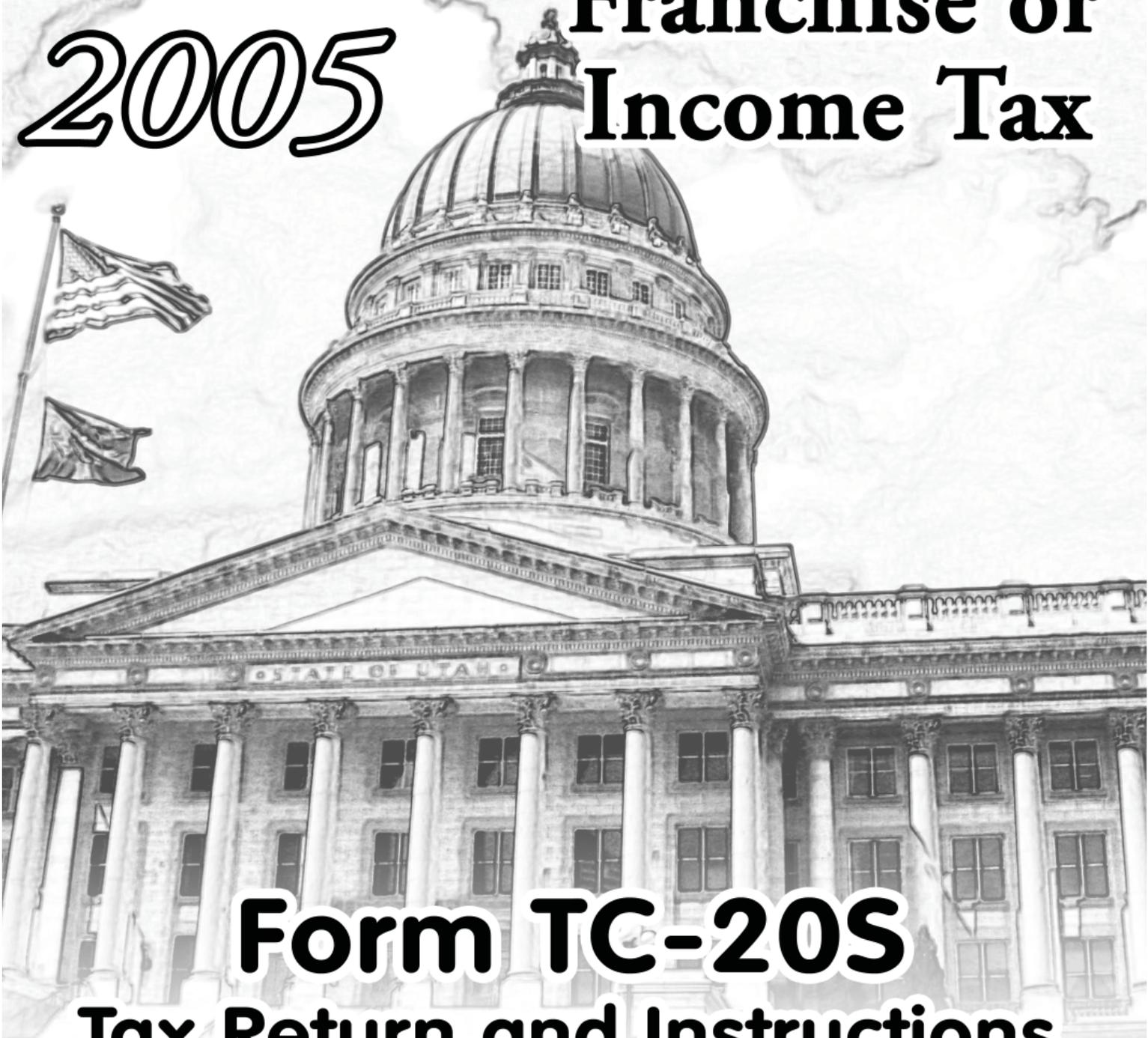


Utah
2005

**S Corporation
Franchise or
Income Tax**



Form TC-20S

Tax Return and Instructions

Utah State Tax Commission • 210 North 1950 West • Salt Lake City, UT 84134
www.tax.utah.gov

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Online Services



Visit our website for detailed tax information and all Utah State tax forms/instructions.

tax.utah.gov

Utah now allows electronic filing for C Corporations and S Corporations.

tax.utah.gov/taxes/eleccorp.html

Pay tax due and make payments online with a credit card or e-check.



paymentexpress.utah.gov

References

UC: Utah Code

IRC: Internal Revenue Code

Need forms?

Print online at tax.utah.gov/forms, or call (801) 297-6700 or 1-800-662-4335, ext. 6700

File TC-20 if Corporation filed federal 1120

File TC-20S if S Corporation filed federal 1120S

If you need an accommodation under the Americans with Disabilities Act, contact the Tax Commission at (801) 297-3811 or Telecommunications Device for the Deaf (TDD) (801) 297-2020. Please allow three working days for a response.

TC-20S General Instructions and Information

What's New?

- **Interest Rate:** The Utah interest rate for the 2006 calendar year is 6 percent.
- **Electronic Filing Option:** See the following instructions for filing your corporate return electronically.

Electronic Filing for Corporation Returns

Utah corporation returns for taxable years beginning in 2005 may be filed electronically under a new joint program between the Internal Revenue Service and the Utah State Tax Commission.

The program is similar to the federal/state individual electronic filing program in which both federal and state information is submitted at the same time. The IRS extracts its federal data and forwards the state data to the Tax Commission. No papers are required to be mailed to the agencies when filing electronically.

Initially, for taxable years beginning in 2005, both C corporations and S corporations may file electronically. Other corporation returns will be added in the future.

Many software vendors are offering electronic corporation return filing. Check with your software provider to see if they support this new program.

If you are interested in filing your corporation return electronically, go to tax.utah.gov/taxes/eleccorp.html for more information.

Corporation Identification Numbers

The Utah State Tax Commission uses the Federal Employer Identification Number (EIN) as the corporation's taxpayer identification with the state. The Utah Department of Commerce also issues a registration number upon incorporation or qualification in Utah. Enter both the EIN and Utah Incorporation/Qualification number in the fields provided. These numbers are used for proper identification of the corporate tax return and any correspondence.

Corporation Changes

Corporation changes (e.g., name change, physical and/or mailing address changes, merger or ceasing to do business in Utah) must be reported in writing to both:

Division of Corporations
Department of Commerce
160 E 300 S
Salt Lake City, UT 84145

and:

Master File Maintenance
Utah State Tax Commission
210 N 1950 W
Salt Lake City, UT 84134-3310

Dissolution or Withdrawal

Corporations that cease to do business in Utah must either dissolve or withdraw the corporation.

Corporations incorporated in Utah must file Articles of Dissolution with the Department of Commerce. In addition, Utah corporations should obtain a Certificate of Tax Clearance from the Tax Commission prior to dissolution.

Corporations incorporated outside of Utah (foreign corporations) MUST obtain a Certificate of Tax Clearance from the Tax Commission before withdrawing from Utah. Foreign corporations must file an Application for Withdrawal with the Department of Commerce.

To request a Certificate of Tax Clearance, complete form TC-2001 and submit it to the attention of the Customer Service Call Unit at the Tax Commission address above. The form can be found on our website at tax.utah.gov/forms.

To close related tax accounts (sales, withholding, etc.), send a letter with the account number(s) and the last date of business to the attention of Master File Maintenance at the Tax Commission address above.

Rounding Off to Whole-dollar Amounts

Round off cents to the nearest whole dollar. Round down if cents are under 50 cents; round up if cents are 50 cents and above. Do not enter cents anywhere on the return.

Liability for Filing and Paying Returns

Tax Forms

The Tax Commission does not mail returns for filing corporate taxes to corporations registered with the state. If the corporation does not use software that provides the forms, you may obtain Utah forms by downloading copies from the Tax Commission website at tax.utah.gov/forms or by calling the Forms Hotline at (801) 297-6700 or 1-800-662-4335, ext. 6700.

NOTE: Review Supporting Federal Information later in these General Instructions to identify what federal information is required with the Utah return.

Franchise Tax

Every C corporation incorporated in Utah (domestic), qualified in Utah (foreign), or doing business in Utah, whether qualified or not, must file a corporate franchise tax return. C corporation returns are filed on form TC-20. There is a minimum tax (privilege tax) of \$100 on every corporation that files form TC-20, regardless of whether or not the corporation exercises its right to do business.

S Corporation

Every S corporation (as defined in IRC Section 1361(a)) that has filed a proper and timely election under IRC Section 1362(a) must file form TC-20S, so long as the federal election remains in effect. The minimum tax does not apply to S corporations.

Income Tax

The only corporations required to file under the income tax provisions are those that derive income from Utah sources, but are not qualified to do business in Utah and have no regular and established place of business in this state, either owned or rented, and do not maintain an inventory or have employees located at a place of business in Utah. For example, a foreign corporation with goods maintained in a public warehouse in Utah, or a trucking company operated in or through Utah by a foreign corporation not qualified to do business in Utah, is subject to the income tax rather than franchise tax. Corporate income tax filers use form TC-20.

A \$100 minimum tax applies to the corporate income tax.

Taxable Year

The taxable year for Utah corporation franchise or income tax purposes must match the taxable year used for federal income tax purposes. When the taxable year changes for federal purposes, the taxable year must be adjusted accordingly for Utah corporation franchise or income tax purposes. Refer to Filing Return When Period Changed below. If the taxable year is not a calendar year, enter the beginning and ending dates of the taxable year at the top of form TC-20S where indicated.

Filing Return When Period Changed

When changes are made to the taxable year, as indicated under Taxable Year above, a short-period return is required. The short-period return must cover the period of less than 12 months between the prior taxable year-end and the new taxable year-end. The tax rates as provided in UC §59-7-104 and §59-7-201 apply to short period returns.

Where to File

Send the completed return and any payment to:

Utah State Tax Commission
210 N 1950 W
Salt Lake City, UT 84134-0300

Due Date

A return must be filed on or before the 15th day of the fourth month following the close of the taxable year. If the due date falls on a Saturday, Sunday or legal holiday, the due date becomes the next business day.

Filing Extension

Corporations are automatically allowed an extension of up to six months to file a return without filing an extension form. **This is an extension of time to file the return - NOT an extension of time to pay taxes.** To avoid penalty

and interest, the prepayment requirements must be met on or before the original return due date and all returns must be filed within the six-month extension period.

Penalties

Utah law provides for uniform tax penalties for failure to file tax returns, failure to pay tax due, and failure to file information returns or supporting schedules.

The penalty for **failure to file a tax due return** by the due date is the greater of \$20 or 10 percent of the unpaid tax.

The penalty for **failure to pay tax due** as reported on a timely filed return, or within 30 days of a notice of deficiency, is \$20 or 10 percent of the tax due, whichever is greater. If a tax balance is still unpaid 90 days after the due date on a late filed return, a second penalty of \$20 or 10 percent of the tax balance, whichever is greater, will be added for failure to pay timely.

The penalty for **underpayment of the extension prepayment** is 2 percent per month of the unpaid tax during the extension period. If the return is not filed by the extension due date, failure to file and failure to pay penalties will apply, as if the extension had not been granted.

The penalty for **failure to file an information return** or complete supporting schedule is \$50 for each return or schedule to a maximum of \$1,000.

The penalty for each **underpayment of required estimated tax or required quarterly installment** is determined by applying the Utah interest rate(s) in effect for the period of the underpayment plus four percentage points to the amount of the underpayment for the period of the underpayment.

For a list of additional penalties that may be imposed, refer to UC §59-1-401 and Pub 58.

Interest (in addition to penalties due)

Interest will be assessed at the rate prescribed by law from the original due date until any outstanding liability is paid in full. The interest rate for most taxes and fees administered by the Tax Commission for the 2006 calendar year is **6 percent**.

Pub 58, which contains applicable interest rates, is available on the Internet at tax.utah.gov/forms or by calling or writing the Tax Commission.

Suspension for Failure to Pay Tax Due

Utah law provides for suspension of a corporation's right to do business in Utah if it fails to pay taxes due before 5:00 p.m. on the last day of the 11th month after the due date.

If a corporation owes tax and is unable to pay all or a portion of the amount owed, the corporation may complete form TC-804B, Payment Agreement Request. The form can be obtained online at tax.utah.gov/forms.

First Time Filers

A copy of the IRS letter of authorization, Notice of Acceptance as an S Corporation, must be attached to the S Corporation Franchise or Income Tax Return, TC-20S, when filing for the first time. Also, enter an "X" in the box and enter the qualification date on the TC-20S where requested above line 1.

Supporting Federal Information

Federal form 1120-S, as filed with the IRS, should be attached when filing the Utah S Corporation Franchise or Income Tax return, TC-20S. In addition, Federal Schedules K-1 must be filed for each shareholder.

TC-20S Instructions for Return

Corporation Name and Address

Enter the corporate name, address and telephone number, including area code. If the address has changed, check the physical address and/or mailing address box. To make additional changes, see Corporation Changes in the General Instructions.

EIN and Utah Charter Number

Enter the federal Employer Identification Number (EIN) and Utah Incorporation/Qualification Number issued by the Department of Commerce in the appropriate fields.

Filing Period

If the return is being filed for a period other than the calendar year ending Dec. 31, 2005, enter the beginning and ending tax period dates.

Qualified Subchapter S Subsidiary

An S corporation that owns one or more qualified subchapter S subsidiaries, as defined in IRC Section 1361(b)(3)(B), must:

- Include each subsidiary's assets, liabilities and items of income, loss and deductions as assets, liabilities and items of income, loss and deductions of the S corporation parent for Utah corporation franchise tax purposes. The qualified subchapter S subsidiary shall not be treated as a separate corporation.
- Take into account the activities of the qualified subchapter S subsidiaries in determining whether the S corporation parent is doing business in Utah. For purpose of this determination, all of the subsidiary's activities will be attributed to the parent.

- Attach TC-20S, Schedule M identifying the qualified subchapter S subsidiaries incorporated, qualified, or doing business in Utah.

Amended Returns

To amend a previously filed return, use the tax form and instructions for the year you are amending. You can obtain prior year forms and instructions at tax.utah.gov/forms.

An amended state return should be filed promptly if:

- An error is discovered on your Utah or federal return after it has been filed; or
- Your federal return is audited or adjusted by the IRS and the audit or adjustment affects your Utah return. You must report such changes or corrected net income within 90 days of the IRS's final determination.

To qualify for a refund or credit, an amended return must be filed within three years following the date the original return was filed. A return filed before the due date is considered filed on the due date.

To amend a previously filed return, enter on page 1 of the Utah return in the box titled "For Amended Return - Enter Code" a code number that best corresponds to your "REASON FOR AMENDING." See codes below:

Reasons-for-Amending Codes

1. You filed an amended return with the IRS (attach a copy of your amended federal return).
2. You made an error on your Utah return (attach an explanation of the adjustments made).
3. Federal audit adjustments, which resulted in changes in federal taxable income, were issued and became final (attach a copy of the IRS adjustment).
4. Other (attach explanation to return).

Complete the return, entering the figures as corrected. Enter other amounts shown on your original return. If you received a refund on your original return, enter the previous refund on TC-20S, Schedule A, line 15c. If you paid with the original return or made subsequent payments of the tax prior to filing the amended return, enter the total previous payments on TC-20S Schedule A, line 16e.

Do not submit a copy of your original return with the amended return.

Enter use tax of \$400 or less. If the amount exceeds \$400, the purchaser is required to obtain a sales and use tax license and to pay the use tax on a Utah Sales and Use Tax Return.

Sales and use tax rates vary throughout Utah. Use the chart on this page to find the tax rate for the Utah location where the merchandise was delivered, stored, used or consumed. If the city is not listed, use the county tax rate.

Line-by-Line Instructions

Line 1(a) – Number of Shares

Enter the number of resident, nonresident 501 IRC exempt, and nonresident taxable shares issued by the corporation.

Line 1(b) – Percentage of Shares

Enter the percentage of resident, nonresident 501 IRC exempt, and nonresident taxable shares issued by the corporation.

Line 2 – Corporations Conducting Business in Utah

Check the box, if applicable.

Line 3 – Qualified Subchapter S Subsidiary Election

Check box, if applicable.

Line 4 – Refund

Enter the amount from Schedule A, line 19.

Line 5 – Tax Due

Enter the amount from Schedule A, line 20.

Line 6 – Total Penalties and Interest

Enter any applicable penalty and interest amounts on the appropriate lines. Enter the total amount in box 6. For help calculating penalties and interest, contact the Tax Commission at (801) 297-7790 or 1-800-662-4335 ext. 7790.

Line 7 – Utah Use Tax

Use tax is required on all taxable items purchased for storage, use or consumption in Utah, if Utah sales and use tax was not paid at the time of purchase. Purchases include amounts paid or charged for taxable purchases made on the Internet or through catalogs.

Complete the worksheet on this page to determine the amount of use tax due. Credit for sales tax paid to another state cannot exceed the Utah sales tax otherwise due on those items. If sales taxes were paid to more than one state, complete a worksheet for each state. Enter the sum of the use tax from each worksheet on line 7.

Credit is allowed for sales or use tax paid to another state, but not to a foreign country. If the sales tax rate in the other state is lower than Utah's sales tax rate, the consumer is required to pay the difference. If the sales tax rate in the other state is greater than Utah's sales tax rate, no sales or use tax credit or refund is allowed.

Worksheet for Computing Utah Use Tax (Retain this worksheet for your records.)

1. Total amount of purchases subject to use tax\$ _____
2. Use tax rate (decimal) from chart\$ _____
3. Use tax (multiply line 1 by line 2)\$ _____
4. Credit for sales tax paid to another state\$ _____
5. Amount of use tax due (line 3 less line 4)
Enter ZERO if less than zero\$ _____

Use Tax Rate Chart (Effective Dec. 31, 2005)

| | |
|----------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| .0600 Beaver County | .0600 San Juan County |
| .0700 Beaver City | .0650 Monticello |
| .0600 Box Elder County | .0600 Sanpete County |
| .0625 Brigham City, Perry, Willard | .0625 Ephraim, Gunnison |
| .0700 Snowville | .0600 Sevier County |
| .0610 Cache County | .0625 Richfield, Salina |
| .0635 Cache Valley Transit, Hyde Park, Hyrum, Logan, Millville, Nibley, N.Logan, Providence, Richmond, River Heights, Smithfield | .0610 Summit County |
| .0600 Carbon County | .0735 Park City |
| .0625 Price, Wellington | .0635 Snyderville Basin Transit |
| .0600 Daggett County | .0600 Tooele County |
| .0650 Davis County | .0625 Erda, Grantsville, Lakepoint, Lincoln, Stansbury Park |
| .0600 Duchesne County | .0635 Tooele City |
| .0625 Roosevelt | .0650 Uintah County |
| .0575 Emery County | .0675 Vernal |
| .0750 Green River | .0600 Utah County |
| .0700 Garfield County | .0625 Alpine, American Fork, Cedar Hills, Highland, Lehi, Lindon, Mapleton, Orem, Payson, Pleasant Grove, Provo, Provo Canyon, Salem, Spanish Fork, Springville, |
| .0800 Boulder, Panguitch, Tropic | .0600 Wasatch County |
| .0600 Grand County | .0625 Heber |
| .0775 Moab | .0725 Park City East |
| .0600 Iron County | .0600 Washington County |
| .0775 Brian Head | .0625 Hurricane, Ivins, La Verkin, St. George, Santa Clara, Washington City |
| .0600 Juab County | .0750 Springdale |
| .0625 Nephi | .0600 Wayne County |
| .0675 Kane County | .0660 Weber County |
| .0775 Kanab, Orderville | |
| .0575 Millard County | |
| .0600 Morgan County | |
| .0600 Piute County | |
| .0600 Rich County | |
| .0700 Garden City | |
| .0660 Salt Lake County | |
| .0810 Alta | |

Line 8 - Total Refund

Subtract the sum of lines 6 and 7 from line 4.

Line 9 - Total Tax Due

Add lines 5, 6 and 7. Make check or money order payable to the Utah State Tax Commission. Do not mail cash. The Tax Commission assumes no liability for loss of cash placed in the mail.

Signature and Date Lines

Sign and date the return. Refunds will not be granted on returns without a signature and date.

Paid Preparer Authorization

If the corporation wants to allow the Tax Commission to discuss their 2005 return with the paid preparer who signed it, enter an "X" in the box on the right side of the signature area of the return where indicated. This authorization applies only to the individual whose signature appears in the Paid Preparer Section of the return. It does not apply to the firm, if any, shown in that section. If you enter an "X" in the box, the corporation is authorizing the Tax Commission to call the paid preparer to answer any questions that may arise during the processing of the return. The paid preparer is also authorized to:

- Give the Tax Commission any information that is missing from the return,
- Call the Tax Commission for information about the processing of the return or the status of any refund or payment(s), and
- Respond to certain Tax Commission notices about math errors, offsets, and return preparation.

The corporation is not authorizing the preparer to receive any refund, bind the entity to anything (including any additional tax liability), or otherwise represent the entity before the Tax Commission. If the entity wants to expand the preparer's authorization, complete and submit to the Tax Commission form TC-737, Power of Attorney and Declaration of Representative. Form TC-737 is available on our website at tax.utah.gov/forms.

The authorization will automatically end no later than the due date (without regard to extensions) for filing the entity's 2006 tax return. If you wish to revoke the authorization before it ends, submit your request in writing to the Utah State Tax Commission, attention Taxpayer Services, 210 N 1950 W, SLC, UT 84134.

Paid Preparer

The paid preparer must enter his or her name, address, and social security number or PTIN in the section below the corporate officer's signature on the return.

Preparer Penalties

The person who prepares, presents, procures, advises, aids, assists or counsels another on a return, affidavit, claim or similar document administered by the Tax Commission, and who knows or has reason to believe it may understate a tax, fee or charge is subject to both a civil penalty (\$500 per document) and criminal penalties (second degree felony with a fine from \$1,500 to \$25,000). See Utah Code Sections 59-1-401(9) and (10) for specific details.

Supplemental Information To Be Supplied By All S Corporations

All S corporations must complete this information located on the back of the return.

Instructions for Schedule A – Utah Taxable Income and Tax Due**Line 1 – Federal Income/Loss**

Enter the amount of income or loss (R865-6F-35) as taken from federal form 1120S, Schedule K, line 17e.

Line 2 – Gain/Loss on Section 179 Expense Deduction

Add back the gain or loss on the sale, exchange or other disposition of property for which a section 179 expense deduction has been passed through to shareholders.

Line 3 – Charitable Contributions Addition

Add charitable contributions deducted on federal form 1120S, Schedule K, line 12a.

Line 4 – Foreign Taxes

Add foreign taxes deducted on federal form 1120S, Schedule K, line 14l.

Line 5 – Net Income**Line 5a – Total Income before Non-business Income**

Add lines 1 through 4.

Line 5b – Nonresident Income

Enter the result of multiplying line 5a by the percentage of nonresident taxable shares on line 1(b) of form TC-20S, S Corporation Franchise or Income Tax return.

Line 6 – Nonbusiness Income Allocation

Add lines 6a and 6b.

Line 6a – Utah Nonbusiness Income Allocated to Utah

Enter the Utah nonbusiness income allocated to Utah from Schedule H, line 13, then multiply by the percentage of nonresident taxable shares on line 1(b) of S Corporation Franchise or Income Tax return, form TC-20S.

Line 6b – Non-Utah Nonbusiness Income Allocated Outside Utah

Enter the non-Utah nonbusiness income allocated outside Utah from Schedule H, line 26, then multiply by the percentage of nonresident taxable shares on line 1(b) of S Corporation Franchise or Income Tax return, form TC-20S.

Line 7 – Net Income Subject to Apportionment

Subtract line 6 from line 5b.

Line 8 – Apportionment Fraction

Enter 100 percent, or the fraction from Schedule J, line 7, if applicable.

Line 9 – Net Income Apportioned to Utah

Multiply the amount on line 7 by the fraction on line 8.

Line 10 – Utah Nonbusiness Income Allocated to Utah

Enter the amount shown on line 6a above.

Line 11 – Utah Taxable Income/Loss

Add lines 9 and 10.

Nonresident shareholders should transfer their pro rata share of taxable income before deduction amount to their Utah income tax return.

Losses are passed through to the individual shareholders and are not available for carryforward or carryback.

Line 12 – Deduction Amount

Multiply the amount on line 11 by 15% (.15). If line 11 is a loss, no deduction amount is allowed.

Line 13 – Net Taxable Income

Subtract line 12 from line 11.

Line 14 – Tax Rate

The tax rate is .07.

Line 15 – Calculation of Tax

Add lines 15a through 15c.

Line 15a – Tax Calculation

Multiply the Net Taxable Income on line 13 by the tax rate on line 14.

Line 15b – Built-in and Other Gains Tax

In accordance with the provisions of UC §59-7-701, gains or income subject to the federal corporation tax are also subject to the Utah S Corporation Franchise or Income Tax. The most common transactions that occur under federal provisions include built-in gains, capital gains, federal re-

capture amounts of prior year's investment credits, LIFO recapture amounts, and any other similar type transaction. These gains or income should be apportioned (see Schedule J) and multiplied by the tax rate of 5 percent. Attach a schedule to form TC-20S that provides the necessary details of gains or income being reported.

Line 15c – Amended Returns Only (Previous refunds)

This line is used only for amended returns. When filing an amended return, enter the amount of all refunds, credits or offsets of corporation franchise or income tax received for the tax year being amended. Exclude refund interest from this amount. This amount is then added into the total tax.

Line 16 – Refundable Credits

Add lines 16a through 16e.

If you claim any of the following refundable credits, write the **code and amount** of each refundable credit you are claiming on lines 16a through 16c. Enter the sum of all refundable credits on line 16. An explanation of each refundable credit is listed below.

Codes for lines 16a through 16c

- 40** Targeted Business Tax Credit
- 46** Mineral Production Withholding Tax Credit
- 47** Agricultural Off-highway Gas/Undyed Diesel Fuel Tax Credit
- 48** Farm Operation Hand Tools

(40) Targeted Business Income Tax Credit (UC §63-38f-501 through 503)

A business may not claim the targeted business income tax credit in a year the business has claimed either the enterprise zone credit (nonrefundable credit, code 07) or recycling market development zone credit (nonrefundable credit, code 10).

Obtain a certified copy of form TC-40TB, Targeted Business Income Tax Credit. Keep this form and all related documents with your records.

A refundable credit is available to businesses providing a community investment project as defined in UC §63-38f-501 through §63-38f-503.

To obtain form TC-40TB, certification, and for additional information, contact:

Governor's Office of Economic Development
324 S State St., Suite 500
Salt Lake City, UT 84111
(801) 538-8775
goed.utah.gov/incentives/enterprise_zones

(46) Mineral Production Withholding Tax Credit (UC §59-6-102(3))

Enter the total of the mineral production tax withheld as shown on forms TC-675R or Federal Schedule K-1(s) for 2005. For a fiscal year corporation, the credit is claimed on the corporate return required to be filed during the year following the December closing period of the form TC-675R.

Attach copies of form TC-675R or federal schedule K-1 to the return to receive proper credit.

(47) Agricultural Off-Highway Gas/Undyed Diesel Fuel Tax Credit (UC §59-13-202)

There is no form for this credit. Keep all related documents with your records.

The credit is 24.5 cents per gallon only for motor fuel and undyed diesel fuel purchased in Utah to operate stationary farm engines and self-propelled farm machinery used solely for commercial nonhighway agricultural use that was taxed at the time of purchase.

Activities that **DO NOT** qualify for this credit include, but are not limited to, the following: golf courses, horse racing, boat operations, highway seeding, vehicles registered for highway use, hobbies, and farming for personal use.

Credit calculation:

Gallons _____ x .245 = Credit _____

(48) Farm Operation Hand Tools (UC §59-7-614.1)

There is no form for this credit. Keep all related documents (receipts, invoices, documents showing amount of sales or use tax paid) with your records.

The refundable credit is allowed for sales and use tax paid on hand tools purchased and used or consumed primarily and directly in a farming operation in Utah. The credit applies only if the purchase price of a tool is more than \$250.

Line 16d – Total Prepayments

A refundable credit is allowed for advance payments made as quarterly estimated tax payments, prepayments and extension payments (form TC-559). Include any overpayments from a prior year that were applied to this year. Use Schedule E to compute the total prepayment.

Line 16e – Amended Returns Only (Previous Payments)

This line should only be used for amended returns. Enter the amount of tax paid with the original return and/or subsequent payments made prior to filing this amended return.

Line 17 – Overpayment

If line 16 is larger than line 15, subtract line 15 from line 16.

Line 18 – Overpayment To Be Applied To Next Taxable Year

All or part of any refund shown on line 17 may be applied as an advance payment for the next tax year. Enter amount to be applied (may not exceed the overpayment).

Line 19 – Refund

Subtract line 18 from line 17 and enter the amount here and on form TC-20S, line 4.

Line 20 – Tax Due

If line 15 is larger than line 16, subtract line 16 from line 15 and enter the amount here and on form TC-20S, line 5.

Instructions for Schedule E – Prepayments of Any Type

Line 1

Enter the total amount of all refunds applied from the prior year.

Line 2

List the date, check number and amount of extension prepayment.

Line 3

List the date, check number and amount of all prepayments made for the filing period. Enter the total amount on line 3. Attach additional pages, if necessary.

Line 4

Add lines 1, 2 and 3. Enter the total on this line and on Schedule A, line 16d.

Instructions for Schedule H – Nonbusiness Income Schedule

Determine nonbusiness income allocated to Utah and outside Utah by completing this schedule. All income that arises from the conduct of the trade or business operations of a corporation is business income.

Nonbusiness income means all income other than business income and will be narrowly construed. Intangible income must be properly classified and based upon factual evidence. The burden of proof is on the corporation to justify the manner in which the income is claimed on the return.

Interest income is business income where the intangible with respect to which the interest was received arises out of or was created in the regular course of the taxpayer's trade or business operations. (Tax Commission Rule R865-6F-8(A)(3)(c))

Dividends are business income where the stock, with respect to which the dividends are received, arises out of or was acquired in the regular course of the taxpayer's trade or business operations. Because of the regularity with which most corporate taxpayers engage in investment activities, income arising from the ownership, sale or other disposition of investments is presumptively business income. (Tax Commission Rule R865-6F-8(A)(3)(d))

Gain or loss from the sale, exchange or other disposition of real or tangible or intangible personal property constitutes business income if the property, while owned by the taxpayer, was used in the taxpayer's trade or business. (Tax Commission Rule R865-6F-8(A)(3)(b))

Rental income from real and tangible property is business income if the property, with respect to which the rental income was received, is used in the taxpayer's trade or business or includable in the property factor. (Tax Commission Rule R865-6F-8(A)(3)(a))

If the corporation is claiming only Utah nonbusiness income, lines 1a through 13 must be completed. If the corporation is claiming only non-Utah nonbusiness income, lines 14a through 26 must be completed. If the corporation is claiming both Utah and non-Utah nonbusiness income, lines 1a through 26 must be completed. Use additional pages, if necessary, to provide complete information, including a description of the business purpose for making the investment, the transactions creating the non-business income, and the use of revenues generated by the non-business investment.

Utah Nonbusiness Income

Lines 1a-1d – Utah Nonbusiness Income

Complete each column with the information required and show the gross nonbusiness income from each class of income being specifically allocated. Use additional pages, if necessary, to provide complete information about additional sources of nonbusiness income.

Line 2 – Total Utah Nonbusiness Income

Add lines 1a through 1d.

Lines 3a-3d – Direct Related Expenses

Describe and enter amounts of direct expenses on the same letter line as the corresponding nonbusiness income is listed on lines 1a through 1d. Direct related expenses include wages, interest, depreciation, etc. (Reference: UC §59-7-101(19))

Line 4 – Total Direct Related Expenses

Enter the sum of direct related expenses by adding lines 3a through 3d.

Line 5 – Utah Nonbusiness Income Net of Direct Related Expenses

Subtract line 4 from line 2.

Line 6 – Beginning-of-Year Assets

Enter the total beginning-of-year value of assets used to produce Utah nonbusiness income in column A. Enter the beginning-of-year value of the corporation's total assets in column B. All assets, including Utah assets, should be included in column B.

Line 7 – End-of-Year Assets

Enter the end-of-year value of assets used to produce Utah nonbusiness income in column A. Enter the end-of-year value of the corporation's total assets in column B. All assets, including Utah assets, should be included in column B.

Line 8 – Sum of Beginning- and End-of-Year Asset Values

Add lines 6 and 7 for each respective column.

Line 9 – Average Asset Values

Line 8 divided by 2 for each column.

Line 10 – Nonbusiness Asset Ratio

Line 9, column A, divided by line 9, column B.

Line 11 – Interest Expense

Enter the total amount of interest deducted in computing Utah taxable income.

Line 12 – Indirect Related Expenses for Utah Nonbusiness Income

Multiply line 10 by line 11.

Line 13 – Total Utah Nonbusiness Income Net of Expenses

Subtract line 12 from line 5. Enter amount here and on Schedule A, line 6a.

Non-Utah Nonbusiness Income

Lines 14a-14d – Non-Utah Nonbusiness Income

Complete each column with the information required and show the gross nonbusiness income from each class

of income being specifically allocated. Use additional pages, if necessary, to provide complete information about additional sources of nonbusiness income.

Line 15 – Total Non-Utah Nonbusiness Income

Add lines 14a through 14d.

Lines 16a-16d – Direct Related Expenses

Describe and enter amounts of direct expenses on the same letter line as the corresponding nonbusiness income listed on lines 14a through 14d. Direct related expenses include wages, interest, depreciation, etc. (Reference: UC §59-7-101(19))

Line 17 – Total Direct Related Expenses

Enter the sum of direct related expenses by adding lines 16a through 16d.

Line 18 – Non-Utah Nonbusiness Income Net of Direct Related Expenses

Subtract line 17 from line 15.

Line 19 – Beginning-of-Year Assets

Enter the total beginning-of-year value of assets used to produce non-Utah nonbusiness income in column A. Enter the beginning-of-year value of the corporation's total assets in column B. All assets, including Utah assets, should be included in column B.

Line 20 – End-of-Year Assets

Enter the end-of-year value of assets used to produce non-Utah nonbusiness income in column A. Enter the end-of-year value of the corporation's total assets in column B. All assets, including Utah assets, should be included in column B.

Line 21 – Sum of Beginning- and End-of-Year Asset Values

Add lines 19 and 20 for each respective column.

Line 22 – Average Asset Values

Line 21 divided by 2 for each column.

Line 23 – Non-Utah Nonbusiness Asset Ratio

Line 22, column A divided by line 22, column B.

Line 24 – Interest Expense

Enter the total amount of interest deducted in computing Utah taxable income.

Line 25 – Indirect Related Expenses for Non-Utah Nonbusiness Income

Multiply line 23 by line 24.

Line 26 – Total Non-Utah Nonbusiness Income Net of Expenses

Subtract line 25 from line 18. Enter amount here and on Schedule A, line 6b.

Instructions for Schedule J – Apportionment Schedule

Determine apportionment fraction by completing this schedule. The factors express a percent for tangible property in Utah, for wages and salaries in Utah, and for sales in Utah. These factors are added together and divided by the number of factors present (typically 3) to arrive at the Utah apportionment fraction calculated to **six decimals**. This fraction is to be applied to the apportionable income (or loss) to arrive at the amount of income (or loss) apportioned to Utah. In cases where one or more of the factors is omitted due to peculiar aspects of the business operations, divide by the number of factors present.

Income or loss from partnership or joint venture interests must be included in income and apportioned to Utah through application of the three-factor formula consisting of property, payroll and sales.

For apportionment purposes, the portion of partnership or joint venture property, payroll and sales to be included

in the corporation's property, payroll and sales factors must be computed on the basis of the corporation's ownership interest in the partnership or joint venture.

Briefly describe the nature and location(s) of your Utah business activities in the space provided at the top of this schedule.

Lines 1a - 1e – Tangible Property

Show the average cost value during the taxable year of real and tangible personal property used in the business within Utah (including leased property) in column A and overall (including Utah) in column B.

Property owned by the corporation is valued at its original cost. Property rented by the corporation is valued at eight times the net annual rental rate. Net annual rental rate is the annual rental rate paid by the corporation less the annual rate received by the corporation from subrentals.

The average value of property must be determined by averaging the cost values at the beginning and end of the tax period. However, monthly values may be used or required if monthly averaging more clearly reflects the average value of the corporation's property.

A supporting schedule should be attached whenever monthly averaging is used.

Line 2 – Total Tangible Property

Enter totals of lines 1a through 1e in the respective columns.

Line 2a – Property Fraction

Determine the property fraction: line 2, column A divided by line 2, column B.

Line 3 – Wages, Salaries, Commissions, and Other Includable Compensation

Wages, salaries, commissions and other includable compensation paid to employees for personal services must be included in the Utah factor to the extent the services, for which the compensation was paid, were rendered in Utah.

Compensation is paid in Utah if:

1. The individual's service is performed entirely within Utah;
2. The individual's service is performed both within and outside Utah, but the service performed outside Utah is incidental to the individual's service within Utah; or
3. Some of the service is performed in Utah and:
 - a. The base of operations or, if there is no base of operations, the place where the service is directed or controlled is within Utah, or
 - b. The base of operations or the place where the service is directed or controlled is not in any state where some part of the service is performed, but the individual's residence is in Utah.

Amounts reportable for employment security purposes may ordinarily be used to determine the wage factor.

Overall wages, including Utah, are listed in column B.

Line 3a – Wages Fraction

Determine the wage fraction: line 3, column A divided by line 3, column B.

Lines 4a - 4e – Gross Receipts From Business

The sales factor is the percentage the sales or charges for services within Utah for the taxable year bear to the overall sales for the taxable year. Gross receipts from the performance of services are in Utah to the extent the services are performed in Utah.

Sales of tangible personal property are in Utah if the property is delivered or shipped to a purchaser within Utah regardless of the F.O.B. point or other conditions of the sale, or if the property is shipped from an office, store, warehouse, factory or other place of storage in Utah and: (1) the purchaser is the United States Government, or (2) the corporation is not taxable in the state of the purchaser.

Overall sales, including Utah, are listed in column B.

Nexus definition: The jurisdictional link that must be present before a state may tax a corporation upon its activities within a state's borders.

NOTE: Exception to the above method for securities brokerage businesses can be found in UC §59-7-319(3).

Line 5 – Total Sales and Service

Enter totals of lines 4a through 4e in their respective columns.

Line 5a – Sales Fraction

Determine sales fraction: line 5, column A divided by line 5, column B.

Line 6 – Total Fraction

Enter total of lines 2a, 3a and 5a.

Line 7 – Apportionment Fraction

Calculate the apportionment fraction to six decimals: Line 6 divided by the number of factors used (typically 3 – property, wages and sales). If one or more of the factors are not present (i.e., there is a zero in the denominator on lines 2, 3 or 5 in column B), divide by the number of factors present. If the numerator is zero, but a denominator is present, include that factor in the number of factors present. Enter apportionment fraction here and on Schedule A, line 8.

Specialized Apportionment Rules

Specialized apportionment rules apply for:

- Trucking Companies (R865-6F-19)
- Railroads (R865-6F-29)
- Publishing Companies (R865-6F-31)
- Financial Institutions (R865-6F-32)
- Telecommunication (R865-6F-33)

Instructions for Schedule M – Qualified Subchapter S Subsidiaries

An S corporation that has made a Qualified Subchapter S Subsidiary (QSSS) election under IRC 1361(b) must complete Schedule M if any subsidiaries for which such election was made are incorporated, qualified or doing business in Utah. Federal schedules are not acceptable as substitutes.

Use of any other form as a substitute for Schedule M is only acceptable with prior approval from the Tax Commission. Refer to Pub 99, Utah State Tax Commission Guidelines for Substitute and Copied Utah Tax Forms.

List only corporations incorporated, qualified or doing business in Utah. Corporations not listed on Schedule M will not be considered to have met the Utah filing requirements.

Instructions for Schedule N – Nonresident Tax Remittance Information

The S corporation must pay or withhold tax on behalf of each nonresident shareholder, except nonresident shareholders who are exempt from the tax under Section 501 of the Internal Revenue Code.

A nonresident's share of taxable income is based on the ratio of stock held by the nonresident to the total outstanding stock on the last day of the corporate filing period, unless there was a change in ownership during the filing period. If there was a change in nonresident shareholders or in the relative interest in stock the shareholders owned, each shareholder's percentage of ownership is prorated by the number of days the stock was owned during the filing period.

Nonresident S corporation shareholders are entitled to a credit for the amount of tax paid by the S corporation on their behalf. To claim the credit, the shareholder must file a Utah income tax return for the taxable year. A nonresident shareholder who has no other Utah source income may elect to forego the credit and not to file a Utah income tax return. However, nonresident shareholders with income or loss from other Utah sources must file a Utah income tax return. A nonresident shareholder who is eligible for Utah tax credits, in addition to the apportioned tax withheld, may claim those credits by filing a Utah income tax return.

Note to Tax Preparer: It is recommended that the amount of Utah income tax paid on behalf of each shareholder be included on the federal Schedule K-1.

Part 1 – Utah Income Tax

S corporations having nonresident shareholders must complete Part 1 of Schedule N showing the amount of Utah income tax paid on behalf of each nonresident shareholder.

Part 2 – Nonrefundable Tax Credits

S corporations that have earned nonrefundable credits are required to complete Part 2 of Schedule N showing each shareholder, the total amount of nonrefundable credits that each shareholder (whether resident or nonresident) has earned, and the total for each credit.

Codes for Nonrefundable Credits

- 02** Qualified Sheltered Workshop Cash Contribution Credit
- 03** Renewable Energy Systems Tax Credit
- 05** Clean Fuel Vehicle Tax Credit
- 06** Historic Preservation Tax Credit
- 07** Enterprise Zone Tax Credit
- 08** Low Income Housing Tax Credit
- 09** Credit for Employers Who Hire Persons with Disabilities
- 10** Recycling Market Development Zone Tax Credit
- 12** Credit for Increasing Research Activities
- 13** Credit for Machinery and Equipment Used to Conduct Research

(02) Qualified Sheltered Workshop Cash Contribution Credit (UC §59-10-108)

There is no form for this credit. Keep all related documents with your records. The shareholder must list the qualified workshop on the individual income tax return (form TC-40S) to claim the credit.

Cash contributions made within the tax year to a

qualified nonprofit rehabilitation sheltered workshop facility operating in Utah for persons with disabilities are eligible for a credit against Utah income taxes. Check with the workshop to make sure they have a current Day Training Provider License or Day Support Provider Certificate issued by the Department of Human Services. The credit is equal to 50 percent of the total cash contributions, not to exceed \$200 for each Utah Individual Income Tax Return. If the contribution was included in the deduction on Federal form 1120S, Schedule K, line 12a, that amount must be added to unadjusted income (Utah Schedule A, line 3) before the credit may be claimed on this line.

For more information, contact:

Contract Administrator
Division of Services for People with Disabilities
120 N 200 W #411
SLC, UT 84103
(801) 538-4200
www.hsdspd.utah.gov

(03) Renewable Energy Systems Tax Credit (UC §59-10-134)

Complete form TC-40E, Renewable Energy Systems Tax Credit with the Utah Energy Office stamp verifying the credit has been approved. Do not send form TC-40E with your return. Keep the form and all related documents with your records.

To qualify for this credit, you must have installed or upgraded a renewable energy system, such as solar or wind generated power system, during the tax period. Energy saving devices, such as insulation, siding, thermal windows, and high efficiency furnaces, do not qualify.

In order to determine if your system or system components and installation qualify for the tax credit, you must submit a signed application, complete with photocopies of receipts, to the Utah Geological Survey (UGS).

Application forms can be obtained from:

Utah Geological Survey
1594 W North Temple, Suite 3110
Box 146100
SLC, UT 84114-6100
(801) 538-5428
www.energy.utah.gov/incentives.htm

If your system meets the eligibility requirements, UGS will send you the form TC-40E with information on your eligible system and installation costs and the UGS stamp of approval.

(05) Clean Fuel Vehicle Tax Credit (UC §59-10-127)

Complete form TC-40V, Clean Fuel Vehicle Tax Credit with the Division of Air Quality approval stamp verifying the credit has been approved. Do not send form TC-40V with your return. Keep the form and all related documents with your records.

To qualify you must have:

- Purchased a vehicle which is registered in Utah, for which this credit has not been taken, that was manufactured to use propane, natural gas or electricity, or
- Purchased and installed equipment to convert a vehicle registered in Utah to use propane, natural gas or electricity.

Note: A hybrid vehicle qualifies only if the same vehicle model is manufactured without the clean-fuel fueling system and the hybrid vehicle otherwise meets the requirements for a clean fuel vehicle.

To obtain form TC-40V, approval, and for additional information, contact:

Division of Air Quality
150 N 1950 W
SLC, UT 84116
(801) 536-4026

(06) Historic Preservation Tax Credit (UC §59-10-108.5)

Complete form TC-40H, Historic Preservation Tax Credit with the State Historic Preservation Office certification verifying the credit has been approved. Do not send form TC-40H with your return. Keep the form and all related documents with your records.

Only Utah residents are allowed this credit. The credit is for costs incurred in connection with qualified rehabilitation of any residential certified historic building. Unused credits may be carried forward five years as a credit against Utah tax due.

To obtain form TC-40H, certification, and for additional information, contact:

State Historic Preservation Office
300 Rio Grande
SLC, UT 84101
(801) 533-3562
history.utah.gov/historic_preservation

(07) Enterprise Zone Tax Credit (UC §63-38f-413)

An individual or business may not claim the enterprise zone credit or carry it forward into a year the individual or business has claimed either the recycling market development zone credit (nonrefundable credit, code 10) or the targeted business income tax credit (refundable credit, Schedule A, line 16, code 40).

There is no form for this credit. Keep all related documents with your records.

The Enterprise Zone Credit is available for certain businesses that hire new full-time employees, rehabilitate buildings, or meet certain other requirements in a designated zone.

Any credit amount exceeding the tax owed may be carried forward for a period that does not exceed the next three taxable years.

Indian tribes may apply for enterprise zone designation within an Indian reservation.

If enterprise zone credits are being taken based on your ownership in a partnership or S corporation, you

must allocate the credits calculated based on your respective percentage of ownership.

To obtain additional information, contact:

Governor's Office of Economic Development
324 S State St, Suite 500
SLC, UT 84111
(801) 538-8775
goed.utah.gov/incentives/enterprise_zones

**(08) Low Income Housing Tax Credit
(UC §59-10-129)**

Individuals sharing in the credit must obtain form TC-40TCAC, Utah Low-Income Housing Tax Credit Allocation Certification and complete form TC-40LI, Summary of Utah Low-Income Housing Tax Credit. If you are carrying this credit forward or backward, you must also complete form TC-40LIC, Utah Low-Income Housing Tax Credit Carryback and/or Carryforward. Do not send these forms with your return. Keep the forms and all related documents with your records.

The building project owner must complete and attach form TC-40LIS, Credit Share Summary of Low-Income Housing Project to the return.

This credit is an amount, determined by the Utah Housing Corporation, for owners of a low-income housing project who have received an allocation of the federal low-income housing tax credit. Unused credits may be carried back three years or carried forward five years.

When this credit is applicable, the project owner will provide form TC-40TCAC (issued by the Utah Housing Corporation) to the taxpayer.

For additional information, contact:

Utah Housing Corporation
www.utahhousingcorp.org

(09) Credit for Employers Who Hire Persons with Disabilities (UC §59-10-109)

Complete form TC-40HD, Tax Credit for Employers Who Hire Persons with Disabilities showing the required certification. Do not send form TC-40HD with your return. Keep the form and all related documents with your records.

The credit is for employers hiring individuals with disabilities who (1) worked in Utah for at least 6 months in a taxable year for that employer, and (2) are paid at least minimum wage by that employer.

To obtain form TC-40HD, certification and for additional information, contact:

Division of Services for People with Disabilities
120 N 200 W, #411
SLC, UT 84103
(801) 538-4200
www.hsdspd.utah.gov

(10) Recycling Market Development Zone Tax Credit (UC §59-10-108.7)

An individual or business may not claim the recycling market development zone credit or carry it forward into a year the individual or business has claimed either the enterprise zone tax credit (nonrefundable credit, code 07) or the targeted business income tax credit (Schedule A, line 16, code 40).

Complete form TC-40R, Recycling Market Development Zone Tax Credit with the Governor's Office of Economic Development certification verifying the credit has been approved. Do not send form TC-40R with your return. Keep the form and all related documents with your records.

The Utah legislature has authorized this credit for individuals and businesses operating in a designated recycling market development zone as defined in UC §63-38f-1102.

To obtain form TC-40R, certification, and for additional information, contact:

Governor's Office of Economic Development
324 S State St, Suite 500
SLC, UT 84114-7360
(801) 538-8804
goed.utah.gov/incentives/recycling_zones
email: lprrall@utah.gov

(12) Credit for Increasing Research Activities (UC §59-10-131)

There is no form for this credit. Keep all related documents with your records.

The credit is for expenses incurred for increasing qualified research activities in Utah. A qualifying taxpayer may claim the credit in the taxable year immediately following the taxable year for which the taxpayer qualifies for the credit.

For detailed information regarding this credit, including definition of terms and procedures for claiming the credit, refer to UC §59-10-131.

(13) Credit for Machinery and Equipment Used to Conduct Research (UC §59-10-132)

There is no form for this credit. Keep all related documents with your records.

The credit is for machinery, equipment, or both, used primarily for conducting qualified research or basic research in Utah for not less than 12 consecutive months. A qualifying taxpayer may claim the credit in the taxable year following the taxable year for which the taxpayer qualifies for the credit.

For detailed information regarding this credit, including definition of terms and procedures for claiming the credit, refer to UC §59-10-132.

Common Return Errors

1. **Utah sales factor** – Out-of-state corporations qualified in Utah, but not doing business in Utah, are required to file a corporate return paying the minimum tax. However, sales into Utah are not required to be included in the gross receipts numerator. Conversely, corporations making sales from Utah into a state where they are qualified but not doing business are required to include such sales in the Utah gross receipts numerator as throwback sales.
2. **Dissolution or withdrawal** – Corporations no longer in business or no longer doing business in Utah are required to legally dissolve or withdraw the corporation. See instructions on page 1.



Please compile your return in the following order:

1. Utah form TC-20S
2. Utah Schedules A through N (if required) in alphabetical order
3. Federal extension form, if applicable
4. A copy of the Federal return, including Schedule K-1
5. Other supporting documentation