pennsylvania
DEPARTMENT OF REVENUE

Pennsylvania Department of Revenue **2015**

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

Corporate Partner CNI Withholding

PA-20S/PA-65 Schedule CP (08-15)

WHAT'S NEW

Unlike personal income tax law, Pennsylvania's corporate net income tax statute permits the offsetting of losses against income within different classes of income. Consequently, any reference to income for business activity, rent and real estate, capital gains or other income has been updated to include losses. A partnership can claim expenses or deductions or offset losses against income on Schedule CP as allowed for Pennsylvania corporate net income tax.

GENERAL INFORMATION

PURPOSE OF SCHEDULE

The PA-20S/PA-65 Schedule CP is completed by a partnership to determine the corporate net income tax withholding for nonfiling corporate partners (C corporations only) that are required to file an RCT-101, PA Corporate Tax Report. A separate schedule must be completed for each nonfiling corporate partner. Before completing this schedule, complete the PA-20S/PA-65 Schedule H-Corp to apportion business income (loss) for the corporate partner(s). The partnership should use federal Form 1065 Schedule K-1 to calculate withholding for any corporate partner that did not file an RCT-101, PA Corporate Tax Report. Corporate net income tax withholding is based on federal Form 1065 Schedule K-1 income. Each entity partner should receive a copy of PA-20S/PA-65 Schedule H-Corp.

TIP All PA-20S/PA-65 Schedules CP must be filed with the PA-65 Corp, Directory of Corporate Partners and provided to the corporate partners for filing their RCT-101, PA Corporate Tax Report. Partnerships that are 100 percent corporate owned must list all corporate partners on the PA-65 Corp Directory whether the corporation is compliant or not, based on filing requirements for the RCT-101 PA Corporate Tax Report. However, a Schedule CP only needs to be completed for non-compliant corporate partners and is not required for compliant partners who file the RCT-101 and no corporate net income tax withholding payment is calculated.

A nonfiling corporate partner is a corporation as defined in 72 P.S. §7401, which has not filed an RCT-101, PA Corporate Tax Report, and paid corporate net income tax for the previous taxable year. Apportionment rules apply.

CORPORATE PARTNERS

The amount on Line 16 of PA-20S/PA-65 Schedule CP is remitted by the issuing partnership on the corporation's behalf for payment of corporate net income tax withholding. The partnership is permitted to adjust federal Form 1065 Schedule K-1 income for expenses or deductions.

TIP Do not submit nonresident individual partner withholding payments with PA-20S/PA-65 Schedule CP. This schedule is only used to report C corporation, nonfiler corporate net income tax withholding.

COMPLETING PA SCHEDULE CP

FOREIGN ADDRESS STANDARDS

If the PA S corporation, partnership or entity formed as a limited liability company that is classified as a partnership or PA S corporation for federal income tax purposes is located outside the U.S., it is important to write the foreign address on the PA-20S/PA-65 Schedule CP, according to U.S. Postal Service standards.

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

To comply with foreign address standards, use the following rules when completing the address portion of the PA-20S/PA-65 Schedule CP:

- Eliminate apostrophes, commas, periods and hyphens. Write the address in all uppercase letters. Addresses should have no more than five lines and must be written in ink or typewritten. Pencil is unacceptable.

- Write the name of the entity in the spaces provided. Mail may not be addressed to a person in one country "in care of" a person in another country. The address of items sent to general delivery must indicate the addressee's full legal name.

- Write the address in the space provided, including street and building name and number, apartment or suite numbers, city name and city or provincial codes. All lines of the delivery address should appear in all capital letters. The house number and street address or box number must appear when mail is addressed to towns or cities.

- Write only the name of the country in the space provided for the city or post office.

- **Do not** include any entries in the state field other than "OC" for Out-of-Country. The ZIP code spaces should remain blank on the PA-20S/PA-65 Schedule CP.

Providing the address in this format will better ensure that the department is able to contact the entity if we need additional information.

Below are two examples of properly completed foreign addresses.

Foreign Address Examples
Name: DIETRICH ENTERPRISES
Address 1: HARTMANNSTRASSE 7
Address 2: 5300 BONN 1
City: GERMANY
State: OC
ZIP Code: Leave Blank
OR

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

Canada (Only) Address Example

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

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

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

Note. For a Canadian address, two spaces must exist between the province abbreviation and the postal code. Please review previous example where "ONT" (province abbreviation) and "K1A OB1" (postal code) are shown separated by two spaces in the address format.

PART I

GENERAL INFORMATION FOR THE CORPORATE PARTNER

Name of Corporation

Enter the name of the nonfiling corporate partner (C corporation).

Revenue ID

The Revenue ID is a unique, 10-digit number assigned by the Department of Revenue to replace your seven-digit Tax Account ID number. The seven-digit Tax Account ID number may be used if the 10-digit Revenue ID number is not known. One of these numbers must be provided.

IMPORTANT: If using your seven-digit Tax Account ID number, left justify and do not use additional zeros to fill the space. This is not the same number as the seven-digit Entity ID issued by the Department of State.

Corporate Partner FEIN

Enter the nine-digit federal employer identification number (FEIN) of the corporate partner (C corporation).

Corporate Partner Percentage

Enter the corporate partner's (C corporation) percentage of profit sharing, loss sharing, and ownership of capital and the date (MMDDYYYY) that the corporation became a partner.

First Line of Address

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

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

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

Second Line of Address

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

For a foreign address, enter the city or municipal designation. See Foreign Address Examples.

For Canadian addresses, enter the city and postal delivery zone number. See Canada Address Example.

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

City or Post Office, State and ZIP Code

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

For Canadian and international addresses, the bottom lines of the address should show only the country name, written in full (no abbreviations) and in capital letters. See Canada Address Example.

Date C Corporation Became a Partner

Enter the date (MMDDYYYY) the C corporation became a partner in the partnership.

PART II

GENERAL INFORMATION FOR THE PARTNERSHIP

Name of Partnership Issuing This Form

Enter the complete name of the partnership.

Partnership FEIN

Enter the nine-digit federal employer identification number (FEIN) of the partnership issuing this form.

Address

Enter the post office box if appropriate, then the street address. If the address has an apartment number, suite or RR number, enter after the street address.

For a foreign address, enter the city or municipal designation. See Foreign Address Examples.

For Canadian addresses, enter the city and postal delivery zone number. See Canada Address Example.

City or Post Office, State and ZIP Code

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

For Canadian and international addresses, the bottom lines of the address should show only the country name, written in full (no abbreviations) and in capital letters. See Foreign Address Example and Canada Address Examples.

Date Partnership Began Doing Business in Pennsylvania

Enter the date (MMDDYYYY) the partnership began doing business in Pennsylvania.

PART III

Income or Loss for Corporate Partners from Federal Schedule K-1

On the following lines, enter the income or loss for the corporate partner from federal Schedule K-1.

LINE 1

Ordinary Income or Loss from Trade or Business Activities

Enter the amount of income or loss from the corresponding line of federal Form 1065 Schedule K-1.

LINE 2

Net Income or Loss from Rental Real Estate Activities

Enter the amount of rental income or loss derived from real estate from the corresponding line of federal Form 1065 Schedule K-1.

LINE 3

Net Income or Loss from Other Rental Activities

Enter the amount of rental income or loss from the corresponding line of federal Form 1065 Schedule K-1.

LINE 4

Guaranteed Payments

Enter the amount of guaranteed payments from the corresponding line of the federal Form 1065 Schedule K-1.

LINE 5

Interest Income

Enter the amount of interest income from the corresponding line of federal Form 1065 Schedule K-1.

LINE 6

Ordinary Dividends

Enter the amount of income from ordinary dividends from the corresponding line of federal Form 1065 Schedule K-1.

LINE 7

Royalties

Enter the amount of income or loss from royalties from the corresponding line of federal Form 1065 Schedule K-1.

LINE 8

Net Short-Term Capital Gain or Loss

Enter the amount of income or loss from short-term capital gains from the corresponding line of federal Form 1065 Schedule K-1.

LINE 9

Net Long-Term Capital Gain or Loss

Enter the amount of income or loss from long-term capital gains from the corresponding line of federal Form 1065 Schedule K-1.

LINE 10

Net IRC §1231 Gain or Loss

Enter the amount of IRC §1231 gain or loss from the corresponding line of federal Form 1065 Schedule K-1.

LINE 11

Net Gain or Loss from Disposal of IRC §179 Property

Enter the amount of income or loss from the disposition of IRC §179 Property from the corresponding line of federal Form 1065 Schedule K-1.

LINE 12

Other Income, Loss or Deductions

Enter the amount of other income, loss or deductions (submit statement). Include any amount that is reported on the corresponding line of federal Form 1065 Schedule K-1.

LINE 13

Total Income or Loss

Total Lines 1 through 12.

LINE 14

Apportionment from the PA-20S/PA-65 Schedule H-Corp

Enter the percentage of apportionment from PA-20S/PA-65 Schedule H-Corp.

LINE 15

Income or Loss Apportioned to Pennsylvania

Multiply Line 13 by Line 14. If Line 15 is a loss, enter zero.

LINE 16

Corporate Net Income Tax Withholding

Multiply Line 15 if greater than zero by 0.0999 and enter the result on Line 16. The amount on Line 16 represents the amount of corporate net income tax withholding required for the C corporation by the partnership.

Send a copy of this withholding statement to the corporate partner listed on PA-20S/PA-65 Schedule CP. Each corporate partner also must receive a copy of the PA-20S/PA-65 Schedule H-Corp.