

PA SCHEDULE B

Dividend Income and
Capital Gain Distributions

2108710050

PA-20S/PA-65 B (DR) 05-21 (FI)
PA Department of Revenue

2021

OFFICIAL USE ONLY

Name as shown on PA-20S/PA-65 Information Return	FEIN
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See the PA-20S/PA-65 Schedule B instructions on the department's website.

1	Ordinary dividend income from federal Schedule K	1
2	Less business or rental dividend income (working capital) - report on PA-20S/PA-65 Schedule M, Part I	2
3	Adjusted federal dividend income – subtract Line 2 from Line 1	3
4	Federal-exempt dividend income taxable for PA PIT – itemize below	4
5	Other dividend income not included on Line 3 and Line 4	5
6	Capital gain distributions income	6
7	Gross PA-taxable dividend income – add Lines 3 through 6	7
8	PA-exempt dividend income included on Line 7 – itemize below	8
9	PA-taxable dividend income and capital gain distributions income – subtract Line 8 from Line 7. Enter the result on the PA-20S/PA-65 Information Return, Page 1, Section III, Line 4.	9

Federal-exempt dividend income – list sources and amounts

PA-exempt dividend income – list sources and amounts



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Instructions for PA-20S/PA-65 Schedule B

Dividend Income and Capital Gain Distributions

PA-20S/PA-65 B IN (DR) 05-21

GENERAL INFORMATION

PURPOSE OF SCHEDULE

Use PA-20S/PA-65 Schedule B to report dividend income and capital gain distributions of PA S corporations, partnerships and limited liability companies filing as partnerships or PA S corporations for federal income tax purposes. See PA Personal Income Tax Guide – Dividends.

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

Dividends reported on the PA-20S/PA-65 Information Return and PA-20S/PA-65 Schedule B are total dividends earned by the entity itself. There is no need to distinguish between resident and nonresident portions since dividends are not a class of income on the PA-20S/PA-65 Schedule NRK-1. For Pennsylvania personal income tax purposes, nonresidents are not taxed on dividends from Pennsylvania sources. Dividends are ignored by the nonresident unless the entity has reclassified dividends on PA-20S/PA-65 Schedule M, Part I and PA-20S/PA-65 Schedule B, Line 2 as working capital, in which case it will be included with business or rental income.

PENNSYLVANIA TAXABLE DIVIDEND INCOME

Pennsylvania law (72 P.S. §7301(f)) provides that dividends mean any distribution in cash or property made by a corporation, association, or business trust that is:

- Out of accumulated earnings and profits; or
- Out of earnings and profits of the year in which such dividend is paid.

The term dividends shall not include a distribution of stock of a corporation made by the corporation originally issuing it to its own stockholders if such distribution is not treated as personal income for federal individual income tax purposes. The Pennsylvania definition of dividends is similar, but not identical, to the federal definition. Distributions from mutual funds and money market funds are classified as dividends for Pennsylvania purposes and interest for federal purposes. Distributions from PA S corporations are reportable as dividends by resident shareholders only if they are from PA C corporation earnings and profits.

COMPLETING PA SCHEDULE B

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

ORDINARY DIVIDEND INCOME FROM FEDERAL SCHEDULE K

Enter the amount reported on federal Schedule K, Line 6a (federal Form 1065), or Line 5a (federal Form 1120S). This number should also match PA-20S/PA-65 Schedule M, Part I, Line 5, Column (a). Include federal Schedule K-1 dividend income from other entities.

LINE 2

LESS BUSINESS OR RENTAL DIVIDEND INCOME (WORKING CAPITAL)

Enter the amount reported on PA-20S/PA-65 Schedule M, Part I, Line 5, Column (b) and/or Column (f).

LINE 3

ADJUSTED FEDERAL DIVIDEND INCOME

Subtract Line 2 from Line 1. Enter the result on Line 3.

LINE 4

FEDERAL EXEMPT DIVIDEND INCOME TAXABLE FOR PENNSYLVANIA PERSONAL INCOME TAX

Enter the tax-exempt dividend income amount reported on federal Schedule K, Line 18b (federal Form 1065), or Line 16b (federal Form 1120S), "Other tax exempt income." List the sources and amounts in the spaces provided on the form.

LINE 5

OTHER DIVIDEND INCOME NOT INCLUDED ON LINE 3 AND LINE 4


If the entity received dividend income reported on a line other than federal 1120S Schedule K, Line 5a or federal 1065 Schedule K, Line 6a, then report the income as dividend income for Pennsylvania personal income tax purposes on PA-20S/PA-65 Schedule B, Line 5.

The federal Tax Cuts and Jobs Act of 2017 established a tax on untaxed earnings and profits of foreign corporations accumulated after 1986 and prior to 2018, titled the Repatriation Transition Tax (RTT). For Pennsylvania Personal Income Tax, these earnings and profits are taxable when they are actually distributed. Line 5 should include any actual payments of these earnings and profits that were not included in taxable income in a prior year. Provide a statement explaining the nature/source of the payments. For additional information on the RTT, please see Informational Notice Corporation Taxes and Personal Income Tax 2018-1: Tax Cuts and Jobs Act of 2017.

LINE 6

CAPITAL GAIN DISTRIBUTIONS INCOME

Enter the amount reported on PA-20S/PA-65 Schedule M, Part I, Column (d), Lines 7, 8 and 11.

 **NOTE:** Pennsylvania taxes capital gain distributions from mutual funds as dividends.

LINE 7

GROSS PENNSYLVANIA TAXABLE DIVIDEND INCOME

Add Lines 3 through 6, and enter the result on Line 7.

LINE 8

PENNSYLVANIA EXEMPT DIVIDEND INCOME INCLUDED ON LINE 7

Enter income reported as federal dividend income that has been taxed federally and is exempt for Pennsylvania purposes. This number can be obtained from entity level books and records. List the sources and amounts in the spaces provided on the form.

Regulated investment companies (RIC) that invest in state and local bonds distribute exempt interest dividends. The companies and their shareholders are not taxed on them.

Not every RIC that invests in state and local bonds invests exclusively in Pennsylvania state and local bonds. Only federally exempt interest dividends that are derived from Pennsylvania state and local bonds are exempt for personal income tax purposes. Federally exempt interest dividends that are not derived from Pennsylvania state and local bonds are fully taxable for personal income tax purposes.

Some federally taxable dividends are Pennsylvania exempt interest dividends. They are derived from federal obligations.

LINE 9

PENNSYLVANIA TAXABLE DIVIDEND INCOME AND CAPITAL GAIN DISTRIBUTIONS INCOME

Subtract Line 8 from Line 7, and enter the result on Line 9. Enter this amount on the PA-20S/PA-65 Information Return, Page 1, Section III, Line 4.