, and the most recent tax return includes a final "catch-up" payment through the electronic funds withdrawal method. Future payments will be separate electronic transactions from any final "catch-up" payment and stored in the system until the specified due date. Visit Revenue's e-Services Center for more information.

Mailing Address for Final Withholding Payment

Submit the final withholding payment or final catch-up payment with the PA-20S/PA-65 Information Return, with or without the 2010 Nonresident Withholding Payment substitute voucher and send to:

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

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 United States. These transactions are called International ACH Transactions (IAT). Presently, the Pennsylvania Department of Revenue does not support IAT ACH 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 United States at any point in the process.

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-20S/PA-65 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.
- 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.

 Important. 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 non-taxable 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.

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 non-taxable 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 non-taxable 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.

Line 19 Distributions from PA Accumulated Adjustments Account

Generally, distributions from the Pennsylvania accumulated adjustments account are not taxable to the extent of the resident shareholder's basis. The resident shareholder will recognize taxable income to the extent that the Pennsylvania accumulated adjustments account distribution exceeds the shareholder's basis in its stock.



Note. Report distributions out of accumulated earnings and profits 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, the Pennsylvania accumulated adjustments account distribution should be factored by the PA-20S/PA-65 Schedule H percentage to prevent premature depletion of the Pennsylvania accumulated adjustments account 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 accumulated adjustments account 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.

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." For "Yes" responses, 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

Sections 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 had any partners 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 "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 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 below apply to the partnership.

1. At any time during the tax year, the entity had an interest in a 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 were 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.

Yes. Submit a statement with the name of the foreign country/countries.

Yes. Submit a copy of federal Form TD F 90-22.1 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 partnerships 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 Reg. 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.
- 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 it has corporate partners (C corporations).

Yes. Submit the Partner/Member/Shareholder Directory and provide the PA Account # for each corporate partner. The PA Account #, formally known as Box #, is assigned by the Bureau of Corporation Taxes.

Line 9

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

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? If yes, submit federal Form 8824.

Line 12

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

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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 accumulated adjustments account, because Pennsylvania accumulated adjustments account is based on Pennsylvania tax principles; however, Pennsylvania parallels certain federal calculation rules in arriving at Pennsylvania accumulated adjustments account, such as the following:

- The Pennsylvania accumulated adjustments account is based upon the Pennsylvania personal income tax income (loss) and distributions.
- The PA S corporation's accumulated adjustments account 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 the Pennsylvania personal income tax.

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 accumulated adjustments account 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 accumulated adjustments account. 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 accumulated adjustments account 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 accumulated adjustments account. 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 accumulated adjustments account 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 accumulated adjustments account.



Important. When distributions are determined from all income sources and the shareholders are only full-year nonresident individual owners, the Pennsylvania accumulated adjustments account distribution should be factored by the PA-20S/PA-65 Schedule H percentage to prevent premature depletion of the Pennsylvania accumulated adjustments account 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 accumulated adjustments account 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 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 accumulated adjustments account.

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

Part X Who Must Sign

Non E-Filed Returns

General Partner, Principal Officer or Authorized Individual.

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 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 telephone 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

Alternative signing is for the preparer not the taxpayer. Pennsylvania follows federal guidelines for signature requirements for the preparer.

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 sign the return as a "Paid Preparer" and must enter his or her social security number or federal practitioner

tax identification number. The company or corporation name and federal employer identification number, must be included, if applicable.

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

E-Filed Returns

For e-file, taxpayer and preparer are required to use PA-8453 P or PA-8879 P.

The responsible official must file 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.