

*Utah*  
*2009*

**S Corporation  
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](http://www.tax.utah.gov)

# Contents

TC-20S General Instructions.....	1
TC-20S Instructions for Return.....	4
Instructions for Schedule A – Utah Taxable Income.....	6
Instructions for Schedule E – Prepayments of Any Type.....	7
Instructions for Schedule H – Nonbusiness Income Net of Expenses.....	8
Instructions for Schedule J – Apportionment Schedule.....	9
Instructions for Schedule M – Qualified Subchapter S Subsidiaries.....	11
Instructions for Schedule N – Pass-through Entity Withholding Tax Calculation.....	12
Instructions for Schedule P – Tax Credits Allocated to Shareholders.....	13
Common Return Errors.....	17

## Online Services



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

[tax.utah.gov](http://tax.utah.gov)

Utah accepts electronic filing for Partnerships, C Corporations, S Corporations and Homeowner's Associations.

[tax.utah.gov/mef](http://tax.utah.gov/mef)

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

[taxexpress.utah.gov](http://taxexpress.utah.gov)



## References

UC: Utah Code

IRC: Internal Revenue Code

### Need forms?

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

### Need more information?

Telephone 801-297-2200 or 1-800-662-4335

Webpage [tax.utah.gov](http://tax.utah.gov)

## Utah Taxpayer Advocate Service

The Taxpayer Advocate Service assists taxpayers who have made multiple unsuccessful attempts to resolve concerns with the Tax Commission. This service helps resolve problems when normal departmental processes break down, identifies why the problem occurred and suggests remedies to stop the problem from reoccurring. See details at [tax.utah.gov/contact.html](http://tax.utah.gov/contact.html) or contact us to find out if you qualify for this assistance at 801-297-7562, toll free at 800-662-4335, ext. 7562, or by email at [taxpayeradvocate@utah.gov](mailto:taxpayeradvocate@utah.gov).

The Taxpayer Advocate service should not be used to bypass normal methods for resolving disputes or issues.

## E-Verify for Employers

Employers can help prevent identity theft by verifying the social security numbers of job applicants. E-Verify is a free service of the U.S. Department of Homeland Security that verifies employment eligibility through the Internet. Employers can use E-Verify at [www.dhs.gov/E-Verify](http://www.dhs.gov/E-Verify).

**File TC-20 if Corporation filed federal form 1120**

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

**File TC-20MC if Corporation filed federal forms 1120-H, 1120-RIC, 1120-REIT, 990-T or 8023**

*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

## What's New

- **Pass-through Entity and Withholding Tax Requirements:** S corporations are considered to be pass-through entities and, for tax years beginning on or after January 1, 2009, are required to withhold Utah income tax on all nonresident individual shareholders, and on all resident business and nonresident business shareholders. These shareholders are referred to as pass-through entity taxpayers (see UC §59-10-1402(10)).

Utah imposes a 5% withholding tax on all Utah income distributed to pass-through entity taxpayers. The corporation may reduce this withholding for mineral production withholding tax and previous pass-through entity withholding attributable to the shareholder. This pass-through entity withholding tax must be paid to the Tax Commission by the original due date of the return, without regard to extensions.

The calculation of the required Utah withholding tax is done on Schedule N. See the instructions for this schedule for more details.

If this S corporation has an interest in a partnership (pass-through entity), that pass-through entity is required to withhold Utah income tax on any Utah income distributed to this S corporation. The pass-through entity must provide a statement (Schedule K-1 or supplemental schedule) showing the amount of Utah withholding paid on behalf of this corporation. This withholding tax must then be allocated to the shareholders of this corporation and "passed-through" to be claimed on their personal returns. Enter this previous pass-through entity withholding tax for each shareholder on Schedule P.

A pass-through entity may submit a request for waiver of withholding tax and any associated penalty and interest if all pass-through entity taxpayers of the entity have filed and paid tax on the Utah income on or before the pass-through entity's return due date, including extensions (see UC §59-10-1403.2(5)).

- **Credit Allocation:** All nonrefundable and refundable credits are to be passed through to the shareholders of the corporation. See Schedule P instructions on page 13.
- **Qualifying Solar Project Credit:** This new credit is 25% of the cost of a solar unit that generates electricity and is purchased from a Utah city or town, an inter-local entity, or a special service district. See page 14.
- **Clean Fuel Vehicle Credit:** This credit has changed from previous years. There are now four credits for fuel efficient vehicles and certain conversion equipment to make a vehicle more fuel efficient. See page 13.
- **Research Activities Credit:** This credit is increased to 6.3% on certain qualified research expenses. See page 15.
- **Penalty Changes:** Utah law provides for tiered penalties for late filing of returns and late payment of tax. See Publication 58, *Utah Interest and Penalties*.

- **Market Sourcing of Revenues from Performance of Services by Multi-state Taxpayers:** For tax years beginning after 2008, corporations performing a service both in and outside Utah must calculate the sales factor numerator on Schedule J by considering the service income to be in Utah if the buyer receives a greater benefit of the service in Utah than in any other state. See page 10.

## Electronic Filing for Corporation Returns

Utah corporation returns may be filed electronically under a joint program between the Internal Revenue Service and the Utah State Tax Commission.

The federal and state information is submitted at the same time and the IRS extracts the federal data and forwards the state data to the Tax Commission. No papers need to be mailed to the agencies when filing electronically.

C corporations, S corporations and Homeowners associations may file electronically.

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

Learn more about filing your corporation return electronically online at [tax.utah.gov/mef](http://tax.utah.gov/mef).

## Corporation Identification Numbers

The Utah State Tax Commission uses the Federal Employer Identification Number (EIN) as the corporation's identification number 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 proper fields. These numbers are used for 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  
PO Box 146705  
Salt Lake City, UT 84114-6705

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, contact the Tax Commission. We will prepare form TC-2001 and send it to you to complete.

To close related tax accounts (sales, withholding, etc.), send a completed TC-69C to 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 forms for filing corporate taxes. 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](http://tax.utah.gov/forms) or by calling the Forms Hotline at 801-297-6700 or 1-800-662-4335, ext. 6700.

### 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

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 Utah, either owned or rented, and do not maintain an inventory or have employees located at a place of business

in Utah. For example, 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 tax purposes must match the taxable year used for federal tax purposes. When the taxable year changes for federal purposes, the taxable year must be changed for Utah 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 in the "mm/dd/yyyy" format.

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

**Note:** All pass-through withholding from TC-20S, Schedule N, column H **must** be paid by the original due date of the return, without regard to extensions.

## What to Attach and What to Keep

Include the following with your Utah TC-20S. Also, keep copies of these with your tax records.

- **Utah S Corporation Return Schedules:** Attach applicable Utah schedules A, E, H, J, M, N, and/or P.

- **Federal Return:** Attach **only** pages 1 through 4 of your federal S corporation return (plus Schedule M-3, if applicable) and the Schedule K-1 for each shareholder. Do not send the Tax Commission your entire federal corporation return.

**Do not send** the Tax Commission your entire federal return, credit schedules, worksheets, or other documentation with your Utah return, unless otherwise stated in these instructions. Keep these in your files, along with all supporting documentation. You may be asked to furnish this information later to verify entries on your Utah return.

## Penalties

Utah law (UC §59-1-401) provides penalties for failure to file tax returns by the due date, failure to pay tax due on time, failure to make sufficient prepayment on extension returns, and failure to file information returns or supporting schedules. Details of these penalties, along with a list of additional penalties, can be found at [tax.utah.gov/billing/penaltyinterest.html](http://tax.utah.gov/billing/penaltyinterest.html) and in Pub 58, *Utah Interest and Penalties*, online at [tax.utah.gov/forms](http://tax.utah.gov/forms).

The Tax Commission will calculate the penalty for underpayment of required prepayments.

## Interest (in addition to penalties due)

Interest will be assessed on any underpayment 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 2010 calendar year is **3 percent**.

Get Pub 58, which contains applicable interest rates, online at [tax.utah.gov/forms](http://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 of the amount owed, the corporation may complete form TC-804B, *Business Tax Payment Agreement Request*, available online at [tax.utah.gov/forms](http://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 TC-20S, *Utah S Corporation Tax Return*, when filing for the first time. Also, enter the qualification date on the TC-20S, line 1.

## Supporting Federal Information

Attach federal form 1120S, pages 1 through 4 (and Schedule M-3, if applicable), as filed with the IRS, to the *Utah S Corporation Tax return*, TC-20S. Also attach the Schedules K-1 for each shareholder.

Do not file other detail schedules (including the rest of your federal corporation return) with your Utah return unless noted in these instructions. Tax Commission auditors may request these detail schedules at a later date.

# 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.

## ZIP Code

Enter your ZIP Code, including the “plus four.”

## Foreign Country

If the address is in a foreign country, enter the mailing address where indicated. Enter the foreign city, state/province and postal code in the city field. Enter only the foreign country name in the field titled “foreign country.”

## EIN and Utah Incorporation/Qualification Number

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

## Filing Period

If the return is being filed for a period other than the calendar year ending Dec. 31, 2009, enter the beginning and ending tax period dates at the top, where indicated. Enter both the beginning and ending tax period dates in the following format: “mm/dd/yyyy.”

## Qualified Subchapter S Subsidiary

An S corporation that owns one or more qualified subchapter S subsidiaries, as defined in IRC §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 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 forms and instructions for the year you are amending. You can obtain prior year forms and instructions at [tax.utah.gov/forms](http://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 on the line titled “IF AMENDED RETURN” 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 that 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 as shown on the original return. If you received a refund on your original return, subtract the previous refund (exclude refund interest) from the amount of any tax paid with the original return and/or subsequent payment of the tax prior to filing the amended return. Enter the net amount on Schedule A, line 18. A net refund should be entered as a negative amount (preceded by a minus sign).

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

## Federal Form 8886

If you filed federal Form 8886, *Reportable Transaction Disclosure Statement*, with the Internal Revenue Service, enter an “X” at the top of your TC-20S, where indicated.

## Line-by-Line Instructions

### Line 1 – S Corporation First Return

If this is the first return filed as an S corporation, enter the effective date shown on the IRS approval letter. Attach a copy of the IRS designation letter to your Utah return.

### Line 2(a) – Number of Shares

Enter the number of taxable shares issued by the corporation to resident individuals, IRC 501 and other exempt entities, and nonresident individuals and other pass-through entity taxpayers.

**Line 2(b) – Percentage of Shares**

Enter the percentage of shares issued by this corporation to resident individuals, IRC 501 and other exempt entities, and nonresident individuals and other pass-through entity taxpayers. The total percentages entered should equal 100%.

**Line 3 – Corporations Conducting Business in Utah**

Enter an "X" if this S corporation conducted any business in Utah during the taxable year.

**Line 4 – Qualified Subchapter S Subsidiary Election**

Enter an "X" if this S corporation has elected to treat any subsidiary as a Qualified Subchapter S Subsidiary who did business, incorporated or was qualified in Utah and is listed on Schedule M.

**Line 5 – Total Tax**

Enter the amount of the total tax from Schedule A, line 16.

**Line 6 – Total Payments**

Enter the amount of the total payments from Schedule A, line 19.

**Line 7 – Tax Due**

If line 5 is larger than line 6, subtract line 6 from line 5.

**Line 8 – Penalties and Interest**

Enter the total penalties and interest.

**Line 9 – Pay This Amount**

Add lines 7 and 8. 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.

**Line 10 – Overpayment**

If line 6 is larger than line 5, subtract line 5 from line 6.

**Line 11 – Amount of Overpayment to be Applied to Next Taxable Year**

All or part of any overpayment shown on line 10 may be applied as an advance payment for the next tax year. Enter amount to be applied (may not exceed the overpayment on line 10).

**Line 12 – Refund**

Subtract line 11 from line 10. This is the amount to be refunded to you.

**Signature and Date Line**

Sign and date the return. A refund will not be granted unless the return is signed and dated.

**Paid Preparer Authorization**

If the corporation wants to allow the Tax Commission to discuss their 2009 return with the paid preparer who signed it, enter an "X" in the box to the right 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, 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 online at [tax.utah.gov/forms](http://tax.utah.gov/forms).

The authorization will automatically end no later than the due date (without regard to extensions) for filing the entity's 2010 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 §59-1-401(9) and (10).

**Supplemental Information to be Supplied by All S Corporations**

All S corporations must complete this information located on page 2 of the TC-20S.

# Instructions for Schedule A – Utah Taxable Income

## Line 1 – Federal Income (Loss)

Enter the amount of income or loss as shown on federal form 1120S, Schedule K, line 18 (R865-6F-35).

## Line 2 – Charitable Contributions

Enter the amount of charitable contributions deducted on federal form 1120S, Schedule K, line 12a.

## Line 3 – Foreign Taxes

Enter the amount of foreign taxes deducted on federal form 1120S, Schedule K, line 14l.

## Line 4 – Recapture of Benefit from Deduction under Section 179

Enter 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 and reported on Schedule K-1, line 17d.

## Line 5 – Total Income

Add lines 1 through 4.

## Line 6 – Utah Nonbusiness Income Net of Expenses

Enter the Utah nonbusiness income net of expenses allocated to Utah from Schedule H, line 13.

## Line 7 – Non-Utah Nonbusiness Income Net of Expenses

Enter the non-Utah nonbusiness income net of expenses allocated outside Utah from Schedule H, line 26.

## Line 8 – Total Nonbusiness Income Net of Expenses

Add lines 6 and 7.

## Line 9 – Net Income Subject to Apportionment

Subtract line 8 from line 5.

## Line 10 – Apportionment Factor

Enter 1.000000, or the factor (decimal) from Schedule J line 8 or line 12, if applicable.

## Line 11 – Utah Business Income

Multiply line 9 by the decimal on line 10.

## Line 12 – Total Utah Income

Add lines 6 and 11.

## Line 13 – Total Pass-through Withholding Tax

Enter the total pass-through withholding tax from Schedule N, column H.

This pass-through withholding tax **must** be paid to the Tax Commission by the original due date of the return, without regard to extensions. Use form TC-559, Tax Payment Coupon for Utah Corporation/Partnership.

## Line 14 – Utah Tax on Built-in and Other Gains

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 tax. The most common transactions that occur under federal provisions include built-in gains, capital gains, federal recapture 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%. Attach a schedule to your TC-20S that provides the necessary details of gains or income being reported.

## Line 15 – Utah Use Tax

You must pay use tax on all taxable items bought for storage, use or consumption in Utah during the filing year, if sales and use tax was not paid to the seller at the time of purchase. This includes Internet or catalog purchases.

You may take a credit for sales or use tax paid to another state (but not a foreign country). If the other state's tax rate is lower than Utah's, you must pay the difference. If the other state's tax rate is more than Utah's, no credit or refund is given. If sales tax was paid to more than one state, complete a worksheet (on this page) for each state. Add lines 8 on all worksheets and enter the total on line 15 of Schedule A.

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

Grocery food bought through the Internet or catalog is taxed at 3%. The grocery food must be sold for ingestion or chewing by humans and consumed for the substance's taste or nutritional value. The reduced rate does not apply to alcoholic beverages or tobacco. See Pub 25 online at [tax.utah.gov/forms](http://tax.utah.gov/forms) for more information.

### Worksheet for Computing Utah Use Tax

(Retain this worksheet for your records)

1. Amount of purchases (except grocery food) subject to use tax ..... \$ \_\_\_\_\_
2. Use tax rate (decimal from chart) ..... x . \_\_\_\_\_
3. Multiply line 1 by line 2 ..... \$ \_\_\_\_\_
4. Amount of grocery food purchases subject to use tax ..... \$ \_\_\_\_\_
5. Multiply line 4 by .03 ..... \$ \_\_\_\_\_
6. Add line 3 and line 5 ..... \$ \_\_\_\_\_
7. Credit for sales tax paid to another state on use tax purchases ..... \$ ( \_\_\_\_\_ )
8. Use tax due (subtract line 7 from line 6) If less than zero, enter "0" ..... \$ \_\_\_\_\_

**Use Tax Rate Chart** (Effective Dec. 31, 2009)

.0595	<b>Beaver County</b>	.0835	Alta
.0695	Beaver City	.0595	<b>San Juan County</b>
.0595	<b>Box Elder County</b>	.0630	Blanding
.0650	Brigham City, Perry, Willard	.0635	Monticello
.0695	Snowville	.0595	<b>Sanpete County</b>
.0630	<b>Cache County</b>	.0625	Ephraim, Gunnison, Mt. Pleasant
.0655	Cache Valley Transit, Hyde Park, Lewiston, Millville	.0595	<b>Sevier County</b>
.0660	Hyrum, Logan, N.Logan, Providence, Richmond, River Heights, Smithfield, Nibley	.0605	Aurora, Redmond
.0595	<b>Carbon County</b>	.0625	Richfield
.0635	Price	.0635	Salina
.0625	Wellington	.0605	<b>Summit County</b>
.0695	<b>Daggett County</b>	.0745	Park City
.0650	<b>Davis County</b>	.0635	Snyderville Basin Transit
.0660	Bountiful, Centerville, Woods Cross, West Bountiful	.0595	<b>Tooele County</b>
.0595	<b>Duchesne County</b>	.0625	Erda, Grantsville, Lakepoint, Lincoln, Stansbury Park
.0605	Duchesne City	.0635	Tooele City
.0635	Roosevelt	.0645	<b>Uintah County</b>
.0595	<b>Emery County</b>	.0670	Naples
.0775	Green River	.0675	Vernal
.0695	<b>Garfield County</b>	.0650	<b>Utah County</b>
.0795	Boulder, Panguitch, Tropic	.0675	Alpine, American Fork, Eagle Mountain, Highland, Lehi, Lindon, Mapleton, Payson, Pleasant Grove, Provo, Provo Canyon, Salem, Saratoga Springs, Spanish Fork, Springville
.0805	Bryce Canyon	.0685	Cedar Hills, Orem
.0595	<b>Grand County</b>	.0595	<b>Wasatch County</b>
.0785	Moab	.0625	Heber
.0595	<b>Iron County</b>	.0705	Independence
.0605	Cedar City	.0735	Midway, Park City East
.0785	Brian Head	.0595	<b>Washington County</b>
.0595	<b>Juab County</b>	.0625	Hurricane, Ivins, La Verkin, St. George, Santa Clara, Washington City
.0625	Nephi	.0755	Springdale
.0695	<b>Kane County</b>	.0595	<b>Wayne County</b>
.0795	Kanab, Orderville	.0685	<b>Weber County</b>
.0595	<b>Millard County</b>	.0705	Riverdale
.0595	<b>Morgan County</b>		
.0595	<b>Piute County</b>		
.0595	<b>Rich County</b>		
.0695	Garden City		
.0685	<b>Salt Lake County</b>		

Enter use tax of \$400 or less. If the amount is over \$400, you must get a sales and use tax license and pay the use tax on a sales and use tax return.

**Line 16 – Total Tax**

Add lines 13 through 15. Enter this amount on TC-20S, page 1, line 5.

**Line 17 – Prepayments from Schedule E**

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

**Line 18 – Amended Returns Only**

This line is only 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 less any previous refunds (exclude refund interest). A net refund should be entered as a negative amount (preceded by a minus sign).

**Line 19 – Total Payments**

Add lines 17 and 18. Enter this amount on TC-20S, page 1, line 6.

## Instructions for Schedule E – Prepayments of Any Type

**Line 1**

Enter the amount of the refund applied from the prior year to the current year's liability.

**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 17.

# Instructions for Schedule H – Nonbusiness Income Net of Expenses

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, or where the purpose for acquiring and holding the intangible is an integral, functional, or operative component of the taxpayer's trade or business operations, or otherwise materially contributes to the production of business income of the trade or business operations. See Tax Commission Rule R865-6F-8(2)(e)(iii).

**Dividends** are business income where the stock with respect to which the dividends were received arose out of or was acquired in the regular course of the taxpayer's trade or business operations or where the acquiring and holding of the stock is an integral, functional, or operative component of the taxpayer's trade or business operations, or otherwise materially contributes to the production of business income of the trade or business operations. See Rule R865-6F-8(2)(e)(iv).

**Gain or loss** from the sale, exchange, or other disposition of real property or of tangible or intangible personal property constitutes business income if the property while owned by the taxpayer was used in, or was otherwise included in the property factor of the taxpayer's trade or business. See Rule R865-6F-8(2)(e)(ii).

**Rental income** from real and tangible property is business income if the property with respect to which the rental income was received is or was used in the taxpayer's trade or business and therefore is includable in the property factor. See Rule R865-6F-8(2)(e)(i).

Utah nonbusiness income is reported on lines 1a through 13; non-Utah nonbusiness income is reported on lines 14a through 26. 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 enter the gross Utah nonbusiness income from each class of income being specifically allocated. Use additional pages, if necessary, to provide complete information about additional sources of Utah 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 Utah nonbusiness income is listed on lines 1a through 1d. Direct related expenses include wages, interest, depreciation, etc. (UC §59-7-101(23))

### 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 total 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 Ending Asset Values

Add lines 6 and 7 for each respective column.

### Line 9 – Average Asset Values

Divide line 8 by 2 for each column.

### Line 10 – Utah Nonbusiness Asset Ratio

Divide line 9 column A 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 6.

## Non-Utah Nonbusiness Income

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

Complete each column with the information required and enter the gross non-Utah nonbusiness income from each class of income being specifically allocated. Use additional pages, if necessary, to provide complete information about additional sources of non-Utah 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 non-Utah nonbusiness income listed on lines 14a through 14d. Direct related expenses include wages, interest, depreciation, etc. (UC §59-7-101(23)).

### 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 total 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 Ending Asset Values

Add lines 19 and 20 for each respective column.

### Line 22 – Average Asset Values

Divide line 21 by 2 for each column.

### Line 23 – Non-Utah Nonbusiness Asset Ratio

Divide line 22 column A 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 7.

## Instructions for Schedule J – Apportionment Schedule

Determine the apportionment factor (decimal) by completing this schedule. The factors express a ratio 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 factor calculated to **six decimals**. This factor is to be applied to the apportionable income (or loss) on Schedule A 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.

An election may be made to double weight the sales factor in the apportionment calculation. The election, once made, is irrevocable and must be used for five taxable years. The election is made by entering an "X" on line 9 and completing lines 10 through 12 on Schedule J.

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 - 1f – Property Factor**

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.

Enter totals of lines 1a through 1e in their respective columns on line 1f.

### **Line 2 – Property Factor Calculation**

Determine the property factor (decimal) by dividing line 1f column A by line 1f column B.

### **Line 3 – Payroll Factor**

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 4 – Payroll Factor Calculation**

Determine the payroll factor (decimal) by dividing line 3a column A by line 3a column B.

### **Lines 5a - 5h – Sales Factor**

The sales factor is the fraction 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.

Corporations that perform a service both in and outside Utah must include on line 5g in column A (Inside Utah) any amount of service income if the service buyer receives a greater benefit of the service in Utah than in any other state. The former "cost of performance" method no longer applies. (See UC §59-7-319(3)(a).)

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(6).

Enter totals of lines 5a through 5g in their respective columns on line 5h.

### **Line 6 – Sales Factor Calculation**

Determine the sales factor (decimal) by dividing line 5h column A by line 5h column B.

## **Equally-Weighted Three Factor Formula**

If you *are not* electing the double-weighted sales factor (see lines 9 through 12 below), complete lines 7 and 8. If you are electing the double-weighted sales factor, leave lines 7 and 8 blank.

### **Line 7 – Total Factors**

Enter the sum of the factors from lines 2, 4 and 6.

### **Line 8 – Apportionment Factor**

Calculate the apportionment factor to six decimals by dividing line 7 by the number of factors used (typically 3 – property, payroll and sales).

- If one or more of the factors are not present (i.e., there is a zero in the denominator on lines 1f, 3a or 5h 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 the apportionment fraction (decimal) here and on Schedule A, line 8, if not electing the double-weighted sales factor below.

## Double-Weighted Sales Factor Election

You may elect to give double-weight to the sales factor in the apportionment calculation. The double-weighted sales factor election is irrevocable and must be used for five years. If you elect this calculation, enter an "X" on line 9 and complete lines 10 through 12.

### Line 9 – Making the Election

Enter an "X" on line 9 if you elect to double-weight the sales factor.

### Line 10 – Double Sales Factor

Multiply the sales factor (decimal) from line 6 above by 2. This will result in the sales factor being considered twice in the calculation.

### Line 11 – Total Factors

Enter the sum of the factors from lines 2, 4 and 10.

### Line 12 – Elected Apportionment Factor

Calculate the elected, double-weighted sales factor apportionment factor to six decimals by dividing line 11 by the number of factors used (typically 4 – property, payroll and two times the sales factor).

- If one or more of the factors are not present (i.e., there is a zero in the denominator on lines 1f or 3a in column B), divide by the number of factors present (allowing two factors for sales).
- If the numerator is zero, but a denominator is present, include that factor in the number of factors present.

Enter the apportionment fraction (decimal) here and on Schedule A, line 10.

## Specialized Apportionment Laws and Rules

Specialized apportionment procedures 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)
- Registered Securities or Commodities Broker or Dealer (R865-6F-36)
- Airlines (UC §§59-7-312 through 319)
- Sale of Management, Distribution or Administration Services to or on Behalf of a Regulated Investment Company (UC §59-7-319(5))

## 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, *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 – Pass-through Entity Withholding Tax Calculation

The S corporation (pass-through entity) must pay or withhold tax on behalf of each nonresident individual shareholder and each resident or nonresident business shareholder (referred to as pass-through entity taxpayers), except shareholders who are exempt from the tax under UC §59-7-102(1)(a). A publicly traded partnership meeting the requirements of UC §59-10-1403.2(1)(b) does not have to withhold Utah tax on its partners.

A pass-through entity taxpayer's share of taxable income is based on the ratio of stock held by the pass-through entity taxpayer 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 pass-through entity taxpayers 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.

Pass-through entity taxpayers may take 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 pass-through entity taxpayer subject to withholding by the pass-through entity and who has no other Utah source income may elect to forego the credit and not file a Utah income tax return. However, pass-through entity taxpayers with income or loss from other Utah sources must file a Utah income tax return. A pass-through entity taxpayer who is eligible for Utah tax credits, in addition to the pass-through tax withheld, must file a Utah income tax return to claim those credits.

**Note to Tax Preparer:** It is recommended the amount of Utah income tax paid on behalf of each pass-through entity taxpayer, along with any nonrefundable and refundable credits, be included on their federal Schedule K-1 or supplemental schedule.

S corporations having pass-through entity taxpayers who are shareholders must complete Schedule N showing the amount of Utah income attributable to the pass-through entity taxpayer, the amount of Utah tax on such income (5%), any mineral production withholding tax and previous pass-through entity withholding tax credited to the shareholder, and the net amount of pass-through entity withholding this corporation must pay on behalf of such pass-through entity taxpayers. Use additional forms TC-20S, Schedule N, if needed,

## Line A – Name and Address of Pass-through Entity Taxpayer (Shareholder)

Enter the name and address of each nonresident individual shareholder, or resident or nonresident business shareholder (referred to as a pass-through entity taxpayer).

## Line B – SSN/EIN

Enter the social security number (SSN) of each nonresident individual shareholder, or the federal employer identification number (EIN) of each resident or nonresident business shareholder.

## Line C – Percent of S Corporation Held by Shareholder

Enter the percent of the S corporation the pass-through entity taxpayer owns, to four decimal places.

## Line D – Income (Loss) Attributable to Utah

Enter the income (loss) attributable to Utah and taxable to the pass-through entity taxpayer. Calculate this income by multiplying the amount on Schedule A, line 12 by each pass-through entity taxpayer's percentage shown on line C.

## Line E – 5% of Income

Multiply the amount of income attributable to Utah for each pass-through entity taxpayer (line D) by 5%. If the amount on line D is a loss, enter "0".

## Line F – Mineral Production Withholding Credit

Enter the amount of any mineral production withholding tax attributable to this corporation and allocated to each pass-through entity taxpayer.

The total mineral production withholding tax shown on the TC-675R received by the corporation is distributed to all shareholders on Schedule P.

## Line G – Previous Pass-through Entity Withholding Tax

Enter the amount of any previous pass-through entity withholding tax paid by a previous pass-through entity, attributable to this corporation, and allocated to each pass-through entity taxpayer.

The total previous pass-through entity withholding tax should be shown on the federal Schedule K-1 (or supplemental schedule) received by this corporation from another pass-through entity in which this corporation is a shareholder or partner.

The total previous pass-through entity withholding tax is distributed to all shareholders on Schedule P.

## Line H – Pass-through Entity Withholding

Subtract the total of lines F and G from line E for each pass-through entity taxpayer. Do not enter an amount less than zero.

The pass-through entity withholding shown in column H is the withholding tax this corporation must withhold or pay on behalf of the pass-through entity taxpayer. This withholding tax is to be reported on federal Schedule K-1 or supplemental schedule given to the shareholder.

Enter the total of the pass-through entity withholding tax from column H on TC-20S, Schedule A, line 13.

# Instructions for Schedule P – Tax Credits Allocated to Shareholders

Corporations that have earned nonrefundable or refundable credits are required to complete Schedule P showing each shareholder, the shareholder's social security (SSN) or employer identification number (EIN), and the allocable amount of each credit the shareholder receives. Use additional forms TC-20S, Schedule P, if needed.

## Codes for Nonrefundable Credits

- 02 Qualified Sheltered Workshop Cash Contribution Credit
- 04 Capital Gain Transactions Credit
- 05 Clean Fuel Vehicle Credit (TC-40V)
- 06 Historic Preservation Tax Credit
- 07 Enterprise Zone Tax Credit
- 08 Low Income Housing Tax Credit
- 10 Recycling Market Development Zone Credit (TC-40R)
- 12 Credit for Research Activities in Utah
- 13 Credit for Machinery and Equipment Used to Conduct Research
- 21 Renewable Residential Energy Systems Credit (TC-40E)
- 24 Qualifying Solar Project Credit

### (02) Qualified Sheltered Workshop Cash Contribution Credit (UC §59-10-1004)

Cash contributions made in the taxable year to a qualified Utah nonprofit rehabilitation sheltered workshop facility for persons with disabilities are eligible for the credit. 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 the lesser of \$200 or 50% of the total cash contributions.

There is no form for this credit. Keep all related documents with your records. The partner must list the qualified workshop name on their return to claim the credit.

Contact the Contract Administrator, Division of Services for People with Disabilities, 120 N 200 W #411, SLC, UT 84103, 801-538-4200; or go to [www.hsdspd.utah.gov](http://www.hsdspd.utah.gov) for more information.

### (04) Capital Gain Transactions Credit (UC §59-10-1022)

You may claim a credit for the short-term and long-term capital gain on a transaction if:

- a. The gain occurs on or after January 1, 2008;
- b. At least 70% of the gross proceeds of the transaction are used to buy stock in a qualified Utah small business corporation within 12 months from when the capital gain transaction occurred; and
- c. You did not have an ownership interest in the qualified Utah small business corporation at the time of investment.

See [incometax.utah.gov/credits\\_capitalgains.php](http://incometax.utah.gov/credits_capitalgains.php) or refer to UC §59-10-1022 for more information.

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

Use the following calculation to determine your credit.

#### Calculation of Capital Gain Transactions Tax Credit

1. Eligible short-term or long-term capital gain \$ \_\_\_\_\_
2. Multiply line 1 by 5% (.05). This is your credit. \$ \_\_\_\_\_

Distribute this amount on Schedule P.

**Note:** Any credit that is more than the tax liability may not be carried back or forward.

### (05) Clean Fuel Vehicle Credit (UC §59-10-1009)

Four different credits are available. The credit may only be claimed once per vehicle.

You receive a credit of:

- \$750 if you bought a new vehicle with less than 7,500 miles, and registered and titled for the first time in Utah. The vehicle must meet the following fuel economy standards:
  - At least 31 miles per gallon for gasoline-fueled vehicles;
  - At least 36 miles per gallon for diesel-fueled vehicles;
  - At least 19 miles per gallon for vehicles fueled by a blend of 85% ethanol and 15% gasoline;
  - At least 19 miles per gallon for liquefied petroleum gas-fueled vehicles; or
  - Meet standards consistent with 40 C.F.R. 600.209-95(d) adopted by the Air Quality Board by rule.
- The lesser of \$2,500 or 35% of the purchase price for a qualified vehicle fueled by compressed natural gas and registered in Utah.
- The lesser of \$2,500 or 50% of the cost of conversion equipment (less any clean fuel grant received) for a vehicle registered in Utah. The equipment must convert the engine to:
  - Be fueled by propane, compressed natural gas, or electricity;

- Be fueled by another fuel as effective as the above listed fuels, as determined by the Air Quality Board, or
- Meet the clean fuel vehicle standards in the federal Clean Air Act.
- The lesser of \$1,000 or 50% of the cost of conversion equipment not designed or used primarily for the transportation of persons or property, including maintenance equipment, less any clean fuel grant received, if the equipment converts the engine to be:
  - Fueled by propane, compressed natural gas, or electricity;
  - Fueled by another fuel as effective as the above listed fuels, as determined by the Air Quality Board; or
  - Substantially more effective in reducing air pollution than the fuel for which the engine was originally designed.

**Note:** Any credit that is more than the tax liability may be carried forward as a credit for the next five years.

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

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

Division of Air Quality  
150 N 1950 W  
SLC, UT 84116  
801-536-4000  
[www.airquality.utah.gov/Planning/Mobile/Clean\\_Fuel\\_Tax\\_Credit.htm](http://www.airquality.utah.gov/Planning/Mobile/Clean_Fuel_Tax_Credit.htm)

#### **(06) Historic Preservation Tax Credit (UC §59-10-1006)**

The credit is for costs to restore any residential certified historic building.

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

Contact the State Historic Preservation Office, 300 S Rio Grande St, SLC, UT 84101, 801-533-3500, or go to [history.utah.gov/historic\\_buildings/financial\\_assistance/index.html](http://history.utah.gov/historic_buildings/financial_assistance/index.html).

#### **(07) Enterprise Zone Credit (UC §63M-1-413)**

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 tax credit (refundable credit, code 40).

The Enterprise Zone Credit is available for certain businesses that hire new full-time employees, restore buildings, or meet certain other requirements in a designated zone. Indian tribes may apply for enterprise zone designation within an Indian reservation.

Any credit amount that is more than the tax liability may be carried forward as a credit for three years.

If enterprise zone credits are being taken based on your ownership in a partnership or S corporation, you must allocate the credits as determined under IRC §704.

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

For more information, contact:

Governor's Office of Economic Development  
324 S State St, Suite 500  
SLC, UT 84111  
801-538-8804  
[goed.utah.gov/incentives/enterprise\\_zones](http://goed.utah.gov/incentives/enterprise_zones)

#### **(08) Low-Income Housing Credit (UC §59-10-1010)**

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. When this credit is applicable, the project owner will provide form TC-40TCAC (issued by the Utah Housing Corporation) to the taxpayer. Unused credits may be carried back three years or carried forward five years.

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.

For more information, contact:

Utah Housing Corporation  
2479 S Lake Park Blvd  
West Valley City, UT 84120  
801-902-8200  
[www.utahhousingcorp.org](http://www.utahhousingcorp.org)

#### **(10) Recycling Market Development Zone Credit (UC §59-10-1007)**

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 tax credit (refundable credit code, code 40).

The credit is available to individuals and businesses operating in a designated recycling market development zone.

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

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

Governor's Office of Economic Development  
324 S State St, Suite 500  
SLC, UT 84111  
801-538-8804  
[goed.utah.gov/relocate/incentives/incentives-recycling\\_zones](http://goed.utah.gov/relocate/incentives/incentives-recycling_zones)  
email: [lprrall@utah.gov](mailto:lprrall@utah.gov)

## (12) Credit for Research Activities in Utah (UC §59-10-1012)

The credit is:

1. 5% of your qualified expenses for increasing research activities in Utah above a base amount,
2. 5% of certain payments made to a qualified organization increasing basic research in Utah above a base amount, and
3. 6.3% of your qualified research expenses for a taxable year beginning in 2009.

**Note:** Any credit for 1 or 2 above that is more than the tax liability may be carried forward as a credit for the next 14 taxable years. Any credit for 3 above may not be carried forward.

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

## (13) Credit for Machinery and Equipment Used to Conduct Research (UC §59-10-1013)

The credit is:

1. 6% of the cost of machinery or equipment used primarily to conduct qualified research in Utah for 12 or more consecutive months, and
2. 6% of the cost of machinery or equipment donated to a qualified organization and used primarily to conduct basic research in Utah for 12 or more consecutive months.

**Note:** Any credit that is more than the tax liability may be carried forward as a credit for the next 14 years.

If machinery or equipment for which this credit was claimed is used for less than 12 consecutive months for qualified research, an amended return must be filed for the year the credit was claimed, the credit deleted from the return, and any increase in tax paid. See amended return instructions on page 4.

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

## (21) Renewable Residential Energy Systems Credit (UC §59-10-1014)

This credit is for reasonable costs, including installation, of a residential energy system that supplies energy required for a residential unit in Utah. If the residence is sold to another, who is not a business entity, before the claim for the tax credit is made, the taxpayer may irrevocably transfer to the new owner the right to the tax credit. Additional residential energy systems or parts may be claimed in subsequent years as long as the total amount claimed does not exceed \$2,000 per residential unit. The principal portion of lease payments for a residential energy system may qualify for the credit, if the lessor irrevocably elects not to claim the credit.

Credit in excess of the taxpayer's liability may be carried forward to the four succeeding years.

Form TC-40E, *Renewable Residential and Commercial Energy Systems Tax Credits*, must be obtained from the Utah Geological Survey with their certification stamp, verifying the credit is approved and showing the amount of the approved credit. Do not send form TC-40E with your return. Keep the form and all related documents with your records.

For more information, contact:

Utah Geological Survey (UGS)  
1594 W North Temple  
Suite 3110, Box 146100  
SLC, UT 84114-6100  
801-538-5428  
[geology.utah.gov/sep/incentives/index.htm](http://geology.utah.gov/sep/incentives/index.htm)

## (24) Qualifying Solar Project Credit (UC §59-10-1024)

You may claim a credit of 25% of the amount paid to buy one or more solar units from a qualifying political subdivision (as defined in UC §59-10-1024), up to a maximum credit of \$2,000. This credit is in addition to any other energy credit you claim.

A qualifying solar unit is portion of the electrical output of an active solar project constructed, controlled or owned by a qualifying political subdivision, which generates electricity furnished to and for the benefit of one or more residential units, and is sold to the taxpayer in exchange for a credit on the taxpayer's electrical bill.

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

Use the following calculation to determine your credit.

### Calculation of Qualifying Solar Project Credit

1. Amount paid for solar unit(s) \$ \_\_\_\_\_
2. Multiply line 1 by 25% (.25) \$ \_\_\_\_\_
3. Maximum allowable credit \$ 2,000
4. Enter lesser of line 2 or line 3. \$ \_\_\_\_\_  
This is your credit.

Distribute this amount on Schedule P.

Contact your city or electrical utility provider or see UC §59-10-1024 for more information.

## Codes for Refundable Credits

- 36 Previous Pass-through Entity Withholding Tax
- 39 Renewable Commercial Energy Systems Credit (TC-40E)
- 40 Targeted Business Tax Credit (TC-40TB)
- 46 Mineral Production Withholding Tax Credit (TC-675R)
- 47 Agricultural Off-highway Gas/Undyed Diesel Fuel Credit
- 48 Farm Operation Hand Tools Credit

### (36) Previous Pass-through Entity Withholding Tax (UC §59-10-1103)

If this S corporation has an interest in a partnership, LLP or LLC (pass-through entity), the other partnership, LLP or LLC is required to withhold Utah income tax on any income attributable to this S corporation. The pass-through entity must provide a statement (Schedule K-1 or supplemental schedule) showing the amount of Utah withholding paid on behalf of this S corporation.

This pass-through entity withholding tax is then re-allocated to the shareholders of this S corporation. Enter and allocate the total previous pass-through entity withholding tax using code 36.

Attach copies of federal Schedule K-1(s) (or supplemental schedule) to the return to receive proper credit.

### (39) Renewable Commercial Energy Systems Credit (UC §59-10-1106)

This credit is for reasonable costs, including installation, of a commercial energy system that is an active solar system, a direct-use geothermal system, a geothermal heat-pump system, a hydro-energy system, or a passive solar system. Credit is also allowed for a commercial system that uses wind, geothermal electricity, or bio-mass equipment.

Get form TC-40E, *Renewable Residential and Commercial Energy Systems Tax Credits*, from the Utah Geological Survey with their certification stamp, verifying the credit is approved and showing the amount of the approved credit. Do not send this form with your return. Keep the form and all related documents with your records.

For more information, contact:

Utah Geological Survey (UGS)  
1594 W North Temple  
Box 146100  
Salt Lake City, UT 84114-6100  
801-537-3300  
[geology.utah.gov/sep/incentives/index.htm](http://geology.utah.gov/sep/incentives/index.htm)

### (40) Targeted Business Tax Credit (UC §63M-1-504)

A business may not claim the targeted business 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).

A refundable credit is available to businesses providing a community investment project as defined in UC §§63-38f-501 through 63-38f-503. Obtain a certified copy of form TC-40TB, *Targeted Business Tax Credit*. Keep this form and all related documents with your records.

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  
801-538-8804  
[goed.utah.gov/incentives/enterprise\\_zones](http://goed.utah.gov/incentives/enterprise_zones)  
email: [lprall@utah.gov](mailto:lprall@utah.gov)

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

Enter the total of the mineral production tax withheld as shown on forms TC-675R or Federal Schedule K-1(s) (or supplemental schedule) for the tax year. 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(s) K-1 (or supplemental schedule) to the return to receive proper credit.

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

You may claim a credit of 24.5 cents per gallon for motor fuel and undyed diesel fuel bought in Utah to operate stationary farm engines and self-propelled farm machinery used solely for commercial nonhighway agricultural use if the fuel was taxed at the time it was bought.

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 personal farming.

#### Credit calculation:

Gallons \_\_\_\_\_ x .245 = Credit \_\_\_\_\_

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

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

This credit is 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 only applies if the purchase price of a tool is more than \$250.

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

## Common Return Errors

1. **Utah sales factor on Schedule J** – Out-of-state corporations qualified in Utah, but not doing business in Utah, are required to file a Utah corporate return. However, sales into Utah are not required to be included in the gross receipts numerator, except as provided under Rule R-865-6F-24. 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 2.



### **Please arrange your return in the following order:**

1. Utah form TC-20S
2. Utah Schedules A through P (if required) in alphabetical order
3. Federal extension form, if applicable
4. A copy of the Federal form 1120S, pages 1 through 4 only, and each Schedules K-1
5. Other supporting documentation as required in these instructions