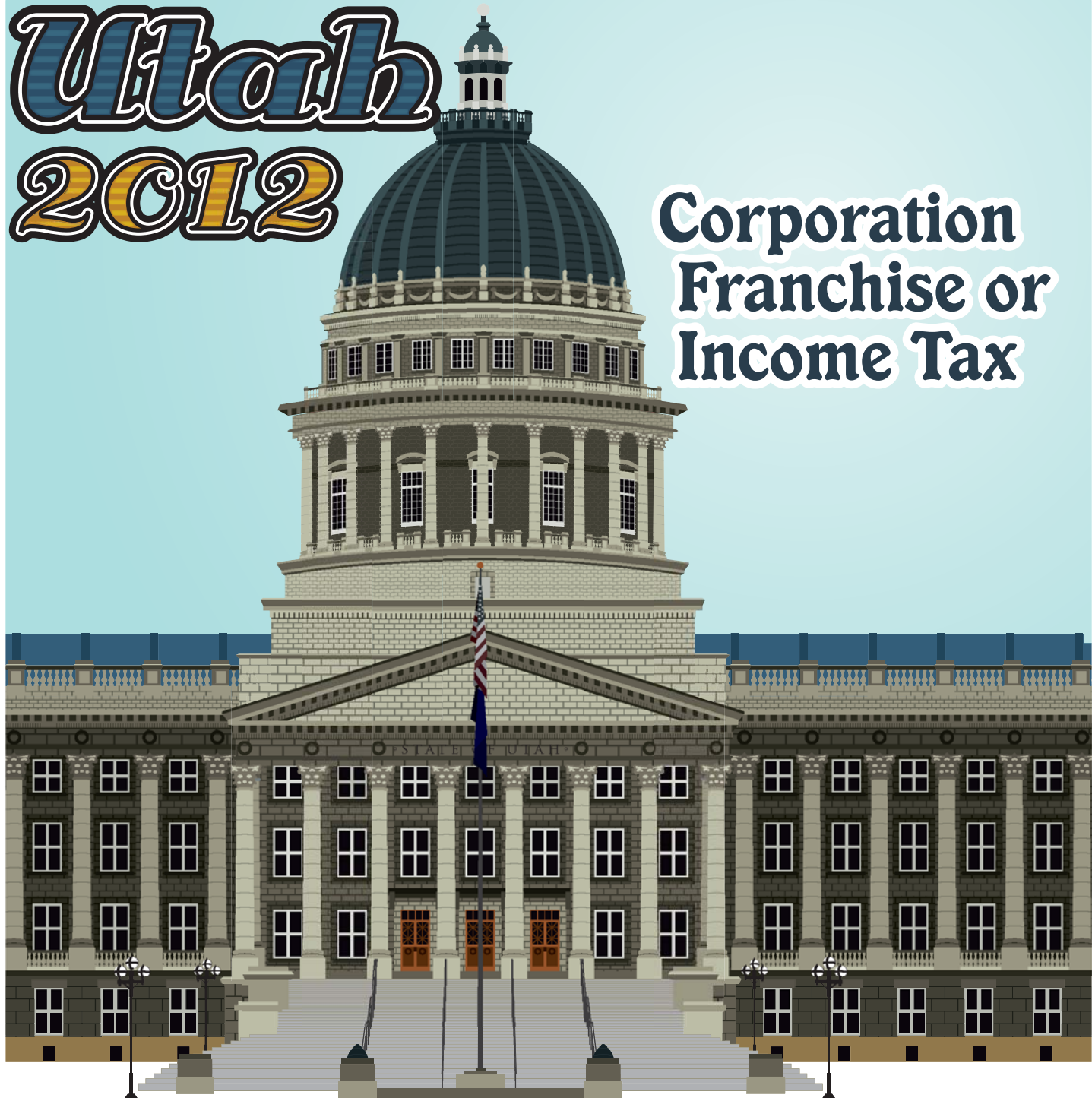


Utah
2012

**Corporation
Franchise or
Income Tax**



Form TC-20
Tax Return & Instructions

Utah State Tax Commission • 210 North 1950 West • Salt Lake City, UT 84134

tax.utah.gov

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E-Filing is Easier!

E-filing is the easiest and most accurate way to file. Ask your tax preparer about e-filing your individual, partnership, C corporation and S corporation returns, or use commercial tax software.

Utah is Online

Utah offers many online services for individual and business filers, including:

➔ taxexpress.utah.gov

- Pay online by e-check or credit card.
- Manage your Utah tax account.
- Request payment plans.

➔ tax.utah.gov

- Download forms and instructions for all Utah tax types.
- Sign up for tax training workshops.
- Link to free business resources and other services.



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 recurring. See details at tax.utah.gov/contact 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.

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.

Need more information?

Questions 801-297-2200 or
1-800-662-4335
(outside the Salt Lake area)

Research Utah rules, bulletins and
Commission decisions:
tax.utah.gov
Utah Code (UC): le.utah.gov
Internal Revenue Code (IRC):
law.cornell.edu/uscode/26

Order paper forms
801-297-6700 or
1-800-662-4335, ext. 6700
(outside the Salt Lake area)

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.

General Instructions and Information

What's New

- **Recycling Market Development Zone Credit.** The Legislature has reinstated this credit for taxable years beginning after Dec. 31, 2011. See page 10.
- **Credit for Increasing Research Activities in Utah.** The credit for qualified research expenses incurred in the taxable year has been reduced from 9.2% to 7.5%. See page 10.
- **Veteran Employment Tax Credit.** A new nonrefundable credit is allowed for hiring a qualified recently deployed veteran. See page 11.
- **Apportionment Fraction for "Sales Factor Weighted Taxpayers."** For tax years beginning in 2012, the calculation of the apportionment fraction on Schedule J has changed to weight the sales factor 10 times for a corporation treated as a Sales Factor Weighted Taxpayer. See page 20.

Reminders

- **Utah Net Loss Carryback:** Form TC-20L, *Utah Application for Refund from a Corporation Loss Carryback*, is to be used to carry a Utah net loss back three years. See page 8.
- **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 "Schedule J—Apportionment Schedule Instructions" on page 20.
- **Foreign Operating Company Changes.** A foreign operating company must now have a minimum of at least \$1,000,000 in payroll located outside the United States and at least \$2,000,000 in property located outside the United States. In addition, income generated from transactions between members of the unitary group, or from intangible property or an asset held for investment does not qualify for the 50 percent foreign operating company income exclusion on Schedule C. See pages 4 and 16.

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 its 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 and S corporations may file electronically.

Check with your software provider to see if they offer electronic corporation filing.

Learn more about filing your corporation return electronically online at tax.utah.gov/developers/mef.

Corporation Identification Numbers

Utah 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 Records
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.

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.

Dissolving and withdrawing corporations must also close their other Utah tax accounts (sales, withholding, etc.). To close related tax accounts, send a completed TC-69C, *Notice of Change for a Tax Account*, to the attention of Master Records 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 or by calling the Forms Hotline at 801-297-6700 or 1-800-662-4335, ext. 6700.

Note: See *What to Attach and What to Keep* 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. Every corporation that files form TC-20 must pay a minimum tax (privilege tax) of \$100, 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

Corporate income tax filers use form TC-20.

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.

Example 1: A trucking company, operated in or through Utah by a foreign corporation not qualified to do business in Utah, is subject to income tax rather than franchise tax.

Example 2: An institution making loans or issuing credit cards to Utah customers from outside Utah that are not qualified to do business in Utah and have no place of business in Utah is also subject to income tax rather than franchise tax.

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

Federal Form 1120-IC-DISC

If the corporation is filing a federal form 1120-IC-DISC and is not owned 50 percent or more by another corporation, none of its income is taxable to the corporation but must be passed-through to the DISC corporation shareholders who would report and pay tax on the distribution on their personal or business tax returns.

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.

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, which includes a minimum tax of \$100.

Where to File

Send the completed return with 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.

Prepayment Requirements

Extension Prepayments

The required extension prepayments must equal 90 percent of the current year's tax liability (or the \$100 minimum tax, whichever is greater) or 100 percent of the previous year's tax liability. The tax used to compute the 90 percent amount includes the interest on installment sales and the recapture of low-income housing credit on the return.

Corporations should make estimated prepayments using form TC-559, *Corporation/Partnership Payment Coupon*.

Quarterly Payments

Every corporation having a Utah tax liability of \$3,000 or more in the current taxable year, or a tax liability of \$3,000 or more in the previous taxable year, must make quarterly estimated tax payments. In addition, a parent company filing a combined report with affiliated companies must make the quarterly payment when the aggregate tax amount is \$3,000 or more for all companies listed on Schedule M, including those paying only the minimum tax.

A corporation is not subject to the estimated tax payment requirements the first year it is required to file a return in Utah if the corporation makes a payment on or before the due date, without the automatic extension, equal to or greater than the minimum tax.

Quarterly estimated tax payments are due (in four payments) on the 15th day of the 4th, 6th, 9th and 12th months of the corporation's taxable year. Corporations may elect to make the quarterly estimated tax payments equal to 100 percent of the prior year's tax in four equal payments, or 90 percent of the current year's tax based on the percentages below. As defined in UC §59-7-504(2), the applicable percentage of the required payment for annualized income installments, for adjusted seasonal installments, and for estimated tax payments based on the current year tax liability, is the following:

Installment	Percentage
1st	22.5
2nd	45.0
3rd	67.5
4th	90.0

If a taxpayer elects a different annualization period than the period used for federal purposes, the taxpayer must make an election with the Tax Commission at the same time as provided in IRC §6655. Estimated tax payments should be made with form TC-559, *Corporation/Partnership Payment Coupon*.

Corporations that don't make the required tax prepayments are subject to a penalty. See *Penalties*, below.

Penalties

Utah law (UC §59-1-401) provides penalties for not filing tax returns by the due date, not paying tax due on time, not making sufficient prepayment on extension returns, and not filing information returns or supporting schedules. Details of these penalties, along with additional penalties, are at tax.utah.gov/billing/penalties-interest and in Pub 58, *Utah Interest and Penalties*, at tax.utah.gov/forms.

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

Exceptions to Penalty on Estimated Tax

Annualized Exception

A corporation may annualize its income before determining the amount of each estimated tax installment. Follow federal guidelines to determine annualized income. If the corporation meets the annualized exception at the federal level for any installment, check the appropriate box(es) on form TC-20, line 15.

Recurring Seasonal Exception

A corporation with recurring seasonal income may annualize its income before determining the amount of each estimated tax installment. Follow federal guidelines to determine seasonal income. If the corporation meets the seasonal exception at the federal level for any installment, check the appropriate box(es) on form TC-20, line 15.

Prepayment of Minimum Tax Requirement

Corporations that meet the prepayment requirement in the **current year** and had a tax liability of \$100 (the minimum tax) for the previous year may choose to prepay the minimum tax amount of \$100 on the 15th day of the 12th month instead of four increments of \$25.

Corporations that met the prepayment requirement in the **previous year** and have a tax liability of \$100 (the minimum tax) in the current year may choose to prepay the minimum tax amount of \$100 on the 15th day of 12th month instead of four increments of \$25. In this case, the corporation must pay \$100, not 90 percent.

Interest (in addition to penalties due)

Interest is assessed on underpayments from the due date until the liability is paid in full. The interest rate for the 2013 calendar year is **2 percent**.

For more information, get Pub 58, *Utah Interest and Penalties*, 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 the whole amount owed, the corporation may complete form TC-804B, *Business Tax Payment Agreement Request*, available at tax.utah.gov/forms.

What to Attach and What to Keep

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

- **Utah Corporation Return Schedules:** Attach applicable Utah schedules A, B, C, D, E, H, J, and/or M.
- **Federal Return:** Attach only pages 1 through 5 of your federal corporation return, plus Schedule M-3 and IRS form 1125-A, if applicable.

Do not send a copy of 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 other supporting documents. You may be asked to provide this information later to verify entries on your Utah return.

Combined Reports

Any corporation owned by another corporation, or owning more than 50 percent of another corporation, or a group of corporations related through common ownership (i.e., certain brother/sister corporations) and engaged in unitary business activity, must file a combined report reporting the combined income of all such corporations.

A captive real estate investment trust must be included as a member of a unitary group. A real estate investment trust (REIT) is a captive real estate investment trust if the shares or beneficial interests of the REIT are not regularly traded on an established securities market and more than 50 percent of the voting power or value of the shares or beneficial interests of the REIT are directly, indirectly, or constructively owned or controlled by a controlling entity of the REIT.

Unitary Business

A unitary business exists if the activities of the corporations (subsidiary or affiliated corporations related through common ownership) are economically interdependent as demonstrated by the following factors:

- Strong centralized management
- Functional integration
- Attainment of operational economies of scale

Instructions for Combining Captive Real Estate Investment Trusts

The income and factors for a captive real estate investment trust are included in a manner similar to other unitary corporations in the combined group. Utah statutes include taxable income from federal form 1120-REIT before the net operating loss deduction and the deduction for dividends paid. A Utah deduction is allowed for the IRC §857(b)(2)(E) deduction. A subtraction is also allowed for dividends received from a captive real estate investment trust by a member of the unitary group. This subtraction is essentially an intercompany elimination since the 1120-REIT taxable income is included before the federal dividends paid deduction.

The property, payroll and sales of a REIT are included in the factors of the combined group to the extent otherwise provided in Utah laws and rules. Intercompany transactions between a captive REIT and any member of the unitary group must be removed from the sales factor. Similarly, intercompany rents must be removed from the combined property factor.

Water's Edge Combined Report

A unitary group must file on a water's edge basis unless the worldwide combination method has been elected. A water's edge combined report includes the income and activities of all members of a unitary group that are:

- corporations organized or incorporated in the United States, including those corporations qualifying for the Puerto Rico and Possession Tax Credit as provided in IRC §936, and
- corporations organized or incorporated outside of the United States meeting the threshold level of business activity.

Water's Edge Election

A group of corporations that are not otherwise a unitary group may elect to file a water's edge combined report under UC §59-7-402(2) if each member of the group is:

- doing business in Utah,
- part of the same affiliated group, and
- qualified under IRC §1501 to file a federal consolidated return.

Each corporation within the affiliated group doing business in Utah must consent to filing the combined report. If an affiliated group elects to file a combined report, each corporation within the affiliated group doing business in Utah must be included in the combined report.

Corporations that elect to file a water's edge combined report under this section may not thereafter elect to file a separate return without the consent of the Tax Commission.

Worldwide

A unitary group may elect to file a worldwide combined report. When the worldwide combined reporting method is elected, the income or loss of each corporation within the unitary group must be included regardless of the country in which the corporations are incorporated or conduct business.

Corporations electing to file a worldwide combined report may not thereafter elect to file a return on a basis other than a worldwide combined report without the consent of the Tax Commission.

Threshold Level of Business Activity

Foreign corporations that conduct 20 percent or more of their business activity in the United States, as measured by the average of the property and payroll factors, must be included 100 percent in a water's edge combined report. Any business activity in Utah will subject a foreign corporation to Utah franchise tax. The threshold test for purposes of combined reporting determines whether the foreign corporation is a member of a unitary group.

Foreign Dividends

Fifty percent of unitary foreign dividends are included in adjusted income. The remaining 50 percent, less certain expenses, are excluded. (See UC §59-7-106(1)(k) and (3).) A portion of the property, payroll and sales of each dividend paying subsidiary is allowed to be included in the combined apportionment denominators at the ratio the amount of the dividend included in Utah combined income bears to the total earnings and profits for each dividend paying company.

Preparation of Combined Report(s)

A group filing a combined report will calculate adjusted income of the combined group by:

1. determining which corporations are unitary;
2. computing unadjusted income on a separate return basis;
3. combining income or loss of the members included in the combined report;

4. making appropriate eliminations and adjustments between members included in the combined report to arrive at unadjusted income on a combined basis; and
5. making additions and subtractions to unadjusted income as outlined in Schedules B, C and D to arrive at adjusted income.

Corporations that file either a water's edge or worldwide combined report must eliminate all intercompany sales or other intercompany transactions between corporations included in the combined report in determining the sales factor on TC-20, Schedule J. Similarly, corporations filing a Utah combined report may not include intercompany rents or other intercompany transactions between those corporations in determining the property factor. See UC §59-7-404.5.

A unitary group of corporations is considered a single taxpayer for purposes of the assignment of sales in the sales factor of the apportionment calculation. Therefore, sales of tangible personal property by any member of the unitary group delivered or shipped into Utah are includable in the Utah sales numerator. Conversely, such sales originating in Utah, which are delivered or shipped to another state, will not be included in the Utah sales numerator if any member of the unitary group has a taxable presence (nexus) in that state. See Tax Commission Rule R865-6F-24.

IRC Sections 338, 338(h)(10) and 336(e)

An election made or considered to be made under IRC Sections 338, 338(h)(10) and 336(e) is also followed for Utah purposes.

IRC Section 338

If a federal election is made under IRC §338, the target corporation must file a separate entity one-day tax return for Utah purposes, as required for federal purposes. The target corporation must include the gain or loss on the deemed sale of assets in its adjusted income. See UC §59-7-114 for further details.

Form TC-20MC, a one-day corporation tax return for a target corporation, is available at tax.utah.gov/forms.

IRC Section 338(h)(10)

If an election is made for federal purposes under IRC §338(h)(10), the following apply:

1. If the target corporation is a member of a unitary group immediately preceding the acquisition date, the target corporation must be included in a combined report to the extent of its income through the acquisition date. The gain or loss on the deemed sale of assets is included in the combined income of the unitary group.

2. If the target corporation is not a member of a unitary group immediately preceding the acquisition date, the target corporation must file a short-period return for the period ending on the acquisition date and must include the gain or loss on the deemed sale of assets in its adjusted income.
3. Any gain or loss on stock sold or exchanged by a member of a selling consolidated group (as defined in IRC §338) which is not recognized for federal purposes may not be included in the adjusted income of the selling corporation.
4. The target corporation is treated as a new corporation as of the day after the acquisition date.

IRC Section 336(e)

If an election is made under IRC §336(e), the transaction must be treated as follows:

1. If the corporation is treated for federal purposes as having disposed of all of its assets and is a member of a unitary group immediately preceding the date of sale, the corporation must be included in a combined return to the extent of its income through the date of sale. The gain or loss on the deemed disposal of assets is included in the combined income of the unitary group.
2. If the corporation is treated for federal purposes as having disposed of all of its assets and is not a member of a unitary group immediately preceding the date of sale, the corporation must file a short-period return for the period ending on the date of sale and must include the gain or loss on the deemed disposal of assets in its adjusted income.
3. Any gain or loss not recognized for federal purposes on stock sold, exchanged or distributed by a corporation pursuant to IRC §336(e) may not be included in adjusted income.
4. The new basis of assets of the corporation treated as having disposed of its assets is the same as determined for federal purposes.
5. The corporation treated as having disposed of its assets is treated as a new corporation as of the day after the date of sale.

Installment Sales

If a corporation is no longer required to file a Utah corporate return, any taxes owed by that corporation on installment sales entered into by that corporation shall accelerate and be due on the corporation's last return filed in Utah.

TC-20 – Utah Corporation Franchise or Income Tax Return Instructions

Filing Period

File using the 2012 return for calendar year 2012 and fiscal years beginning in 2012 and ending in 2013. If the return is for a fiscal year or a short tax year (less than 12 months), fill in the tax year beginning and end dates at the top of the form using the format mm/dd/yyyy.

Corporation Name & Address

Enter the corporation 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” at the end, without a hyphen.

Foreign Country

If your 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. Abbreviate if necessary. Leave the State and ZIP Code fields blank. Enter only the foreign country name in the “Foreign country” field. This is a Postal Service requirement.

EIN and Utah Incorporation/Qualification Number

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

Amended Returns

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

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

Amend your return if:

- you discover an error 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 amend your Utah return within 90 days of the IRS’s final determination.

Do not submit an amended return for the purpose of claiming a loss carryback. Submit form TC-20L, *Utah Application for Refund from a Corporation Loss Carryback*, to claim any refund resulting from a Utah net loss carryback.

To qualify for a refund or credit, an amended return must be filed by the later of three years after the original return was due or two years from the date the tax was paid. 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 “AMENDED RETURN” a code number that best corresponds to your “REASON FOR AMENDING.” See codes below.

Reason-for-Amending Codes

- 1 You filed an amended federal 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 error.
- 3 Your federal return was changed by an IRS audit or adjustment that affects your Utah return. Attach a copy of the IRS adjustment.
- 4 Other. Attach explanation to return.

Enter the corrected figures on the return and/or schedule. Enter all other amounts as shown on your 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 payments of the tax prior to filing the amended return. Enter the net amount on Schedule A, page 2, line 29. A net refund should be entered as a negative amount (preceded by a minus sign).

Federal Form 8886

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

Line-by-Line Instructions

Line 1

Enter an “X” on line 1 if this corporation conducted business in Utah during the taxable year.

Line 2

Enter an “X” on line 2 if the federal form 1120 filed for the same tax period was a consolidated return.

Line 3

Enter an “X” to indicate whether the return is:

- a. A water’s edge combined report, or
- b. A water’s edge election made under UC §59-7-402(2), or
- c. A worldwide combined report.

See *Combined Reports* in the General Instructions for information on the proper filing method.

Line 4

Enter an "X" if an election has been made under IRC §§338, 338(h)(10) or 336(e). See *IRC Sections 338, 338(h)(10) and 336(e)* in the General Instructions for information regarding these elections.

Line 5

Enter an "X" on line 5 if this corporation is, or includes, a financial institution as defined in Tax Commission Rule R865-6F-32.

Line 6

Enter the ultimate U.S. parent corporation's name and federal employer identification number.

Line 7 – Total Tax

Enter the total tax from Schedule A, page 2, line 26.

Line 8 – Total Refundable Credits and Prepayments

Enter the total refundable credits and prepayments from Schedule A, page 2, line 30.

Line 9 – Tax Due

If line 7 is larger than line 8, subtract line 8 from line 7.

Line 10 – Penalties and Interest

Enter any penalties and interest that apply to this return. See Pub 58, *Utah Interest and Penalties*.

Line 11 – Total Due - Pay This Amount

Add lines 9 and 10. Pay online at taxexpress.utah.gov. Or you may send a check or money order with your return (make 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 12 – Overpayment

If line 8 is larger than the sum of line 7 and line 10, subtract the sum of line 7 and line 10 from line 8.

Line 13 – Amount of Overpayment to be Applied to Next Taxable Year

All or part of any overpayment shown on line 12 may be applied as an advance payment for the next tax year. Enter the amount to be applied (may not exceed the overpayment on line 12).

Line 14 – Refund

Subtract line 13 from line 12. This is the amount to be refunded to you.

Line 15 – Quarterly Estimated Prepayments Meeting Exception

Check any boxes corresponding to the four quarters to which a federal penalty exception applies. Refer to *Prepayment Requirements* in the General Instructions for exceptions to the penalty on underpayments. Attach supporting documentation.

Signature and Date Lines

Sign and date the return. A refund will not be allowed without a signature.

Paid Preparer Authorization

If the corporation wants to allow the Tax Commission to discuss their 2012 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. The authorization will automatically end no later than the due date (without regard to extensions) for filing the entity's 2013 tax return.

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 at tax.utah.gov/forms. 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 PTIN in the section below the corporate officer's signature on the return.

**Preparer Penalties
(UC §59-1-401(11))**

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).

Supplemental Information to be Supplied by All Corporations

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

Schedule A – Utah Net Taxable Income and Tax Calculation Instructions

Line 1 – Unadjusted Income (Loss)

Enter the federal taxable income or loss (before net operating loss deduction and special deductions) from line 28 of your federal form 1120.

If any member of the unitary group is a “controlling entity of a captive real estate investment trust,” include taxable income from line 20 of each federal form 1120-REIT on this line. A “controlling entity of a captive real estate investment trust” is an entity that: (1) is treated as an association taxable as a corporation under the Internal Revenue Code; (2) is not exempt from federal income tax under IRC §501(a); and (3) directly, indirectly or constructively holds more than 50 percent of the voting power or value of shares or beneficial interests of a captive real estate investment trust.

Line 2 – Additions to Unadjusted Income

Enter the total additions from Schedule B, line 15.

Line 3 – Add line 1 and line 2

Line 4 – Subtractions from Unadjusted Income

Enter the total subtractions from Schedule C, line 16.

Line 5 – Adjusted Income (Loss)

Subtract line 4 from line 3.

Line 6 – Utah Net Nonbusiness Income

Enter the nonbusiness income allocated to Utah from Schedule H, line 14.

Line 7 – Non-Utah Net Nonbusiness Income

Enter the nonbusiness income allocated outside Utah from Schedule H, line 28.

Line 8 – Total Nonbusiness Income

Add line 6 and line 7.

Line 9 – Apportionable Income (Loss) Before Contributions Deduction

Subtract line 8 from line 5.

Line 10 – Utah Contributions Deduction

Enter the amount of Utah contributions allowable for the taxable year from Schedule D, line 6.

Line 11 – Apportionable Income (Loss)

Subtract line 10 from line 9.

Line 12 – Apportionment Fraction (Decimal)

Enter 1.000000, or the fraction (decimal) from Schedule J, line 9, 13 or 16, if applicable.

Line 13 – Apportioned Income (Loss)

Multiply the apportionable income on line 11 by the apportionment fraction on line 12.

Line 14 – Utah Net Nonbusiness Income

Enter the amount from line 6, above.

Line 15 – Utah Income (Loss) Before Utah Net Loss Deduction

Add line 13 and line 14.

If there is a Utah net loss on line 15, the corporation must carry the loss back to the three preceding years (subject to the \$1,000,000 limitation), unless an election was made to forego the federal loss carryback and carry the federal loss forward. If an election is made to forego the federal net operating loss carryback, the federal election is considered made also for Utah tax purposes unless the corporation makes a specific election to carry back the loss for Utah purposes. Enter an “X” in the appropriate field:

Yes, to forego the Utah net loss carryback, or

No, to treat the Utah net loss as a carryback.

If neither box is X'd, the Utah net loss must be carried back to the earliest of the three preceding tax years. If not entirely used to offset income of that year, it must be carried to the second year preceding the loss year. Any remaining loss must be carried to the taxable year immediately preceding the loss year. Any remaining loss should be carried forward.

Submit form TC-20L, *Utah Application for Refund from a Corporation Loss Carryback*, to claim any refund resulting from a Utah net loss carryback. Do not submit an amended return for the purpose of claiming a loss carryback.

Line 16 – Utah Net Loss Carried Forward from Prior Years

Losses incurred in years beginning on or after Jan. 1, 1994, which remain after all carrybacks have been applied, may be carried forward for fifteen taxable years following the taxable year of the loss.

Attach documentation to the return to support the loss amounts carried forward on Schedule A, line 16.

Line 17 – Net Utah Taxable Income (Loss)

Subtract line 16 from line 15.

Line 18 – Tax Amount

Enter the greater of line 18a or line 18b.

Line 18a

Multiply line 17 by 5% (.05). Do not enter an amount less than zero.

Line 18b

Enter the total minimum tax from Schedule M, line b. If Schedule M does not apply, enter \$100.

Line 19 – Interest on Installment Sales

Generally, interest must be paid on the deferred tax related to installment sales if the contract was entered into on or after Jan. 1, 1994.

The interest rate must be determined according to IRC §453A. Enter the interest as an additional tax on Schedule A, line 19.

The deferred tax liability for Utah purposes must be calculated in a manner similar to that outlined in IRC §453A(c), except:

1. The tax rate applied must be 5 percent; and
2. In the case of multi-state corporations, the amount of Utah gain that has not been recognized must be determined by multiplying the deferred gain that has not been recognized for federal purposes by the current year apportionment fraction.

Line 20 – Recapture of Low-Income Housing Credit

Owners of a low-income housing project and other taxpayers who have taken the low-income housing credit and disposed of the building or an ownership interest may be required to recapture any credits that reduced their tax liability in a previous year. See Utah form TC-40LIC for instructions on calculating the low-income housing credit recapture tax. Attach a supporting schedule showing the calculation of the credit recaptured. Get form TC-40LIC online at tax.utah.gov/forms.

Line 21 – Total Tax

Add the amounts on lines 18, 19 and 20. Carry this total to Schedule A, page 2, line 22.

Line 22

Enter the total tax from Schedule A, page 1, line 21.

Line 23 – Nonrefundable Credits

Nonrefundable credits cannot be used to pay the minimum tax and cannot result in a refund.

If you claim any of the following nonrefundable credits, write the **code and amount** of each credit you claim on lines 23a through 23f. Enter the sum of all nonrefundable credits on line 23. An explanation of each nonrefundable credit is listed below.

Use these codes for lines 23a through 23f

- 05** Clean Fuel Vehicle Credit
- 06** Carryover of Prior Credit for Historic Preservation
- 07** Enterprise Zone Credit
- 08** Low-income Housing Credit
- 09** Credit for Employers Who Hire Persons with Disabilities
- 10** Recycling Market Development Zone Credit
- 12** Credit for Increasing Research Activities in Utah
- 13** Carryover Credit for Machinery and Equipment Used to Conduct Research
- 15** Utah Municipal, U.S. and Agency Bond Interest Credit
- 16** Utah Steam Coal Credit Carryforward
- 21** Renewable Residential Energy Systems Credit
- 24** Qualifying Solar Project Credit
- 27** Veteran Employment Tax Credit

(05) Clean Fuel Vehicle Credit (UC §59-7-605)

This credit is available if:

1. you buy a new vehicle that meets air quality and fuel economy standards;
2. you buy a qualified vehicle fueled by compressed natural gas;
3. you buy equipment to convert a vehicle to run on propane, natural gas, electricity or other approved fuel; and/or
4. you buy equipment to convert a special mobile equipment engine to operate on propane, natural gas, electricity or other approved fuel.

The credit may only be claimed once per vehicle. See instructions on form TC-40V for more information.

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 this form and all related documents with your records.

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

For more information, contact:

Division of Air Quality
195 N 1950 W
PO Box 144820
Salt Lake City, UT 84114-4820
801-536-4000
cleanfuels.utah.gov/taxcredits/taxcreditsintro.htm

(06) Carryover of Prior Credit for Historic Preservation (UC §59-7-609)

The historic preservation tax credit is no longer available for corporate taxpayers. However, the credit had a five-year carryover provision. Claim unused credit carryovers earned from 2007 and 2008 by entering the allowable carryover and using code 06.

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

A business may not claim the enterprise zone credit or carry it forward into a year the 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.

Note: Any credit that is more than the tax liability may be carried forward for the next 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
60 E South Temple, 3rd Floor
PO Box 146950
Salt Lake City, UT 84114-6950
801-538-8804
[business.utah.gov/incentives/
enterprise_zones](http://business.utah.gov/incentives/enterprise_zones)

(08) Low-Income Housing Credit (UC §59-7-607)

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*. 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.

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

Note: Any credit that is more than the tax liability may be carried back for the previous three years, or carried forward for five years. 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*.

If the low-income housing credit was claimed and the building or ownership interest was subsequently disposed of, recapture of the credit may be required. See *Recapture of Low-Income Housing Credit* on page 9.

For more information, contact:

Utah Housing Corporation
2479 S Lake Park Blvd
West Valley City, UT 84120
801-902-8200
utahhousingcorp.org

(09) Credit for Employers Who Hire Persons with Disabilities (UC §59-7-608)

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

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

Note: Any credit that is more than the tax liability may be carried forward for the next two years.

For more information, contact:

Division of Services for People with Disabilities
195 N 1950 W
Salt Lake City, UT 84116
801-538-4200

(10) Recycling Market Development Zone Credit (UC §59-7-610)

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

The Recycling Market Development Zone Tax Credit has been reinstated by the legislature for qualified machinery or equipment purchased or for other qualified expenditures made after Dec. 31, 2011.

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.

Note: Any credit that is more than the tax liability may be carried forward for the next three years.

For more information, contact:

Governor's Office of Economic Development
60 E South Temple, 3rd Floor
PO Box 146950
Salt Lake City, UT 84114-6950
801-538-8804
[business.utah.gov/
incentives/recycling_zones](http://business.utah.gov/incentives/recycling_zones)

(12) Credit for Increasing Research Activities in Utah (UC §59-7-612)

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. 7.5% of your qualified research expenses for a taxable year beginning on or after Jan. 1, 2012.

Note: Any credit for 1 or 2 above that is more than the tax liability may be carried forward 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) Carryover of Prior Year Credit for Machinery and Equipment Used to Conduct Research (UC §59-7-613)

This credit expired for taxable years beginning after 2010.

If you claimed a credit on your return for machinery and/or equipment used to conduct research for a year after 1998 and prior to 2011 and the credit was more than the tax liability for the year, you may carry over the excess credit to the next 14 years and use it to offset tax until used up. If you are using any remaining credit in 2013, enter that carryover amount on Schedule A, page 2, line 23 (23a through 23f). Use code 13.

(15) Utah Municipal, U.S. and Agency Bond Interest Credit (UC §59-7-601)

A credit of 1% of Utah municipal interest and federal interest included in Utah taxable income will be allowed. For multi-state corporations, the amount of Utah municipal and federal interest included in Utah taxable income is calculated by multiplying the total amount of that interest by the current year apportionment fraction.

Attach a schedule showing the calculation of the credit. Keep a copy of the schedule and all related documents with your records.

Note: Any credit that is more than the tax liability may be carried back to the previous three years, or carried forward for five years.

(16) Utah Steam Coal Credit Carryforward

This credit was repealed for tax years beginning after Dec. 31, 2001. Unused credits earned prior to the repeal date may be carried forward 15 years.

(21) Renewable Residential Energy Systems Credit (UC §59-7-614)

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

Note: Any credit that is more than the tax liability may be carried forward for the next four years.

Get form TC-40E, *Renewable Residential and Commercial Energy Systems Tax Credits*, from the Utah Office of Energy Development 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 Office of Energy Development
PO Box 144845
Salt Lake City, UT 84114-4845
801-536-4235
energy.utah.gov

(24) Qualifying Solar Project Credit (UC §59-7-614.3)

You may claim a credit of 25% of the amount paid to buy one or more solar units from a qualifying political subdivision, up to a maximum credit of \$2,000 per year. This is in addition to any other energy credit you claim.

A qualifying solar unit is a 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.

Calculation of Qualifying Solar Project Credit

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

Enter this amount on TC-20, line 23, using code 24.

Note: Any credit that is more than the tax liability or in excess of \$2,000 may be carried forward for the next four years.

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

For more information, contact your city or electrical utility provider.

(27) Veteran Employment Tax Credit (UC §59-7-614.9)

A non-refundable credit is available to taxpayers who hire a qualified recently deployed veteran on or after Jan. 1, 2012.

A qualified recently deployed veteran is an individual who was mobilized to active federal military service in an active or reserve component of the United States Armed Forces, and received an honorable or general discharge within the two-year period before the employment begins.

To qualify for the credit, the qualified veteran must meet all of the following conditions:

1. Received an honorable or general discharge within the two-year period before the employment begins;
2. Was collecting or was eligible to collect unemployment benefits, or has exhausted their unemployment benefits within the last two years, under Title 35A, Chapter 4, Part 4, Benefits and Eligibility;
3. Work for the taxpayer for at least 35 hours per week for not less than 45 of the next 52 weeks following the veteran's employment start date.

The credit is claimed beginning in the year the 45 consecutive weeks in paragraph 3 above are met.

Calculation for Veteran Employment Tax Credit

First Year Credit (count all months in the year the 45 week requirement is met):

1. Number of months or partial months veteran employed in first year _____
2. Monthly credit allowable in first year \$200
3. First year credit – line 1 times line 2 (maximum \$2,400) \$_____

Second Year Credit:

4. Number of months or partial months veteran employed in second year _____
5. Monthly credit allowable in second year \$400
6. Second year credit – line 4 times line 5 (maximum \$4,800) \$_____

Any credit in excess of tax due will not be refunded, but may be carried forward to offset tax for up to five years.

The following documentation for the qualified recently deployed veteran must be retained by the taxpayer to support the credit claimed, and made available to the Tax Commission upon request:

1. Veteran's name, last known address, and taxpayer identification or social security number.
2. Start date of employment.
3. Documentation establishing that the veteran was employed 45 out of the 52 weeks after the date of employment.
4. Documentation provided by the recently deployed veteran's military service unit establishing that the veteran is a recently deployed veteran.
5. A signed statement from the Department of Workforce Services that the recently deployed veteran was collecting, was eligible to collect, or exhausted their unemployment benefits within the last two years.

Line 24 – Net Tax

Subtract line 23 from line 22. Enter the result, but not less than the minimum tax shown on line 18b or less than zero.

Line 25 – 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.

If you file a Utah sales tax return, include the use tax on that form. If you do not file a Utah sales tax return, report use tax on line 25 of TC-20, Schedule A.

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 the worksheet on page 13 for each state. Add lines 8 on all worksheets and enter the total on line 25.

Sales and use tax rates vary throughout Utah. Use the following chart 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 Publication 25 online at tax.utah.gov/forms for more information.

Use Tax Rate Chart (Effective Dec. 31, 2012)

.0595 Beaver County	.0595 Morgan County
.0695 Beaver City	.0595 Piute County
.0595 Box Elder County	.0595 Rich County
.0650 Brigham City, Perry, Willard	.0755 Garden City
.0695 Snowville	.0685 Salt Lake County
.0630 Cache County	.0705 South Salt Lake
.0655 Cache Valley Transit, Hyde Park, Lewiston, Millville	.0835 Alta
.0660 Hyrum, Logan, Nibley, N. Logan, Providence, Richmond, River Heights, Smithfield	.0595 San Juan County
.0595 Carbon County	.0635 Blanding, Monticello
.0625 Wellington	.0595 Sanpete County
.0635 Price	.0625 Ephraim, Fairview, Gunnison, Mt. Pleasant
.0695 Daggett County	.0595 Sevier County
.0650 Davis County	.0605 Aurora, Redmond
.0660 Bountiful, Centerville, N. Salt Lake, W. Bountiful, Woods Cross	.0635 Richfield, Salina
.0595 Duchesne County	.0605 Summit County
.0605 Duchesne City	Snyderville Basin Transit
.0635 Roosevelt	.0635 Park City
.0595 Emery County	.0595 Tooele County
.0775 Green River	.0625 Erda, Grantsville, Lakepoint, Lincoln, Stansbury Park
.0695 Garfield County	.0635 Tooele City
.0795 Boulder, Panguitch, Tropic	.0605 Uintah County
.0805 Bryce Canyon	.0635 Naples, Vernal
.0595 Grand County	.0675 Utah County
.0785 Moab	.0685 Cedar Hills, Orem
.0595 Iron County	.0595 Wasatch County
.0605 Cedar City	.0625 Heber
.0785 Brian Head	.0705 Independence
.0595 Juab County	.0735 Midway, Park City East
.0620 Santaquin South	.0595 Washington County
.0625 Nephi	.0625 Hurricane, Ivins, La Verkin, St. George, Santa Clara, Washington City
.0695 Kane County	.0755 Springdale
.0795 Kanab, Orderville	.0595 Wayne County
.0595 Millard County	.0685 Weber County
	.0705 Falcon Hill Riverdale, Riverdale

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"\$ _____

Line 26 – Total Tax

Add line 24 and line 25. Carry this amount to TC-20, page 1, line 7.

Line 27 – Refundable Credits

Add lines 27a through 27d.

Claim any of the following refundable credits that apply. Write the **code and amount** of each credit you are claiming on lines 27a through 27d. Enter the sum of these credits on line 27. Each refundable credit is explained below.

Codes for lines 27a through 27d

- 39** Renewable Commercial Energy Systems Tax Credit
- 40** Targeted Business Tax Credit
- 43** Pass-through Entity Withholding Tax Credit
- 46** Mineral Production Withholding Tax Credit
- 47** Agricultural Off-highway Gas/Undyed Diesel Fuel Tax Credit
- 48** Farm Operation Hand Tools Credit

(39) Renewable Commercial Energy Systems Tax Credit (UC §59-7-614)

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 biomass equipment.

Get form TC-40E, *Renewable Residential and Commercial Energy Systems Tax Credits*, from the Utah Office of Energy Development 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 Office of Energy Development
PO Box 144845
Salt Lake City, UT 84114-4845
801-538-8718
energy.utah.gov

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

A business may not claim the targeted business tax credit in the same year the business claims the enterprise zone credit (nonrefundable credit, code 07) or the 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 §§63M-1-501 through 63M-1-503. Get 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 more information, contact:

Governor's Office of Economic Development
60 E South Temple, 3rd Floor
PO Box 146950
Salt Lake City, UT 84114-6950
801-538-8804
business.utah.gov/incentives/enterprise_zones

(43) Pass-through Entity Withholding Tax Credit (UC §59-7-614.4)

If a pass-through entity is required to withhold Utah income tax on any income attributable to this corporation under §59-10-1403.2, the pass-through entity must provide a Utah Schedule K-1 showing the amount of Utah withholding paid on behalf of this corporation. Enter this amount as a refundable credit using code 43.

Attach copies of Utah Schedule K-1(s) to the return to receive proper credit.

(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 Utah Schedule K-1(s) 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 Utah Schedule K-1(s) to the return to receive proper credit.

(47) Agricultural Off-Highway Gas/Undyed Diesel Fuel Tax 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.

This does not include (but is not limited to) the following: golf courses, horse racing, boat operations, highway seeding, vehicles registered for highway use, hobbies, and personal farming, etc.

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.

Line 28 – Prepayments from Schedule E

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 was applied to this year. Use Schedule E to compute the total prepayment.

Line 29 – Amended Return Only

This line is only for an amended return. 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 30 – Total Refundable Credits
and Prepayments**

Add lines 27 through 29. Carry this amount to TC-20, page 1, line 8.

Schedule B – Additions to Unadjusted Income Instructions

Line 1 – Interest from State Obligations

Enter interest from bonds, notes and other evidences of indebtedness issued by any state of the United States, including any agency and instrumentality of a state of the United States.

**Lines 2a - 2e – Add Taxes Deducted to
Determine Income**

Amounts included in federal taxable income from refunds of the following taxes should be netted against similar taxes on the appropriate lines.

Line 2a – Income Taxes Paid to Any State

Enter taxes imposed by and paid to any state that are measured by income.

**Line 2b – Franchise or Privilege Taxes Paid to
Any State**

Enter franchise taxes paid by a corporation to any state for the privilege of doing business or exercising its corporate franchise.

**Line 2c – Corporate Stock Taxes Paid to
Any State**

Enter corporate stock taxes paid to any state.

Line 2d – Taxes Paid to a Foreign Country

Enter any income, franchise, or capital stock taxes imposed by a foreign country, a United States possession or the Commonwealth of Puerto Rico and paid during the taxable year.

**Line 2e – Business and Occupation Taxes
Paid to Any State**

Enter business and occupation taxes deducted for federal purposes.

Line 3 – Safe Harbor Lease (SHL) Adjustments

SHLs originated from adjustments primarily available to businesses during the years 1981 and 1982 under ERTA. These provisions allowed transfers of certain tax benefits for federal tax purposes. However, Utah did not adopt these provisions and the effects of any remaining SHL adjustments must be reversed for Utah purposes.

Add to income:

SHL Purchaser/Lessor

1. Interest expense
2. Depreciation claimed on SHL property

SHL Seller/Lessee

1. Amount of gain on the sale of federal tax benefits
2. Rental expense on SHL property

Line 4 – Capital Loss Carryover

Enter any capital losses deducted on a Utah corporate return in previous years, but used to offset capital gains on this year's federal return.

Line 5 – Federal Deductions Taken Previously on a Utah Return

Enter any deduction on this year's federal return that was deducted on a prior year Utah return.

Line 6 – Federal Charitable Contributions

Enter any federal charitable contributions from federal form 1120, line 19.

Line 7 – Gain (Loss) on Sections 338(h)(10) or 336(e)

Enter the amount of any gain or loss determined under UC §59-7-114(3) regarding a target corporation under IRC §338, if that gain or loss has not been included in income, and the amount of any gain or loss determined under UC §59-7-115 regarding corporations treated for federal purposes as having disposed of its assets under IRC §336(e), if that gain or loss has not been included in income.

The purpose of this addition is to make sure the gain or loss on IRC §§338(h)(10) and 336(e) transactions are treated similarly for Utah and federal purposes as a deemed sale of assets. The gain or loss is only added if it has not already been included in income.

Line 8 – Adjustments Due to Basis Difference

Utah laws generally follow the Internal Revenue Code for depreciation, amortization and basis. However, basis differences occasionally arise due to differences between Utah and federal laws in limited instances. Some examples include the sale of an asset for which an IRC §338 election was made in a tax year beginning prior to Jan. 1, 1994 (Utah did not follow IRC §§338 or 338(h)(10) for tax years prior to 1994); and adjustments attributed to the federal consolidated rules under IRC §1502. A company may not deduct basis differences generated by errors in prior returns in years when Utah and federal depreciation or amortization amounts are required to be the same.

Line 9 – Expenses Attributable to 50 percent Unitary Foreign Dividend Exclusion

Enter any expenses directly and indirectly attributable to the dividends from subsidiaries excluded on Schedule C, line 7 (i.e., 50 percent exclusion of dividends from unitary foreign subsidiaries). To calculate indirect interest expense attributable to excluded dividends:

1. Divide the taxpayer's average investment in dividend paying subsidiaries by the taxpayer's average investment in total assets.
2. Multiply the result by the total interest expense.

Line 10 – Installment Sales Income Previously Reported for Federal but Not Utah Purposes

Add any installment sales income from installment sales made in tax years beginning before Jan. 1, 1994 if the Utah installment provisions of former UC §59-7-119 were used. If the Utah installment provisions were used on the Utah return, then a timing difference was created between federal and Utah.

Line 11 – Non-qualified Withdrawal from Utah Educational Savings Plan (UESP) 529 Account (UC §59-7-105(12))

If you withdrew an amount from a Utah Educational Savings Plan (UESP) 529 account but did not use it for qualified higher education expenses and the withdrawal did not meet an exception under IRC §529(c) or §530(d), enter that amount to the extent the amount was deducted on the current or a previously filed Utah tax return.

If you are a UESP account owner, you will receive form TC-675H, *Utah Educational Savings Plan Tax Statement for Contributions, Withdrawals, and Transfers*, from UESP. Keep this form with your records. If you have any questions about UESP accounts, call UESP at 801-321-7188 or 800-418-2551, or visit uesp.org.

Line 12 – Income (Loss) From IRC Section 936 Corporations

IRC §936 corporations are fully includable in the combined report. Add any income or loss from IRC §936 corporations.

Line 13 – Foreign Income (Loss) For Worldwide Combined Filers

Corporations electing to file a worldwide combined report must include income and losses of each corporation in the unitary group regardless of the country in which the corporation is incorporated or conducts business. Add any income or loss before extraordinary items and prior period adjustments and before the provision for income, war profits and excess profits taxes as reported on federal form 5471 for foreign corporations.

Line 14 – Income (Loss) of Unitary Corporations Not Included in Federal Consolidated Return

Add any income and loss of unitary corporations owned greater than 50 percent whose income or loss is not included on the federal consolidated return. Refer to *Combined Reports* in the General Instructions for additional information on unitary combined filings.

Line 15 – Total Additions

Add lines 1 through 14. Enter the result on line 15 and on Schedule A, line 2.

Schedule C – Subtractions from Unadjusted Income Instructions

Line 1 – Intercompany Dividend Elimination

Enter dividends received from U.S. corporations owned greater than 50 percent whose income is included on this return and whose dividend has not been previously eliminated.

Line 2 – Foreign Dividend Gross-up

Enter the foreign dividend gross-up included in gross income for federal income tax purposes under IRC §78.

Line 3 – Net Capital Loss

The corporation must enter its capital losses if an election is being made to take a deduction for capital losses incurred in the taxable year. If a current year deduction is not taken, the loss must be carried forward as provided in IRC §1212(a)(1)(B) and (C).

Line 4a – Federal Jobs Credit Salary Reduction

Enter the amount of any salary expense reduction due to claiming the federal jobs credit under IRC §51.

Line 4b – Federal Research and Development Credit Expense Reduction

Enter any qualified research and basic research expense reduction due to claiming the research and development credit under IRC §41.

Line 4c – Federal Orphan Drug Credit Clinical Testing Expense Reduction

Enter any qualified clinical testing expense reduction due to claiming the federal orphan drug credit under IRC §45C.

Line 4d – Expense Reduction for Other Federal Credits

Enter any expense reduction attributable to claiming any other federal credit. Attach applicable federal form.

Line 5 – Safe Harbor Lease (SHL) Adjustments

The effects of any remaining SHL adjustments must be reversed for Utah purposes. For general SHL information, see the instructions for Schedule B, line 3.

Subtract from income:

SHL Purchaser/Lessor

1. Rental income
2. Amortization of the purchase price of tax benefits (purchase price of tax benefits must be capitalized)

SHL Seller/Lessee

1. Interest income
2. Depreciation on SHL property

Line 6 – Federal Income Previously Taxed by Utah

Enter any income on the federal corporate return, form 1120, that was previously taxed by Utah. Attach supporting schedules and documentation.

Line 7 – Fifty percent Exclusion for Dividends from Unitary Foreign Subsidiaries

Enter 50 percent of the dividends received or deemed received from subsidiaries that are members of the unitary group and are organized or incorporated outside of the United States, unless those subsidiaries are included in a combined report. In that case, the dividends are eliminated as an intercompany transaction on line 1.

For corporations filing a water's edge combined report, the 50-percent exclusion includes dividends from unitary foreign corporations and subpart F income.

Line 8 – Fifty percent Exclusion of Foreign Operating Company Income (Loss)

If you are filing a water's edge combined report, enter 50 percent of the adjusted income or loss of a foreign operating company. The exclusion is determined after:

1. the removal of all intercompany transactions between the foreign operating company and any other entity within the water's edge group,
2. the exclusion of all income generated from intangible property, and
3. the exclusion of all income from assets held for investment and not from a regular business trading activity.

A foreign operating company is a corporation (other than an IRC §936 corporation) incorporated in the United States with 80 percent or more of its business activity, based on the average of the property and payroll factors, conducted outside the United States, and which has at least:

1. \$1,000,000 of payroll (as included in the payroll factor) located outside of the United States, and
2. \$2,000,000 of property (as included in the property factor) located outside of the United States.

Line 9 – Gain (Loss) on Certain Stock Sales

Enter the gain or loss on the sales of stock included in taxable income, yet not taxable for federal purposes because the transaction is considered to be a deemed sale of assets under IRC §§338(h)(10) or 336(e).

The purpose of this subtraction is to avoid the double taxation that would occur if both the gain on the stock sale and the gain on the deemed sale of assets were included in income. Utah law follows the federal statute that taxes the gain on the deemed sale of assets.

Line 10 – Adjustments Due to Basis Difference

Enter adjustments to gains, losses, depreciation expense, amortization expense and similar items due to a difference between basis for federal and Utah purposes as explained in instructions for Schedule B, line 8.

Line 11 – Interest Expense

Enter interest expense not deducted on the federal corporate return under IRC §§265(b) or 291(e).

Line 12 – Dividends from Admitted Insurance Company Subsidiaries

Enter dividends received from admitted insurance company subsidiaries exempt under UC §59-7-102(1)(c).

Line 13 – Contributions to the Utah Educational Savings Plan (UESP) (UC §59-7-106(1)(r))

If a qualified contribution was made to your Utah Educational Savings Plan (UESP) 529 account, you may claim a deduction on line 13. To qualify, the contribution must be made during the taxable year and not deducted on your federal return. The deduction is limited to the amount of the contributions made (up to \$1,780) during the tax year per qualified beneficiary.

If you are a UESP account owner, you will receive form TC-675H, *Utah Educational Savings Plan Tax Statement for Contributions, Withdrawals, and Transfers*, from UESP. Deduct on line 13 the qualified amount from line 1 of form TC-675H. Keep form TC-675H with your records. If you have any questions about UESP accounts, call UESP at 801-321-7188 or 800-418-2551, or visit uesp.org.

Line 14 – Dividends Received from a Captive Real Estate Investment Trust by a Member of the Unitary Group

If any member of the unitary group is a “controlling entity of a captive real estate investment trust,” include the dividends received or deemed received from each captive real estate investment trust.

Line 15 – IRC Section 857(b)(2)(E) Deduction from a Captive REIT

Enter the amount of any federal deduction taken under IRC §857(b)(2)(E) on federal form 1120-REIT for each captive real estate investment trust included in the Utah combined group.

Line 16 – Total Subtractions

Add lines 1 through 15. Enter the result on line 16 and on Schedule A, line 4.

Schedule D – Utah Contributions Deduction Instructions

Utah allows a deduction for charitable contributions (UC §59-7-109).

Line 1 – Apportionable Income Before Contributions Deduction

Enter amount from Schedule A, line 9. If this is a loss, no contribution deduction is allowed.

Line 2 – Utah Contribution Limitation

Charitable contributions for the current year, including excess contributions carried forward from a prior year, cannot exceed 10 percent of the apportionable income before contributions. (See UC §59-7-109(2)).

Multiply line 1 by 10% (.10) and enter the limitation amount.

Line 3 – Current Year Contributions

Enter charitable contributions made for the current year.

Line 4 – Utah Contribution Carryforward

Charitable contributions which exceed the allowable deduction for Utah may be carried forward to the five succeeding taxable years in the same manner as allowed under federal law. Enter the excess Utah contributions carried forward to this tax year. Attach a schedule showing contributions made that exceed the Utah contribution limitation and that have not been previously deducted and are available to be carried forward to the current year.

Line 5 – Total Contributions Available

Add line 3 and line 4.

Line 6 – Utah Contributions Deduction

Enter the lesser of line 2 or line 5 here and on Schedule A, line 10.

Line 7 – Contribution Carryover to Next Year

Subtract line 6 from line 5. This is the amount of your Utah contribution carryover to the next taxable year.

Schedule E – Prepayments of Any Type Instructions

Line 1 – Overpayment Applied from Prior Year

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

Line 2 – Extension Prepayment

List the date and amount of any extension prepayment. Enter the check number if a payment was not made electronically.

Line 3 – Other Prepayments

List the date and amount of each prepayments made for the filing period. Enter the check number if a payment was not made electronically. Enter the total amount on line 3. Attach additional pages, if necessary.

Line 4 – Total Prepayments

Add lines 1, 2 and 3. Enter the total on this line and on Schedule A, line 28.

Schedule H – Nonbusiness Income Net of Expenses Instructions

Complete TC-20, Schedule H to determine nonbusiness income allocated to Utah and outside Utah. All income that arises from the conduct of the trade or business operations of a taxpayer 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 taxpayer 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 Tax Commission 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 Tax Commission 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 Tax Commission Rule R865-6F-8(2)(e)(i).

Complete Schedule H as follows:

- Complete lines 1a through 14 if you are claiming only Utah nonbusiness income.
- Complete lines 15a through 28 if you are claiming only non-Utah nonbusiness income.
- Complete lines 1a through 28 if you are claiming both Utah and non-Utah nonbusiness income.

Use additional pages or supporting schedules in the same format, 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-1e – Utah Nonbusiness Income

Complete the information in each column and enter the gross Utah nonbusiness income from each class of income being specifically allocated. Use additional pages or supporting schedules in the same format, if necessary, to provide complete information about additional sources of nonbusiness income.

Line 2 – Total of Columns C and D

Enter the total of the amounts on lines 1a through 1e in column C and column D.

Line 3 – Total Utah Nonbusiness Income

Enter the total of the amounts on lines 1a through 1e in column E.

Lines 4a-4e – 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 1e. Direct related expenses include wages, interest, depreciation, etc. (UC §59-7-101).

Line 5 – Total Direct Related Expenses

Enter the sum of direct related expenses by adding lines 4a through 4e.

Line 6 – Utah Nonbusiness Income Net of Direct Related Expenses

Subtract line 5 from line 3.

Line 7 – Beginning-of-Year Assets

Enter in column A the total beginning-of-year value of assets used to produce Utah nonbusiness income from line 2, column C. Enter in column B the beginning-of-year value of your total assets. Include all assets in column B, including Utah assets.

Line 8 – End-of-Year Assets

Enter in column A the total end-of-year value of assets used to produce Utah nonbusiness income from line 2, column D. Enter in column B the end-of-year value of your total assets. Include all assets in column B, including Utah assets.

Line 9 – Sum of Beginning and Ending Asset Values

Add lines 7 and 8 for each respective column.

Line 10 – Average Asset Values

Divide line 9 by 2 for each column.

Line 11 – Utah Nonbusiness Asset Ratio

Divide line 10 column A by line 10 column B. Round the result to four decimal places. Do not enter a decimal greater than 1.0000, and do not enter a negative number.

Line 12 – Interest Expense

Enter the total amount of interest deducted on federal form 1120, line 18 and elsewhere on the federal return.

Line 13 – Indirect Related Expenses for Utah Nonbusiness Income

Multiply line 12 by the ratio on line 11.

Line 14 – Total Utah Nonbusiness Income Net of Expenses

Subtract line 13 from line 6. Enter amount here and on Schedule A, page 1, line 6.

Non-Utah Nonbusiness Income

Lines 15a-15e – Non-Utah Nonbusiness Income

Complete the information in each column and enter the gross non-Utah nonbusiness income from each class of income being specifically allocated. Use additional pages or supporting schedules in the same format, if necessary, to provide complete information about additional sources of non-Utah nonbusiness income.

Line 16 – Total of Columns C and D

Enter the total of the amounts on lines 15a through 15e in column C and column D.

Line 17 – Total Non-Utah Nonbusiness Income

Enter the total of the amounts on lines 15a through 15e in column E.

Lines 18a-18e – Direct Related Expenses

Describe and enter amounts of direct expenses on the same letter line as the corresponding non-Utah nonbusiness income on lines 15a through 15e. Direct related expenses include wages, interest, depreciation, etc. (UC §59-7-101).

Line 19 – Total Direct Related Expenses

Enter the sum of direct related expenses by adding lines 18a through 18e.

Line 20 – Non-Utah Nonbusiness Income Net of Direct Related Expenses

Subtract line 19 from line 17.

Line 21 – Beginning-of-Year Assets

Enter in column A the total beginning-of-year value of assets used to produce non-Utah nonbusiness income from line 16, column C. Enter in column B the beginning-of-year value of your total assets. Include all assets in column B, including Utah assets.

Line 22 – End-of-Year Assets

Enter in column A the total end-of-year value of assets used to produce non-Utah nonbusiness income. Enter in column B the end-of-year value of your total assets. Include all assets in column B, including Utah assets.

Line 23 – Sum of Beginning and Ending Asset Values

Add lines 21 and 22 for each respective column.

Line 24 – Average Asset Values

Divide line 23 by 2 for each column.

Line 25 – Non-Utah Nonbusiness Asset Ratio

Divide line 24 column A by line 24 column B. Round the result to four decimal places. Do not enter a decimal greater than 1.0000, and do not enter a negative number.

Line 26 – Interest Expense

Enter the total amount of interest deducted on federal form 1120, line 18 and elsewhere on the federal return.

Line 27 – Indirect Related Expenses for Non-Utah Nonbusiness Income

Multiply line 26 by the ratio on line 25.

Line 28 – Total Non-Utah Nonbusiness Income Net of Expenses

Subtract line 27 from line 20. Enter amount here and on Schedule A, page 1, line 7.

Schedule J – Apportionment Schedule Instructions

Use TC-20, Schedule J to calculate the portion of the taxpayer's income attributable to Utah, if the taxpayer does business both within and outside of Utah.

Complete TC-20, Schedule J to determine the apportionment fraction (decimal). The factors express a ratio for tangible property in Utah to total tangible property everywhere, for wages and salaries in Utah to total wages and salaries everywhere, and for sales in Utah to total sales everywhere. These factors or ratios are used to arrive at the Utah apportionment fraction calculated to **six decimals**. This fraction (decimal) is then 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, use the number of factors present to determine the Utah apportionment fraction.

A taxpayer who is a partner in a partnership **must** include their pro rata share of the partnership's sales in determining whether they meet the "50 percent of total sales everywhere" requirement above.

For water's edge and worldwide combined unitary groups, the group is a sales factor weighted taxpayer if greater than 50 percent of the total sales everywhere of the unitary group are classified in NAICS codes except those codes listed above.

A taxpayer who is a sales factor weighted taxpayer must calculate the apportionment fraction under Part 3, lines 14 through 16.

Other Multistate Taxpayers

For multistate taxpayers that are not sales factor weighted taxpayers, an election may be made to double weight the sales factor in the apportionment calculation. The election is made by entering an "X" on line 10 and completing lines 11 through 13 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 taxpayer's property, payroll and sales factors must be computed on the basis of the taxpayer's ownership interest in the partnership or joint venture.

Business Activity

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

Sales Factor Weighted Taxpayers

For tax years beginning after 2010, every multistate taxpayer must determine if they are a Sales Factor Weighted Taxpayer. A sales factor weighted taxpayer is a taxpayer having greater than 50 percent of total sales everywhere generated by economic activities performed by the taxpayer, and classified in a NAICS code of the 2002 or 2007 North American Industry Classification System, **except** for a NAICS code within:

- Section 21, Mining;
- Section 31-33, Manufacturing;
- Section 48-49, Transportation and Warehousing;
- Section 51, Information (except for Subsector 519, Other Information Services); or
- Section 52, Finance and Insurance.

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 taxpayer is valued at its original cost. Property rented by the taxpayer is valued at eight times the net annual rental rate. Net annual rental rate is the annual rental rate paid by the taxpayer less the annual rate received by the taxpayer from sub-rentals.

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 taxpayer's property.

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

Enter totals of lines 1a through 1e in the 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 in Utah are assigned to the Utah sales numerator if the purchaser of the service receives a greater benefit of the service in Utah than in any other state.

Taxpayers that perform a service both in and outside Utah must include service income on line 5g in column A (Inside Utah) if the purchaser of the service 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 taxpayer is not taxable in the state of the purchaser.

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

Note: Securities brokerage businesses must follow the provisions 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.

NAICS Code for Taxpayer

Line 7 – NAICS Code

Enter the six-digit NAICS code for this taxpayer from your federal return (form 1120, Schedule K, line 2a; 1120S, box B; 1165, box C; or corresponding line on other federal returns). This is a mandatory field and must be completed. Your apportionment method may be determined by your NAICS code. See *Sales Factor Weighted Taxpayers*, above.

Equally-Weighted Three Factor Formula Election

If you are **not** a sales factor weighted taxpayer and are **not** electing the double-weighted sales factor (see lines 10 through 13 below), complete lines 8 and 9. If you are a sales factor weighted taxpayer or are electing the double-weighted sales factor, leave lines 8 and 9 blank.

Line 8 – Total Factors

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

Line 9 – Apportionment Fraction

Calculate the apportionment fraction to six decimals by dividing line 8 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 12, if not electing the double-weighted sales factor below.

Double-Weighted Sales Factor Formula Election

If you are **not** a sales factor weighted taxpayer, you may elect to give double-weight to the sales factor in the apportionment calculation. If you elect this calculation, enter an “X” on line 10 and complete lines 11 through 13.

Line 10 – Making the Election

Enter an “X” on line 10 if you elect to double-weight the sales factor.

Line 11 – Double Sales Factor

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

Line 12 – Total Factors

Enter the sum of the factors from lines 2, 4 and 11.

Line 13 – Elected Apportionment Fraction

Calculate the elected, double-weighted sales factor to six decimals by dividing line 12 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 12.

Sales Factor Weighted Taxpayers Only

See instructions on page 20 for the definition and qualifications of a sales factor weighted taxpayer required to use Part 3.

Line 14 – Ten Times the Sales Factor

Multiply the sales factor (decimal) from line 6 by **10**. This will result in the sales factor being considered 10 times in the calculation.

Line 15 – Total Factors

Enter the sum of the factors from lines 2, 4 and 14.

Line 16 – Apportionment Fraction

Calculate the apportionment fraction for a sales factor weighted taxpayer to six decimals by dividing line 15 by the number of factors used (typically 12 – property, payroll and 10 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 10 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 12.

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)
- Telecommunications (R865-6F-33)
- Registered Securities or Commodities Broker or Dealer (R865-6F-36)
- Airlines (UC §§59-7-312 thru 319)
- Sale of Management, Distribution or Administration Services to or on Behalf of a Regulated Investment Company (UC §§59-7-319(5))

Schedule M – Corporations Included in Combined Filings Instructions

Any corporation filing a combined report must complete Schedule M if one or more of the subsidiaries or affiliated corporations is 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. See Pub 99, *Guidelines for Substitute and Copied Utah Tax Forms*, online at tax.utah.gov/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. Use the Schedule M Supplemental Sheet if you need more space.

Minimum Tax

Line a – Number of Corporations

Enter on line “a” the total number of corporations incorporated, qualified and doing business in Utah (including the parent corporation if incorporated, qualified or doing business in Utah) that are listed on the Schedule M.

Line b – Total Minimum Tax

Multiply the number of corporations listed on line “a” by \$100 (the minimum tax). Also, enter this amount on Schedule A, line 18b.

Common Return Errors

1. **Losses applied incorrectly** – For tax years beginning on or after Jan. 1, 1994, if an election is made to forego the federal net operating loss carryback, a similar election is considered to be made for Utah purposes, unless the taxpayer makes a specific election to carryback the Utah loss. Losses may be carried forward for 15 taxable years. See the instructions for Schedule A, lines 15 and 16. Use form TC-20L, *Utah Application for Refund from a Corporation Loss Carryback* to calculate the carryback.
2. **Unitary businesses not filing a combined report** – Groups of corporations that are engaged in an integrated unitary business must file on a combined basis. See instructions on page 4.
3. **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, except as provided under Utah Rule R865-6F-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, except as provided under Utah Rule R865-6F-24.
4. **Net capital losses may not be carried back** – Capital losses may be deducted in full in the year incurred or may be carried forward. See UC 59-7-106(2).
5. **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.
6. **Nonrefundable and refundable credit codes** – Use the two-digit codes provided in the instructions, not the UC section reference.



Please arrange your return in the following order:

1. Utah form TC-20
2. Utah schedules A through M (if required) in alphabetical order
3. Federal extension form, if applicable
4. First five pages **only** of your federal return (plus Form 1120, Schedule M-3 and IRS form 1125-A, if applicable)
5. Other supporting documentation **only** as requested in these instructions

Do not send a copy of your entire federal corporation return.