

**PA SCHEDULE OC**  
Other Credits

1708310055

PA-20S/PA-65 OC (PT) 05-17 (F1)  
PA Department of Revenue

**2017**

OFFICIAL USE ONLY

Name as shown on the **PA-20S/PA-65 Information Return**

FEIN

You must submit the certificate or notification that approved each credit you are claiming.

1 PA Employment Incentive Payments Tax Credit .....	1	
2 PA Job Creation Tax Credit .....	2	
3 PA Research and Development Tax Credit .....	3	
4 PA Film Production Tax Credit .....	4	
5 Out-of-State Credits – S Corporation Only .....	5	
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15 Coal Refuse Energy and Reclamation Tax Credit .....	15	
16 Other restricted credits not listed above. Enter type: _____	16	
17 <b>Total PA Other Credits.</b> Add Lines 1 through 16 and enter total here .....	17	



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

Other Credits

PA-20S/PA-65 OC IN (PT) 05-17

## GENERAL INFORMATION

### Purpose of Schedule

A PA S corporation, partnership and limited liability company filing as a partnership or PA S corporation for federal income tax purposes uses PA-20S/PA-65 Schedule OC to enter its share for each tax credit received after applying the tax credit to the entity's corporate liability, if any.

A tax credit passed through from another entity can only be applied to tax liability resulting from the RCT-101, PA Corporate Tax Report. Do not report a tax credit passed through from another entity on PA-20S/PA-65 Schedule OC with the exception of EITC and OSTC.

### REDUCTION IN EXPENSES

Pennsylvania does not allow the deduction of certain expenses used to qualify for the Neighborhood Assistance Program and the Educational Improvement Tax Credits. If the expenses were deducted in calculating federal-taxable income, the amount should be reported as a reduction in expenses on PA-20S/PA-65 Schedule M, Part B, Section E, Line f. Do not reduce Pennsylvania-taxable income by amounts paid to qualify for the tax credit. For additional information, see the specific section for these tax credits.

### TAX CREDITS CLAIMED ON SCHEDULE OC

Tax credits are often awarded to PA S corporations or partnerships and passed through to entity owners. However, sometimes they are awarded to individual or fiduciary taxpayers. The PA S corporations and partnerships report tax credits on PA-20S/PA-65 Schedule OC.

The individuals and entity owners report tax credits on PA-40 Schedule

OC. Different provisions apply to various situations, so please review the specific information for each tax credit.

For each tax credit claimed, the entity must submit with the PA-20S/PA-65 Schedule OC the certificate or notification that approved each tax credit claimed.

Following is some general information regarding tax credits:

- The restricted tax credits on PA-20S/PA-65 Schedule OC may be passed through to the taxpayer/owner and claimed against the tax liability for a taxpayer/owner without restriction as to the type or class of income included in determining the tax liability of the taxpayer/owner.
- Restricted tax credits are nonrefundable. If applicable, other nonrefundable credits must be applied to the account before restricted tax credits.
- The request to pass through tax credit to an entity owner is irrevocable. Therefore, the entity should not pass through more than the owner can use in any single year.
- Tax credits passed through from pass through entities to other pass through entities or to estates or trusts may not be passed through to owners or beneficiaries with the exception of EITC and OSTC.
- Tax credits passed from a QSSS or disregarded entity to its parent, cannot be further passed to the parent's owners.
- If permitted by a specific credit's enabling statute, the portion of the tax credit that exceeds the tax liability of the awardee of the tax credit may be carried forward unless the awardee elects to sell or assign the tax credit or pass it through to its owners.

- Special rules apply for taxpayers that sell/assign restricted tax credits as well as the taxpayers who purchase them or to whom tax credits are assigned. The rules apply to all taxpayers, whether or not they are incorporated. For specific information regarding these rules, review Corporation Tax Bulletin 2014-04 on the Department of Revenue's website, [www.revenue.pa.gov](http://www.revenue.pa.gov).



**NOTE:** Do not pass through more than is needed to entity owners for this or any other restricted tax credit and do not purchase or assign more than can be used of this tax credit or any other restricted tax credit for purchase or assignment.

### SALEABLE OR ASSIGNABLE TAX CREDITS

The following programs offer saleable restricted tax credits:

Credit Program	Sales Provision
Film Production Tax Credit Program	Yes
Historic Preservation Tax Credit	Yes
Job Creation Tax Credit Program	Affiliate entity only
Keystone Innovation Zone	Yes
Keystone Special Development Zone Program	Yes
Neighborhood Assistance Program	Yes
Research and Development Program	Yes
Resource Enhancement and Protection Program	Yes

Tax credits are often sold through credit brokers; however, a credit broker is not a requirement of sale. For

additional information about using purchased or assigned tax credits, see the specific section for each tax credit.

## PERSONAL INCOME TAX REPORTING REQUIREMENTS FOR SALE OF RESTRICTED TAX CREDITS

### Seller of a Restricted Tax Credit

For Pennsylvania personal income tax purposes, the sales of restricted tax credits are taxable as gains on the sale, exchange or disposition of property to the sellers or original awardees of the restricted tax credits.

The taxpayer selling the restricted tax credit reports the sale of the tax credit as a sale of intangible property for Pennsylvania personal income tax purposes on PA-20S/PA-65 Schedule D.

The taxpayer's cost basis in the restricted tax credit sold is usually \$0 as the tax credit is awarded based upon income or expenses already included in the current or a prior year's tax return(s) whereas no adjustment or reduction in income or expenses is required to be made to obtain such tax credit.

A reduction in the sales price may be reported if commissions are paid to an agent or broker for the sale of such restricted tax credits in the amount of the commissions paid that reduce the amount of net proceeds received by the taxpayer.

The taxpayer reports the date of the award of the restricted tax credit as the acquisition date and the date sold as the date the sale was consummated. The gross proceeds the taxpayer receives from the sale of the restricted tax credit less any commissions paid are included as the sales price of the tax credit sold.

### Purchaser of a Restricted Tax Credit

A taxpayer who purchases a restricted tax credit at a cost to him or her of less than the full value of the tax credit must also report a gain or loss on the sale, exchange or disposition of property for Pennsylvania personal income tax purposes.

The taxpayer purchasing the restricted tax credit reports the transaction as a

sale of intangible property for Pennsylvania personal income tax purposes on the PA-20S/PA-65 Schedule D. Unlike the sale of a restricted tax credit, the purchaser records as his or her cost basis, the full purchase price of the tax credit (complete sales price of all such tax credits purchased plus any commissions paid by the purchaser). The taxpayer records the purchase date as the date acquired and records the tax year end date (usually December 31) for the tax year to which the tax credit is applied as the date the restricted tax credit was sold.

The sales price of the tax credit is the full value of the tax credit permitted or allowed to be applied to the tax return of the taxpayer. The difference between the sale price and the cost basis is the gain or loss on the transaction. By recording only the amount of tax credit allowed or permitted as the sales price and the full purchase price of the tax credit as the basis, restricted tax credits purchased and not able to be used due to any tax limitations imposed under the law permitting the use of a purchased tax credit require no proration of tax credit cost and no separate reporting of the loss on unused tax credits.

A taxpayer who sells tax credits and/or offsets their tax liability with purchased or assigned tax credits, does not need to send documentation of sale or assignment with their PA-20S/PA-65 Information Return. However, the department reserves the right to request this documentation if needed.

### Passing Through Tax Credit to Entity Owners


Prior to passing tax credits through to entity owners, some tax credits must first be applied to the entity's corporate tax liability, if any, for the year in which the tax credit is granted. If the entity has a tax liability for the tax year in which the credit is approved for use the tax credit must first be applied to that tax liability. Review the specific information for each tax credit to determine if the tax credit must first be applied to corporate liability.

If an entity does not use all approved tax credits, it may elect in writing to

pass through all or a portion of the tax credit to owners, in proportion to the share of the entity's distributive income to which the owner is entitled. In most cases the tax credit may be applied up to the full amount of owners' tax liabilities, minus any other nonrefundable credits that are applied first. See the information regarding specific tax credits to review existing restrictions or limitations.

An owner of a pass through entity to which a tax credit is transferred must immediately claim the tax credit in the tax year in which the transfer is made. The owner may not carry forward, carry back, obtain a refund of, sell, assign or pass through the tax credit again.

Married couples with joint ownership in pass through entities must be separately listed on the entities' pass through of credit request in order for credit to be applied to each individual's tax number.

 **NOTE:** Exceptions to this rule apply for the EITC and OSTC tax credits.

**Example.** A taxpayer and spouse jointly own a 50 percent interest in a partnership, and their son John owns the other 50 percent. All income is distributed according to the ownership percentages. The request to pass through a credit must separately list the taxpayer and spouse's tax numbers, each receiving 25 percent of the credit, and John receiving the remaining 50 percent under his tax number. This method must be followed even though the taxpayer and spouse do not receive a separate RK-1 or NRK-1 from the partnership.

To pass through tax credits to owners, an entity must submit a request on entity letterhead to the Department of Revenue at the following address listing the total amount of credit to be distributed to the entity owner(s), the name and address of each owner, amount of tax credit to be passed through to each owner, tax year, tax type and owner's tax identification number.

PA DEPARTMENT OF REVENUE  
BUREAU OF  
CORPORATION TAXES  
PO BOX 280701  
HARRISBURG PA 17128-0701

The statement must be signed by an authorized representative of the entity, and should be submitted before owners file their individual tax returns.

Some tax credit programs provide a claim form, located on the reverse side of the award letter. Credit awardees should use the claim form to indicate the tax accounts to which the tax credit should be applied.

There are two exceptions to the process outlined above for passing through tax credit:

- To pass through an Educational Improvement Tax Credit or Opportunity Scholarship Tax Credit, the taxpayer must complete and submit form REV-1123, Educational Improvement Tax Credit Election Form.
- To pass through a Keystone Innovation Zone tax credit, visit the Department of Community and Economic Development's (DCED) website at [www.newpa.com](http://www.newpa.com) or call DCED Customer Service at 1-800-379-7448.

For general information pertaining to all restricted tax credits as well as specific details regarding each tax credit individually – including each tax credit's carry-forward and pass through rules, applications and guidelines – review the description in these instructions and Chapter 17 of the Pennsylvania Personal Income Tax Guide.

## PROGRAM CONTACT INFORMATION

For information on applying for programs administered by the Department of Community and Economic Development (DCED), visit [www.newpa.com](http://www.newpa.com) or call the DCED Customer Service Center at 1-800-379-7448. The following programs are administered by DCED: Job Creation, Film Production, Keystone Innovation Zone, Neighborhood Assistance, Educational Improve-

ment, Keystone Special Development Zone, Opportunity Scholarship, Historic Preservation, and Community Based Services tax credit program.

For information on applying for the Resource Enhancement and Protection tax credit program, visit the Dept. of Agriculture's website at [www.agriculture.pa.gov](http://www.agriculture.pa.gov) or call 717-787-8821.

For information on applying for programs administered by the Department of Revenue (Revenue), visit [www.revenue.pa.gov](http://www.revenue.pa.gov) or call 717-787-1064. The following programs are administered by Revenue: PA Organ and Bone Morrow Donor tax credit program and PA Research and Development tax credit program.

All tax questions, regarding utilization of the credits claimed on the Schedule OC should be directed to the Department of Revenue at 717-772-3896.

## TAX CREDITS

### EMPLOYMENT INCENTIVE PAYMENTS (EIP) TAX CREDIT

This tax credit expired Dec. 31, 2009. Although no new tax credits are being issued, carry forward of unused tax credits is allowed for 10 years.

Qualified businesses, including pass through entities, can apply the carry forward of unused tax credit against the following Pennsylvania state taxes:

- Corporate net income tax
- Bank shares tax
- Title insurance and trust company shares tax
- Mutual thrift institutions tax
- Personal income tax



**NOTE:** This tax credit is not applicable against capital stock/foreign franchise tax liabilities.

This tax credit is limited to 90 percent of a business' total tax liability in any given year. Unused tax credits may be applied to one or more of the immediate ten succeeding years, as long as tax credits do not exceed 90 percent of the tax liability in any year. An employer claims the tax credit by submitting the certification received from

Department of Labor and Industry for each employee hired and the PA Schedule W with the appropriate Pennsylvania tax return.

### JOB CREATION TAX CREDIT

Qualified businesses, including pass through entities and individuals, can apply the tax credit against the following Pennsylvania state taxes:

- Capital stock/foreign franchise tax
- Corporate net income tax
- Bank shares tax
- Mutual thrift institutions tax
- Insurance gross premiums tax
- Utilities gross receipts tax
- Title insurance and trust company shares tax
- Personal income tax

### Guidelines for the Job Creation Tax Credit

- The entity decides if the tax credit will be applied towards corporation tax and/or passed through to its partners, shareholders or members.
- Credit must be claimed by the taxpayer within five years of the effective date on the certificate issued by DCED.
- Unused tax credits expire five years from the date the entity submits a Job Creation Tax Credit certificate to the Department of Revenue.
- Tax credits dated July, 1, 2001, or later can be assigned (in whole or in part) to an affiliated entity. An entity is in the same affiliated group if it is an includable corporation and both the company and the entity are owned by a common parent corporation, but only if: 1) the common parent corporation is an includable corporation that owns at least 80% of the total voting power or stock value of at least one of the entities in the group; and 2) at least 80% of the total voting power or stock value of each of the entities is owned by one or more of the other entities in the group. 26 U.S.C.A. § 1504(a). An entity claiming that it is in the same affiliated group as a

company that has received the credit must show that it passes this ownership test before it can be assigned the credit.

- Tax credits may not be sold or assigned to any other entities with no relationship or ownership ties to the entity selling or assigning the credit as defined in IRC §1504 as an unaffiliated entity.
- The tax credit can be used to offset 100 percent of the entity's tax liabilities or 100 percent of the entity owners' tax liabilities if passed through.
- The amount of the tax credit passed through to partners, shareholders or members is based on the percentage of ownership in the entity receiving the tax credit.
- The tax credit cannot be applied against any tax withheld by an employer from an employee under Article III of the Tax Reform Code.

An employer claims the tax credit or passes it through to entity owners by submitting the claim form with the certification received from DCED for each job created to:

PA DEPARTMENT OF REVENUE  
BUREAU OF  
CORPORATION TAXES  
PO BOX 280701  
HARRISBURG PA 17128-0701

If this certification form is not received, the tax credit will not be applied to any tax accounts. The tax credit must be claimed by the taxpayer within 5 years of the effective date.

#### **RESEARCH AND DEVELOPMENT (R&D) TAX CREDIT**

Qualified businesses, including pass through entities and individuals can apply the tax credit against the following Pennsylvania state taxes:

- Capital stock/foreign franchise tax
- Corporate net income tax
- Personal income tax

#### **Guidelines for the Research and Development Tax Credit**

- The tax credit must first be applied to the entity's corporate tax liability, if any, for the year in which the tax

credit is awarded before it can be passed through to its partners, shareholders or members.

- The tax credit can be sold or assigned. See Saleable or Assignable Tax Credits.
- A purchased or assigned tax credit may be applied to no more than 75 percent of the tax liability of the purchaser or assignee.
- The tax credit may not be carried back and is not refundable.
- The amount of the tax credit passed through to partners, shareholders and members is based on the percentage of income distribution from the entity receiving the tax credit.
- Buyer shall immediately claim the credit in the taxable year in which sale or assignment is made.
- As of Jan. 1, 2005, the R & D Tax Credit can be applied to 100 percent of the recipient's liability. However, any R & D Tax Credit issued before 2005 may only be applied to 50 percent of the tax liability. See Passing Through Tax Credit To Entity Owners.
- Any R & D tax credit issued before 2006 could be passed through and then carried over if not completely used in the year the tax credit was passed through. However, any R & D tax credit issued after Dec. 31, 2005, that is passed through must be used in the year the credit is passed through.
- The tax credit cannot be applied against any tax withheld by an employer from an employee under Article III of the Tax Reform Code.

The entity may pass the tax credit through to entity owners by submitting the claim form with the certification received from the Department of Revenue to:

PA DEPARTMENT OF REVENUE  
BUREAU OF  
CORPORATION TAXES  
PO BOX 280701  
HARRISBURG PA 17128-0701

#### **FILM PRODUCTION TAX CREDIT**

Qualified businesses, including pass through entities and individuals may apply the tax credit against the following Pennsylvania state taxes:

- Capital stock/foreign franchise tax
- Corporate net income tax
- Bank shares tax
- Insurance gross premiums tax (excluding surplus lines, unauthorized, domestic/foreign marine)
- Personal income tax

#### **Guidelines for the Film Production Tax Credit**

- The tax credit must first be applied to the entity's corporate tax liability, if any, for the year in which the tax credit is awarded before it can be passed through to its partners, shareholders or members.
- The tax credit may be applied to 100 percent of the entity's liability, or to 100 percent of the entity owners' liabilities.
- The tax credit can be sold or assigned. See Saleable or Assignable Tax Credits.
- The entity awarded the credit may carry forward any unused tax credits to no more than the three succeeding taxable years.
- The tax credit may not be carried back and is not refundable.
- The amount of the tax credit passed through to partners, shareholders or members is based on the percentage of income distribution from the entity receiving the tax credit. The partner, shareholder or member must use the tax credit in the year it is passed through. See Passing Through Tax Credit To Entity Owners.
- A taxpayer which claims a tax credit and fails to incur the amount of qualified film production expenses agreed to in Act 52 of 2013 § 1703-D(c)(3) for a film in that taxable year shall repay to the commonwealth the amount of the Film Production Tax Credit claimed under this article for the film.

- The tax credit cannot be applied against any tax withheld by an employer from an employee under Article III of the Tax Reform Code.

### **PA ORGAN AND BONE MARROW DONOR TAX CREDIT**

Qualified businesses, including pass through entities can apply the carry forward of unused tax credit against the following Pennsylvania state taxes:

- Capital stock/foreign franchise tax
- Corporate net income tax
- Bank shares tax
- Mutual thrift institutions tax
- Title insurance and trust company shares tax
- Insurance gross premiums tax (excluding surplus lines, unauthorized, domestic/foreign marine)
- Personal income tax.

#### **Guidelines for the PA Organ and Bone Marrow Donor Tax Credit**

- The entity decides if the tax credit will be applied towards corporation tax and/or passed through to its partners, shareholders or members.
- The tax credit may be applied to 100 percent of the entity's liability or to 100 percent of the entity owners' liabilities.
- The tax credit cannot be sold or assigned.
- The entity may carry forward any unused tax credits for no more than three succeeding taxable years.
- The tax credit may not be carried back and is not refundable.
- The tax credit cannot be applied against any tax withheld by an employer from an employee under Article III of the Tax Reform Code.

### **KEYSTONE INNOVATION ZONE (KIZ) TAX CREDIT**

Qualified businesses, including pass through entities and individuals with business activity in a KIZ can apply this tax credit against the following Pennsylvania state taxes:

- Capital stock/foreign franchise tax
- Corporate net income tax
- Personal income tax

### **Guidelines for the Keystone Innovation Zone Tax Credit**

- The tax credit must first be applied to the entity's corporate tax liability, if any, for the year in which the tax credit is awarded before it can be passed through to its partners, shareholders or members.
- The tax credit may be applied to 100 percent of the entity's liability or to 100 percent of the entity owners' liabilities.
- The tax credit may not be carried back and is not refundable.
- The tax credit can be sold or assigned. See Saleable or Assignable Tax Credits.
- A purchased or assigned tax credit may be applied to no more than 75 percent of the tax liability of the purchaser or assignee.
- The entity may carry forward any unused tax credits to no more than the four succeeding taxable years. The partner, shareholder or member must use the tax credit in the year it is passed through.
- The amount of the tax credit passed through to partners, shareholders or members is based on the percentage of income distribution from the entity receiving the tax credit. This tax credit cannot be passed through using a claim form or a request to the Bureau of Corporation Taxes. An application to pass through the tax credit must be sent to Department of Community and Economic Development.

### **RESOURCE ENHANCEMENT AND PROTECTION (REAP) TAX CREDIT**

Qualified businesses, including pass through entities and individuals can apply the tax credit against the following Pennsylvania state taxes:

- Capital stock/foreign franchise tax
- Corporate net income tax
- Bank shares tax
- Mutual thrift institutions tax
- Title insurance and trust company shares tax
- Insurance gross premiums tax
- Personal income tax

For projects to be eligible for the tax credit, farms, farmers and sponsors must apply to the SCC. REAP tax credits can be used by the applicant for up to 15 years, and they are transferable and can be sold or assigned to other taxpayers.

### **Guidelines for the Resource Enhancement and Protection Tax Credit**

- The tax credit must first be applied to the entity's corporate tax liability, if any, for the year in which the tax credit is awarded before it can be passed through to its partners, shareholders or members.
- The tax credit may be applied to 100 percent of the entity liability or to 100 percent of the entity owners' liabilities.
- The tax credit can be sold or assigned. See Saleable or Assignable Tax Credits.
- A purchased or assigned tax credit may be applied to no more than 75 percent of the tax liability of the purchaser or assignee.
- The entity may carry forward any unused tax credits to no more than the 15 succeeding taxable years.
- The tax credit may not be carried back and is not refundable.
- The amount of the tax credit passed through to partners, shareholders or members is based on the percentage of income distribution from the entity receiving the tax credit. The partner, shareholder or member must use the tax credit in the year it is passed through. See Passing Through Tax Credit To Entity Owners.
- The tax credit cannot be applied against any tax withheld by an employer from an employee under Article III of the Tax Reform Code.

The entity claims the tax credit or passes it through to entity owners by submitting the claim form with the certification received from the Department of Revenue to:

PA DEPARTMENT OF REVENUE  
BUREAU OF  
CORPORATION TAXES  
PO BOX 280701  
HARRISBURG PA 17128-0701

If this certification form is not received, the tax credit will not be applied to any tax accounts. The tax credit must be claimed by the taxpayer within 15 years of the effective date.

### **NEIGHBORHOOD ASSISTANCE PROGRAM (NAP) TAX CREDIT**

Qualified businesses, including pass through entities and individuals can apply the tax credit against the following Pennsylvania state taxes:

- Capital stock/foreign franchise tax
- Corporate net income tax
- Bank shares tax
- Mutual thrift institutions tax
- Title insurance and trust company shares tax
- Insurance gross premiums tax
- Personal income tax

### **Guidelines for the Neighborhood Assistance Program Tax Credit**

- The tax credit must first be applied to the entity's corporate tax liability, if any, for the year in which the tax credit is awarded before it can be passed through to its partners, shareholders or members.
- The tax credit can be sold or assigned. See Saleable or Assignable Tax Credits.
- A purchased or assigned tax credit may be applied to 100 percent of the tax liability of the purchaser or assignee.
- The entity may carry forward any unused tax credits to no more than the five succeeding taxable years.
- The tax credit may not be carried back and is not refundable.
- The amount of the tax credit passed through to partners, shareholders or members is based on the percentage of income distribution from the entity receiving the tax credit. The partner, shareholder or member must use the tax credit in the year it is passed through. See Passing Through Tax Credit To Entity Owners.
- Pennsylvania does not allow the deduction of certain expenses used to qualify for the Neighborhood Assistance Program tax

credit. If the expenses were deducted in calculating federal-taxable income, the amount should be reported as a reduction in expenses on PA-20S/PA-65 Schedule M, Part B, Section E, Line f. Do not reduce Pennsylvania-taxable income by amounts paid to qualify for the tax credit.

- The tax credit may be applied to 100 percent of the entity liability or to 100 percent of the entity owners' liabilities.

### **EDUCATIONAL IMPROVEMENT TAX CREDIT (EITC)**

Qualified businesses, including pass through entities and individuals can apply the tax credit against the following Pennsylvania state taxes:

- Capital stock/foreign franchise tax
- Corporate net income tax
- Bank and trust company shares tax
- Mutual thrift institutions tax
- Title insurance company shares tax
- Insurance gross premiums tax (excluding unauthorized, domestic/foreign marine)
- Surplus lines tax
- Malt beverage tax
- Personal income tax

### **Guidelines for the Educational Improvement Tax Credit**

- The entity decides if the tax credit will be applied towards corporation tax and/or passed through to its partners, shareholders or members.
- The tax credit cannot be sold or assigned.
- Although any unused tax credits may not be carried forward, the entity may elect in writing prior to the due date of the entity's tax return to pass through all or a portion of the tax credit to its owners in the taxable year of the contribution or the taxable year immediately following the year of contributions.
- To make an irrevocable election to pass through an Educational Improvement tax credit to part-

ners, shareholders or members, a business should visit the Department of Revenue's website at [www.revenue.pa.gov](http://www.revenue.pa.gov) and complete REV-1123, Educational Improvement Tax Credit Election Form. The entity must complete a separate REV-1123 each year the tax credit is awarded and not used in whole or in part.

- REV-1123 must be sent to the Revenue's Bureau of Corporation Taxes by the tax return filing due date (including extensions) of the entity. However, REV-1123 must be sent separately from the entity's tax return.
- The amount of the tax credit passed through to partners, shareholders or members is based on the percentage of income distribution from the entity receiving the tax credit.
- The tax credit may be applied to 100 percent of the entity's liability or 100 percent of the entity owners' liabilities.
- Pennsylvania does not allow the deduction of certain expenses used to qualify for the Educational Improvement Tax Credit. If the expenses were deducted in calculating federal-taxable income, the amount should be reported as a reduction in expenses on PA-20S/PA-65 Schedule M, Part B, Section E, Line f. Do not reduce Pennsylvania-taxable income by amounts paid to qualify for the tax credit.
- The tax credit cannot be applied against any tax withheld by an employer from an employee under Article III of the Tax Reform Code.

### **KEYSTONE SPECIAL DEVELOPMENT ZONE TAX CREDIT**

Qualified businesses, including pass through entities and individuals, can apply the tax credit against the following Pennsylvania state taxes:

- Capital stock/foreign franchise tax
- Corporate net income tax
- Bank shares tax
- Mutual thrift institutions tax



- Title insurance and trust company shares tax
- Personal income tax

**Guidelines for the Keystone Special Development Zone Tax Credit**

- The tax credit can be earned for ten years of a 15-year period beginning July 1, 2012 through June 30, 2035.
- The entity decides if the tax credit will be applied towards corporation tax and/or passed through to its partners, members or shareholders (owners).
- The tax credit may be carried forward, sold, or assigned however it is not refundable.
- Purchased or assigned tax credits may be applied to no more than 75 percent of the tax liability of the purchaser or assignee.
- The purchaser or assignee shall claim the tax credit in the year in which the purchase or assignment is made.
- The entity can pass through in whole or part unused tax credits to its owners. The amount of the tax credit passed through to owners is based on the percentage of income distribution from the entity receiving the tax credit. The owner must use the tax credit in the year it is passed through.
- The applicant/awardee cannot be an employer constructing the improvements in the Keystone Special Development Zone.
- An employer may not claim both Keystone Opportunity Zone and Keystone Special Development Zone tax credit.

**OPPORTUNITY SCHOLARSHIP TAX CREDIT**

Qualified businesses, including pass through entities, may apply the credit against the following Pennsylvania state taxes:

- Capital stock/foreign franchise tax
- Corporate net income tax
- Bank and trust company shares tax
- Mutual thrift institutions tax

- Title insurance company shares tax
- Insurance gross premiums tax (excluding unauthorized, domestic/foreign marine)
- Surplus lines tax
- Malt beverage tax
- Personal income tax

**Guidelines for the Opportunity Scholarship Tax Credit**

- The entity decides if the tax credit will be applied towards corporation tax and/or passed through to its partners, shareholders or members.
- The tax credit cannot be sold or assigned.
- Although any unused tax credits may not be carried forward, the entity may elect in writing prior to the due date of the entity's tax return to pass through all or a portion of the tax credit to its owners in the taxable year of the contribution or the taxable year immediately following the year of contributions.
- The tax credit cannot be applied against any tax withheld by an employer from an employee under Article III of the Tax Reform Code.
- To make an irrevocable election to pass through an Opportunity Scholarship tax credit to partners, shareholders or members, a business should visit the Department of Revenue's website at [www.revenue.pa.gov](http://www.revenue.pa.gov) and complete REV-1123, Educational Improvement Tax Credit Election Form, which is also used for the Educational Improvement Tax Credit program. The entity must complete a separate REV-1123 each year the tax credit is awarded and not used in whole or in part.
- REV-1123 must be sent to the Revenue's Bureau of Corporation Taxes by the tax return filing due date (including extensions) of the entity. However, REV-1123 must be sent separately from the entity's tax return.
- The amount of the tax credit passed through to partners, share-

holders or members is based on the percentage of income distribution from the entity receiving the tax credit.

- The tax credit may be applied to 100 percent of the entity liability or 100 percent of the entity owners' liabilities.

**HISTORIC PRESERVATION INCENTIVE TAX CREDIT**

Qualified taxpayers may apply the credit against the following Pennsylvania state taxes:

- Capital stock/foreign franchise tax
- Corporate net income tax
- Bank shares tax
- Title insurance & trust company shares tax
- Insurance premiums tax (excluding surplus lines, unauthorized, domestic/foreign marine)
- Mutual thrift tax
- Gross receipts tax
- Personal income tax

**Guidelines for the Historic Preservation Incentive Tax Credit**

- The tax credit shall be applied against the qualified entity's liability for the current taxable year as of the date on which the tax credit was issued before it can be passed through to its partners, shareholders or members.
- The tax credit can be sold or assigned. See Saleable or Assignable Tax Credits.
- A purchased or assigned tax credit may be applied to 100 percent of the tax liability of the purchaser or assignee.
- The entity may carry forward any unused tax credits to no more than the seven succeeding taxable years.
- The tax credit may not be carried back and is not refundable.
- The amount of the tax credit passed through to partners, shareholders or members is based on the percentage of income distribution from the entity receiving the tax credit. The partner, share-

holder or member must use the tax credit in the year it is passed through. See Passing Through Tax Credit To Entity Owners.

- The tax credit may be applied to 100 percent of the entity liability or to 100 percent of the entity owners' liabilities.

### COMMUNITY-BASED SERVICES TAX CREDIT

Qualified businesses may apply the credit against the following Pennsylvania state taxes:

- Capital stock/foreign franchise tax
- Corporate net income tax
- Bank shares tax
- Title insurance & trust company shares tax
- Insurance premiums tax (excluding surplus lines, unauthorized, domestic/foreign marine)
- Mutual thrift institutions tax
- Personal income tax

### Guidelines for the Community-Based Services Tax Credit

- The tax credit shall be applied against the qualified entity's liability for the current taxable year as of the date on which the credit was issued.
- The tax credit cannot be sold or assigned or passed through.
- The tax credit may be applied to 100 percent of the entity's liability.

### COAL REFUSE ENERGY AND RECLAMATION TAX CREDIT

Qualified taxpayers, including pass through entities can apply the tax credit against the following Pennsylvania state taxes:

- Personal income tax
- Corporate net income tax
- Capital stock/foreign franchise tax
- Bank shares tax
- Title insurance & trust company shares tax
- Insurance premiums tax
- Gross receipts tax
- Mutual thrift institutions tax

### Guidelines for the Coal Refuse Energy and Reclamation Tax Credit

- A qualified taxpayer may claim a tax credit against the qualified tax liability of the qualified taxpayer.
- The entity decides if the tax credit will be applied towards corporation tax and/or passed through to its partners, shareholders or members,
- The amount of the tax credit passed through to partners, shareholders or members is based on the percentage of income distribution from the entity receiving the tax credit.
- The tax credit may also be transferred to an affiliate during a taxable year for use if the credit is authorized.
- The tax credit may be applied to 100 percent of the entity's liability, entity owners' liability or affiliate liability.
- The tax credit can be sold or assigned. See Saleable or Assignable tax credits.
- A purchased or assigned tax credit may be applied to no more than 75 percent of the tax liability of the purchaser or assignee in the taxable year in which the purchase or assignment was made.
- The entity awarded the credit, may carry forward any unused tax credit to no more than the 15 succeeding taxable years.
- The credit may not be carried back and is not refundable.
- The credit cannot be applied against any tax withheld by an employer from an employee under Article III of the Tax reform code.

The entity claims the tax credit or passes through to entity owners/affiliates by submitting the claim form with the certification received from the Department of Community and Economic Development to:

PA DEPARTMENT OF REVENUE  
BUREAU OF  
CORPORATION TAXES  
PO BOX 280701  
HARRISBURG PA 17128-0701

If this certification form is not received, the tax credit will not be applied to any tax accounts. The tax credit must be claimed by the taxpayer within 15 years of the effective date.

## COMPLETING PA SCHEDULE OC

### Business Name

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

### FEIN

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

## LINE INSTRUCTIONS

### LINE 1

### Employment Incentive Payments Credit

Although no new tax credits are being issued, the carry forward of unused tax credits is allowed. Enter the amount of any carry forward of unused tax credit.

Submit a completed PA Schedule W with all supporting documents.

### LINE 2

### Job Creation Tax Credit

Enter the amount of tax credit that the Pennsylvania Department of Community and Economic Development approved.

Pennsylvania does not require a reduction in expenses to calculate the Job Creation tax credit.

### LINE 3

### Research and Development Tax Credit

Enter the amount of tax credit from the Pennsylvania Department of Revenue.

If the entity has a corporation tax liability for the tax year in which the Research & Development tax credit is approved for use, the tax credit must be first applied to the corporation tax liability before it is passed through to the entity's owners.

Consequently, if the entity has a corporation tax liability, the amount of credit reported on Line 3 must be less the corporate tax liability.

Pennsylvania does not require a reduction in expenses to calculate the Research and Development tax credit. If the entity sells or assigns the Research and Development tax credit, it is reported as a gain on PA-20S/PA-65 Schedule D.

#### LINE 4

##### Film Production Tax Credit

Enter the amount of tax credit from the Pennsylvania Department of Revenue or Pennsylvania Department of Community and Economic Development.

If the entity has corporate tax liability for the tax year in which the Film Production tax credit is approved for use, the tax credit must be first applied to the corporate tax liability before it is passed through to the entity's owners.


Consequently, if the entity has a corporation tax liability, the amount of credit reported on Line 4 must be less the corporate tax liability.

Pennsylvania does not require a reduction in expenses to calculate the Film Production tax credit. If the entity sells or assigns the Film Production tax credit it is reported as a gain on PA-20S/PA-65 Schedule D.

#### LINE 5

##### Out-of-State Credits S Corporations Only

Certain S corporations are not taxed as S corporations (taxed as a C corporation) in other states. In such cases an entity must account for taxes paid to other states in order to claim the correct resident tax credit. Note a C corporation return must be submitted.

 Only Pennsylvania resident shareholders can claim credit for taxes paid to other states by the entity.

To calculate the amount of Pennsylvania resident credit, multiply the amount of income apportioned to the other state by the Pennsylvania personal income tax rate of 3.07 percent. The credit is the lesser of this calculated

amount or the actual amount of tax paid to the other state.

The C corporation from another state that is an S corporation for Pennsylvania reports on Line 5 the lesser of the amount of tax paid on the apportioned income as compared to the tax rate of Pennsylvania.

The entity then distributes the amount reported on Line 5 according to ownership percentage.

#### EXAMPLE

Total income from everywhere	. \$100,000	
PA-source income	. . . 25,000	
Other state's income	. . . . . 75,000	. x 2.00 percent (0.0200)
		= \$ 1,500
Other state's income Also taxed in Pennsylvania	. . . . . 75,000	. x 3.07 percent (0.0307)
		= \$ 2,302
Lesser of the two	. . . \$1,500	

The amount of credit reported on Line 5 is \$1,500 because it is less than the amount of tax payable to Pennsylvania.



**NOTE:** Resident shareholders report this credit on their PA-40 Personal Income Tax Return, as a resident credit on PA-40 Schedule G-L.

#### LINE 6

##### PA Organ and Bone Marrow Donor Tax Credit

Enter the amount of tax credit from the Pennsylvania Department of Revenue. Pennsylvania does not require a reduction in expenses to calculate the PA Organ and Bone Marrow Donor Tax Credit.

#### LINE 7

##### Keystone Innovation Zone Tax Credit

Enter the amount of tax credit from the Pennsylvania Department of Community and Economic Development.

If the entity has a corporation tax liability for the tax year in which the Keystone Innovative Zone tax credit is approved for use, the tax credit must be first applied to the corporation tax liability before it is passed through to the entity's owners.

Consequently, if the entity has a corporation tax liability, the amount of credit reported on Line 7 must be less the corporate tax liability.

Pennsylvania does not require a reduction in expenses to calculate the Keystone Innovation Zone tax credit. If the entity sells or assigns the Keystone Innovation Zone tax credit it is reported as a gain on PA-20S/PA-65 Schedule D.

#### LINE 8

##### Resource Enhancement and Protection Tax Credit

Enter the amount of tax credit from the Pennsylvania Department of Revenue.

If the entity has corporate tax liability for the tax year in which the Resource Enhancement and Protection tax credit is approved for use, the tax credit must be first applied to the corporate tax liability before it is passed through to the entity's owners.

Consequently if the entity has corporation tax liability, the amount of credit reported on Line 8 must be less the corporate tax liability.

Pennsylvania does not require a reduction in expenses to calculate the Resource Enhancement and Protection tax credit. If the entity sells or assigns the Resource Enhancement and Protection tax credit it is reported as a gain on PA-20S/PA-65 Schedule D.

#### LINE 9

##### Neighborhood Assistance Program Tax Credit

Enter the amount of tax credit from the Pennsylvania Department of Community and Economic Development.

If the entity has a corporation tax liability for the tax year in which the Neighborhood Assistance Program tax credit is approved for use, the tax credit must be first applied to the corporation tax liability before it is passed through to the entity's owners.

Consequently, if the entity has a corporation tax liability, the amount of credit reported on Line 9 must be less the corporate tax liability.

Pennsylvania does not allow a deduction for contributions made to calculate

the Neighborhood Assistance Program Tax Credit. If the expenses were deducted in calculating federal-taxable income, the amount should be reported as a reduction in expenses on PA-20S/PA-65 Schedule M, Part B, Section E, Line f.

Do not reduce Pennsylvania-taxable income by amounts paid to qualify for the tax credit.

If the entity sells or assigns the Neighborhood Assistance Program Tax Credit it is reported as a gain on PA-20S/PA-65 Schedule D.

**LINE 10**

**Educational Improvement Tax Credit**

Enter the amount of tax credit from the Pennsylvania Department of Community and Economic Development.

Pennsylvania does not allow a deduction for contributions made to calculate the Educational Improvement tax credit. If the expenses were deducted in calculating federal-taxable income, the amount should be reported as a reduction in expenses on PA-20S/PA-65 Schedule M, Part B, Section E, Line f. Do not reduce Pennsylvania-taxable income by amounts paid to qualify for the tax credit.

**LINE 11**

**Keystone Special Development Zone Tax Credit**

Enter the amount of tax credit from the Pennsylvania Department of Community and Economic Development.

Pennsylvania does not require a reduction in expenses to calculate the Keystone Special Development Zone tax credit.

**LINE 12**

**Opportunity Scholarship Tax Credit**

Enter the amount of tax credit from the Pennsylvania Department of Community and Economic Development.

**LINE 13**

**Historic Preservation Incentive Tax Credit**

Enter the amount of tax credit from the Pennsylvania Department of Community and Economic Development.

**LINE 14**

**Community-Based Services Tax Credit**

Enter the amount of tax credit from the Pennsylvania Department of Community and Economic Development.

**LINE 15**

**Coal Refuse Energy and Reclamation Tax Credit**

Enter the amount of tax credit from the Pennsylvania Department of Community and Economic Development.

**LINE 16**

**Other Restricted Credits Not Listed Above**

Restricted credits are tax credits which are included in Pennsylvania legislation and must be applied for with specific Pennsylvania agencies. If a restricted credit is not shown on PA-20S/PA-65 Schedule OC, enter the type of credit in the space provided and the amount of credit received from the awarding Pennsylvania government agency.

**LINE 17**

**Total Pennsylvania Other Credits**

Add Lines 1 through 16. Enter the total credits here and on the PA-20S/PA-65 Information Return, Part V, Line 13a.