

Utah
2012

S Corporation



Form TC-20S
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.



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

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?

See Pub 68, *Pass-through Entity Withholding*, at tax.utah.gov/forms.

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)

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 16.
- **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 17.
- **Veteran Employment Tax Credit.** A new nonrefundable credit is allowed for hiring a qualified recently deployed veteran. See page 17.
- **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 business treated as a Sales Factor Weighted Taxpayer. See page 11.

Reminders

- **TC-250:** List all nonrefundable and refundable credits received from an upper-tier pass-through entity on a Utah Schedule K-1, as well as any mineral production withholding tax credit received on a form TC-675R.
- **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 12.

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 on page 1 of form TC-20S. 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 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.**

Pass-through Entity

A pass-through entity is an entity whose income, gains, losses, deductions and/or credits flow through to its partners (partnerships), members (limited liability companies), shareholders (S corporations) or beneficiaries (estates and trusts) for federal tax purposes.

Pass-through Entity Taxpayer

A pass-through entity taxpayer is an entity which has income, gains, losses, deductions and/or credits passed to it from a pass-through entity (e.g., an individual who is a shareholder in an S corporation, or a partnership which is a shareholder in an S corporation).

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. There is a minimum tax (privilege tax) of \$100 on every corporation that files form TC-20, regardless of whether or not the corporation exercises its right to do business.

S Corporation

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

Income Tax

Corporations required to file under the income tax provisions are those that derive income from Utah sources, but are not qualified to do business in Utah and have no regular and established place of business in Utah, either owned or rented, and do not maintain an inventory or have employees located at a place of business in Utah. For example, a trucking company operated in or through Utah, or 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, are subject to the income tax rather than franchise tax.

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

Pass-through Entity Withholding Requirements

S corporations and business entities treated as S corporations are considered pass-through entities (see UC §59-10-1402(9)) and, for tax years beginning on or after Jan. 1, 2009, are required to withhold Utah income tax on all nonresident individual shareholders and on all resident and nonresident trust shareholders. These shareholders are collectively referred to as pass-through entity taxpayers (see UC §59-10-1402(10)). An S corporation is not required to withhold on a shareholder that is exempt from tax under UC §59-7-102(1)(a) or §59-10-104.1, or if the S corporation is a plan under IRC Sections 401, 408 or 457 and is not required to file a return under UC Chapter 7, or is a publicly traded partnership as defined under UC §59-1403.2(1)(b)(iv).

Utah imposes a 5 percent withholding tax on all Utah business and nonbusiness income derived from or connected with Utah sources and attributable to pass-through entity taxpayers. The S corporation may reduce this withholding by any mineral production withholding tax and previous pass-through entity withholding tax allocated to the shareholder. This withholding tax must be paid to the Tax Commission by the original due date of the return, without regard to extensions.

The calculation of the required Utah withholding tax is done on Schedule N. See the instructions for Schedule N on page 22 for more details.

The S corporation must provide a Utah Schedule K-1 to each shareholder showing the amount of Utah withholding paid on behalf of the shareholder. This withholding tax is then claimed as a credit by the shareholder on the shareholder's personal return.

If this S corporation has an interest in a partnership (also considered a pass-through entity), that partnership is required to withhold Utah income tax on Utah income allocated to this S corporation. The partnership must provide a Schedule K-1 showing the amount of Utah withholding tax paid on behalf of this S corporation. This withholding tax must be reported on TC-250 and then be allocated to the shareholders of this S corporation to be claimed on their personal returns. Enter this previous pass-through entity withholding tax for each shareholder on Schedules K and K-1.

The S corporation may request a waiver of withholding tax and any associated penalty and interest for all or selected shareholders who filed and paid tax on their personal returns on the Utah income from this S corporation. The tax must be paid on or before the S corporation's return due date, including extensions (see UC §59-10-1403.2(5)). See Schedule N instructions on page 22 for more details.

Qualified Subchapter S Subsidiary

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

- Include each subsidiary's assets, liabilities and items of income, loss and deductions as part of the parent S corporation's assets, liabilities and items of income, loss and deductions for Utah tax purposes. The qualified subchapter S subsidiary shall not be treated as a separate corporation.
- Take into account the activities of the qualified subchapter S subsidiaries in determining whether the S corporation parent is doing business in Utah. For purpose of this determination, all of the subsidiary's activities will be attributed to the parent.
- Attach TC-20S, Schedule M identifying the qualified subchapter S subsidiaries incorporated, qualified, or doing business in Utah.

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.

Where to File

Send the completed return and any payment to:

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

You may also pay any tax due electronically at taxexpress.utah.gov.

Due Date

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

Filing Extension

Corporations are automatically allowed an extension of up to six months to file a return without filing an extension form. **This is an extension of time to file the return - NOT an extension of time to pay taxes.** To avoid penalty, the prepayment requirements must be met on or before the original return due date and the return must be filed within the six-month extension period.

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

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.

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 entire 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-20S. Also, keep copies of these with your tax records.

- **Utah S Corporation Return Schedules:** Attach applicable Utah schedules A, E, H, J, K, M, N, and/or TC-250. Also attach a Utah Schedule K-1 for each shareholder.
- **Federal Return:** Attach **only** pages 1 through 4 of your federal S corporation return, plus Schedule M-3 and IRS form 1125-A, if applicable.

Do not send a copy of your entire federal return, federal Schedules K-1, credit schedules, worksheets, or other documentation with your Utah return unless otherwise stated in these instructions. Keep these in your files, along with all supporting documents. You may be asked to provide this information later to verify entries on your Utah return.

Federal Taxable Income (Loss)

Utah law defines federal taxable income as "taxable income as currently defined in Section 63, Internal Revenue Code of 1986." Since Utah's taxable income is based on federal taxable income, a shareholder's ability to carry forward and carry back corporation losses is determined on the federal level. The loss taken by a shareholder in a given year must match the loss taken on the federal return. Losses cannot be independently carried back and carried forward in any given year on the shareholder's Utah return.

Utah Income

Complete Schedule A to determine the Utah income or loss. If the corporation does business both within and outside of Utah, the portion of the corporation income attributable to Utah is determined by first completing Schedule J, and then Schedule A.

Business Income

Business income means income arising from transactions and activity in the regular course of the taxpayer's trade or business and includes income from tangible and intangible property if the acquisition, management, and disposition of the property constitutes integral parts of the taxpayer's regular trade or business operations. See UC §59-7-302(1)(d).

Business income apportioned to Utah is subject to the pass-through entity withholding requirements.

Nonbusiness Income

Nonbusiness income means all income other than business income. See UC §59-7-302(1)(h).

Portfolio Income

Portfolio income may be either business or nonbusiness income.

For purposes of pass-through entities, generally, portfolio income includes all gross income, other than income derived in the ordinary course of a trade or business and Utah nonbusiness income taxable on the Utah return of a pass-through entity taxpayer.

Portfolio income includes:

- interest;
- dividends;
- royalties;
- income from the disposition of property that produces income of a type defined as portfolio income;
- income from the disposition of property held for investment; and
- income from a real estate investment trust, a regulated investment company, a real estate mortgage investment conduit, a common trust fund, a controlled foreign corporation, a qualified electing fund, or a cooperative.

Interest, dividends, royalties, etc., earned in the ordinary course of the trade or business of a pass-through entity are not portfolio income.

Example: Interest and dividends may be considered portfolio income if the pass-through entity had funds that were not used to further the trade or business and were invested and generated interest or dividends. Interest and dividends are not considered portfolio income if the entity's primary business activity is investing funds, such as with a brokerage firm.

Portfolio income is attributable to the resident state.

First Time Filers

A copy of the IRS letter of authorization, *Notice of Acceptance as an S Corporation*, must be attached to the TC-20S, *Utah S Corporation Tax Return*, when filing for the first time. Also, enter the effective date of the election on TC-20S, line 1.

TC-20S — Utah S Corporation 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 and Address

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

ZIP Code

Enter your ZIP Code, including the "plus four" 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

Note: 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.

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 adjustments made.
- 3 Your federal return was changed by an IRS audit or adjustment and it affects your Utah return. Attach a copy of the IRS adjustment.
- 4 Other. Attach an explanation to your return.

Enter the corrected figures on the return and/or schedules. 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 payment of the tax prior to filing the amended return. Enter the net amount on Schedule A, line 19. 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 Transaction Disclosure Statement*, with the Internal Revenue Service, enter an "X" at the top of your TC-20S, where indicated.

Line-by-Line Instructions

Line 1 – S Corporation First Return

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

Line 2(a) – Number of Shares

Enter the number of shares issued by the S corporation to Resident Individuals, IRC 501 and Other Exempt Entities, and Nonresident Individuals and Other Pass-through Entity Taxpayers.

Line 2(b) – Percentage of Shares

Enter the percentage of shares issued by the S corporation to Resident Individuals, IRC 501 and Other Exempt Entities, and Nonresident Individuals and Other Pass-through Entity Taxpayers. The total percentages entered should equal 100%.

Note: The percentage of shares must be the same as the total of the stock ownership percentages entered on line E of all federal Schedules K-1.

Line 3 – Corporations Conducting Business in Utah

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

Line 4 – Qualified Subchapter S Subsidiary Election

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

Line 5 – Total Tax

Enter the total tax from Schedule A, line 17.

Line 6 – Total Payments

Enter the total payments from Schedule A, line 20. See Pub 58, *Utah Interest and Penalties*.

Line 7 – Tax Due

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

Line 8 – Penalties and Interest

Enter any penalties and interest that apply to this return.

Line 9 – Total Due - Pay This Amount

Add lines 7 and 8. 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. Complete the TC-559 coupon on page 25 and send with your payment. See *Payment Options* below for information about making payments.

Line 10 – Overpayment

If line 6 is larger than the sum of line 5 and line 8, subtract the sum of line 5 and line 8 from line 6.

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

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

Line 12 – Refund

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

Signature and Date Line

Sign and date the return. A refund will not be 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 to the right of the signature area of the return where indicated.

This authorization applies only to the individual whose signature appears in the Paid Preparer Section of the return. It does not apply to the firm, if any, shown in that section. If you enter an "X" in the box, the corporation is authorizing the Tax Commission to call the paid preparer to answer any questions that may arise during the processing of the return. The paid preparer is also authorized to:

- give the Tax Commission any information that is missing from the return,
- call the Tax Commission for information about the processing of the return or the status of any refund or payment(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 penalty (second degree felony with a fine from \$1,500 to \$25,000).

Payment Options

You may pay your tax online with a credit card or an electronic check (ACH debit). You may pay in full or make partial payments throughout the year. Online payments may include a service fee. Follow the instructions at taxexpress.utah.gov.

You may also mail your check or money order payable to the Utah State Tax Commission with your return. Write the corporation employer identification number, daytime telephone number and "2012 TC-20S" on your check. **DO NOT STAPLE check to return.** Remove any check stub before sending. **DO NOT MAIL CASH with your return.** The Tax Commission is not liable for cash lost in the mail. **Include the TC-559 coupon on 25 with your payment.**

Mail your return, payment and coupon (if applicable) to the Utah State Tax Commission, 210 N 1950 W, SLC, UT 84134-0300. If mailing your payment separate from your return, include form TC-559, *Corporation/Partnership Payment Coupon*, but do **NOT** send another copy of your tax return with your payment. Doing so may delay posting of your payment.

Pay Plan Request

If you owe tax and are unable to pay the entire amount owed, you may request a pay plan online at taxexpress.utah.gov. You may also call 801-297-7703 (or 1-800-662-4335 ext. 7703 outside the Salt Lake area), or complete form TC-804B, *Business Tax Payment Agreement Request*. Get forms online at tax.utah.gov/forms. If approved, you will receive a letter or email confirming the acceptance of your request.

A pay plan does not stop the accrual of penalty and interest. If you do not pay in full by the return due date, whether or not you request a pay plan, any balance due will be subject to penalty and interest.

If you do not submit a pay plan request form, a billing notice for the full amount due, including penalty and interest, will be mailed to you.

Payments may be submitted prior to approval of the pay plan request or billing notice, per the instructions above.

Supplemental Information to be Supplied by All S Corporations

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

Schedule A – Utah Taxable Income for Pass-through Taxpayers Instructions

Line 1 – Federal Income (Loss) Reconciliation

Enter the amount of federal income or loss reconciliation as shown on federal form 1120S, Schedule K, line 18 (R865-9I-13).

Line 2 – Charitable Contributions

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

Line 3 – Foreign Taxes

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

Line 4 – Recapture of Section 179 Deduction

Enter the gain or loss on the sale, exchange or other disposition of property for which a section 179 expense deduction has been passed through to shareholders and reported on federal Schedule K, line 17, code L.

Line 5 – Total Income (Loss)

Add lines 1 through 4.

Line 6 – Total Portfolio Income

Enter the total of all portfolio income included on line 1. Deductions attributable to portfolio income are reported as “other deductions” on federal Schedule K box 12d and federal Schedule K-1 box 12, using codes I, K or L, and should not be subtracted from portfolio income on this line.

This income is attributable to the resident state.

Interest, dividends, royalties, etc., earned in the ordinary course of the trade or business of the S corporation, are **not** portfolio income and should not be included on this line.

Example: Interest and dividends may be considered portfolio income if the pass-through entity had funds that were not used to further the trade or business and were invested and generated interest or dividends. Interest and dividends are not considered portfolio income if the entity’s primary business activity is investing funds, such as with a brokerage firm.

Sales of Utah property and rents received on Utah property, if not part of the trade or business of the S corporation, are considered Utah non-business income and included on line 7.

See the definition of Portfolio Income on 4.

The following are examples of income which would be considered business income and not portfolio income and should **not** be included on line 6:

- Interest income on loans and investments made in the ordinary course of a trade or business of lending money.
- Interest income on accounts receivable arising from the performance of services or sales of property.

- Income from investments made in the ordinary course of a trade or business of furnishing insurance or annuity contracts or reinsuring risks underwritten by insurance companies.
- Income or gain derived in the ordinary course of an activity of trading or dealing in any property if such activity constitutes a trade or business (unless the dealer held the property for investment at any time before such income or gain is recognized).
- Royalties derived by the taxpayer in the ordinary course of a trade or business of licensing intangible property.
- Amounts included in gross income of a patron of a cooperative by reason of any payment or allocation to the patron based on patronage occurring with respect to a trade or business of the patron.
- Other income identified by the IRS as income derived by the taxpayer in the ordinary course of a trade or business.

Line 7 – Utah Net Nonbusiness Income

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

Sales of Utah property and rents received on Utah property, if not part of the trade or business income of the S corporation, are considered Utah nonbusiness income.

Note: Do not include as nonbusiness income any income reported on line 6 as portfolio income.

Line 8 – Non-Utah Net Nonbusiness Income

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

Note: Do not include as nonbusiness income any income reported on line 6 as portfolio income.

Line 9 – Total Nonbusiness Income

Add lines 6 through 8.

Line 10 – Apportionable Income (Loss)

Subtract line 9 from line 5.

Line 11 – Apportionment Fraction (Decimal)

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

Line 12 – Utah Apportioned Business Income (Loss)

Multiply the apportionable income (loss) on line 10 by the apportionment fraction on line 11.

Line 13 – Total Utah Income (Loss) Allocated to Pass-through Entity Taxpayers

Add line 7 and line 12.

Line 14 – Total Pass-through Withholding Tax

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

This pass-through withholding tax **must** be paid to the Tax Commission by the original due date of the return, without regard to extensions. Pay online at **taxexpress.utah.gov** or use form TC-559, *Corporation/Partnership Payment Coupon*. Prepayments are not required for pass-through withholding tax.

Do not include on this line any pass-through withholding tax credit received from another pass-through entity as reported on a Utah Schedule K-1 you received. Pass-through withholding tax credits received from other pass-through entities are entered on TC-250 and allocated to the shareholders on the Utah Schedule K-1.

Line 15 – Utah Tax on Built-in and Other Gains

In accordance with the provisions of UC §59-7-701, gains or income subject to the federal corporation tax are also subject to the Utah S corporation tax. The most common transactions that occur under federal provisions include built-in gains, capital gains, LIFO recapture amounts, and any other similar type transaction. These gains or income should be apportioned (see Schedule J) and multiplied by the tax rate of 5%. Attach a schedule to your TC-20S that provides the necessary details of gains or income being reported.

Line 16 – 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 the use tax on line 16 of TC-20S, 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 following worksheet for each state. Add lines 8 on all worksheets and enter the total on line 16 of Schedule A.

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" \$ _____

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 Pub 25 online at **tax.utah.gov/forms** for more information.

Line 17 – Total Tax

Add lines 14 through 16. Carry this amount to TC-20S, page 1, line 5.

Line 18 – 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.

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	.0635 Snyderville Basin Transit
.0635 Roosevelt	.0745 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

Do not include any pass-through withholding tax on this line. Pass-through withholding tax credit from a previous pass-through entity is entered on TC-250 and allocated to the shareholders on the Utah Schedule K-1.

Line 19 – Amended Return Only

This line is only used for amended returns. Enter the amount of tax paid with the original return and/or subsequent payments made prior to filing this amended return less any previous refunds (exclude refund interest). A net refund should be entered as a negative amount (preceded by a minus sign).

Line 20 – Total Payments

Add lines 18 and 19. Carry this amount to TC-20S, page 1, line 6.

Schedule E – Prepayments of Any Type Instructions

Do not include on this line any pass-through withholding tax credit received from another pass-through entity as reported on a Utah Schedule K-1 you received. Pass-through withholding tax credits received from other pass-through entities are entered on TC-250 and allocated to the shareholders on the Utah Schedule K-1.

Line 1 – Overpayment Applied from Prior Year

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

Line 2 – Extension Prepayment

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

Line 3 – Other Prepayments

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

Prepayments are not required for pass-through withholding tax.

Line 4 – Total Prepayments

Add lines 1, 2 and 3. Enter the total on this line and on Schedule A, line 18.

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 Rule R865-6F-8(2)(e)(iv).

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

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

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 Utah 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 Value

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 form 1120S, line 13 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, line 7.

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 listed 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 from line 16, 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 23 – Sum of Beginning and Ending Asset Values

Add lines 21 and 22 for each respective column.

Line 24 – Average Asset Value

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 form 1120S, line 13 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, line 8.

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.

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.

A taxpayer who is a shareholder in an S corporation must include their pro rata share of the corporation's sales in determining whether it meets the "50 percent of total sales everywhere" requirement 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 this 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.

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 their respective columns on line 1f.

Line 2 – Property Factor Calculation

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

Line 3 – Payroll Factor

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

Compensation is paid in Utah if:

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

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

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

Line 4 – Payroll Factor Calculation

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

Lines 5a - 5h – Sales Factor

The sales factor is the fraction the sales/receipts within Utah for the taxable year bear to the overall sales/receipts 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 (1120S, box B; 1065, box C; or corresponding line on other federal returns). This is a mandatory field. 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 11, 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 – Doubled 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 11.

Sales Factor Weighted Taxpayers Only

See instructions on 11 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 11.

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 through 319)
- Sale of Management, Distribution or Administration Services to or on Behalf of a Regulated Investment Company (UC §59-7-319(5))

Schedule K – Shareholders' Pro Rata Share Items Instructions

Attach the Utah TC-20S, Schedule K to show the S corporation's income, gains, losses, deductions, and Utah credits that are distributed to the shareholders.

Number of Schedules K-1 attached to this return

Enter the number of Utah Schedules K-1 that are attached to this S corporation return and issued to shareholders.

Line 1 – Ordinary Business Income (Loss)

Enter in the first column the federal ordinary business income (loss) from line 1 of the federal Schedule K. Enter in the Utah column the total reported on all Utah Schedules K-1.

Line 2 – Net Rental Real Estate Income (Loss)

Enter in the first column the federal net rental real estate income (loss) from line 2 of the federal Schedule K. Enter in the Utah column the total reported on all Utah Schedules K-1.

Line 3 – Other Net Rental Income (Loss)

Enter in the first column the federal other net rental income (loss) from line 3c of the federal Schedule K. Enter in the Utah column the total reported on all Utah Schedules K-1.

Line 4a – U.S. Government Interest Income

Enter in the federal column the total U.S. government interest income reported on all federal Schedules K-1. Enter in the Utah column the total Utah portion reported on Utah Schedules K-1.

Line 4b – Municipal Bond Interest Income

Enter in the federal column the total municipal bond interest income reported on all federal Schedules K-1. Enter in the Utah column the total Utah taxable portion reported on Utah Schedules K-1.

For additional information on the Utah treatment of municipal bond interest, go to incometax.utah.gov/additions/municipal-bond-interest.

Line 4c – Other Interest Income

Enter in the federal column the total other interest income (other than interest income shown on lines 4a and 4b above) reported on all federal Schedules K-1. Enter in the Utah column the total Utah portion reported on Utah Schedules K-1.

Line 5 – Ordinary Dividends

Enter in the first column the federal ordinary dividends from line 5a of the federal Schedule K. Enter in the Utah column the total reported on all Utah Schedules K-1.

Line 6 – Royalties

Enter in the first column the federal royalties from line 6 of the federal Schedule K. Enter in the Utah column the total reported on all Utah Schedules K-1.

Line 7 – Net Short-term Capital Gain (Loss)

Enter in the first column the federal net short-term capital gain (loss) from line 7 of the federal Schedule K. Enter in the Utah column the total reported on all Utah Schedules K-1.

Line 8 – Net Long-term Capital Gain (Loss)

Enter in the first column the federal net long-term capital gain (loss) from lines 8a through 8c of the federal Schedule K. Enter in the Utah column the total reported on all Utah Schedules K-1.

Line 9 – Net Section 1231 Gain (Loss)

Enter in the first column the federal net section 1231 gain (loss) from line 9 of the federal Schedule K. Enter in the Utah column the total reported on all Utah Schedules K-1.

Line 10 – Recapture of Section 179 Deduction

Enter in the first column the federal recapture of a benefit from a deduction under Section 179 from line 17, code L of the federal Schedule K. Enter in the Utah column the total reported on all Utah Schedules K-1.

Line 11 – Other Income (Loss)

Enter in the first column the federal other income (loss) from line 10 of the federal Schedule K. Enter in the Utah column the total reported on all Utah Schedules K-1.

Describe the type of income in the space provided.

Line 12 – Section 179 Deduction

Enter in the first column the federal section 179 deduction from line 11 of the federal Schedule K. Enter in the Utah column the total reported on all Utah Schedules K-1.

Line 13 – Contributions

Enter in the first column the federal contributions from line 12a of the federal Schedule K. Enter in the Utah column the total reported on all Utah Schedules K-1.

Line 14 – Investment Interest Expense

Enter in the first column the federal investment interest expense from line 12b of the federal Schedule K. Enter in the Utah column the total reported on all Utah Schedules K-1.

Line 15 – Section 59(e)(2) Expenditures

Enter in the first column the federal section 59(e)(2) expenditures from line 12c(2) of the federal Schedule K. Enter in the Utah column the total reported on all Utah Schedules K-1.

Line 16 – Foreign Taxes Paid or Accrued

Enter in the first column the federal foreign taxes paid or accrued from line 14i of the federal Schedule K. Enter in the Utah column the total reported on all Utah Schedules K-1.

Line 17 – Other Deductions

Enter in the first column the federal other deductions from line 12d of the federal Schedule K. Enter in the Utah column the total reported on all Utah Schedules K-1.

Describe the type of deduction in the space provided.

Line 18 – Utah Nonrefundable Credits

In the Utah column, enter the Utah nonrefundable credits being distributed to the shareholders. Describe the nonrefundable credit in the space provided, and enter the Utah code for the credit (see *Nonrefundable Credits*, below). If a credit was received from an upper-tier pass-through entity, also complete and attach TC-250.

Line 19 – Utah Refundable Credits

In the Utah column, enter the Utah refundable credits being distributed to the shareholders. Describe the refundable credit in the space provided, and enter the Utah code for the credit (see *Refundable Credits*, below). If a credit was received from an upper-tier pass-through entity, also complete and attach TC-250.

Line 20 – Total Utah Tax Withheld on Behalf of All Shareholders

In the Utah column, enter the total amount of Utah withholding tax withheld on behalf of all the shareholders who are pass-through entity taxpayers by the S corporation, and for whom the waiver from withholding was not requested. This amount must match the total pass-through withholding tax on Schedule N, column I for all pass-through entity taxpayers who have Utah withholding tax withheld.

Nonrefundable Credits Passed-through on Schedule K

Nonrefundable credits on an S corporation return are entered on Schedule K and then allocated and passed-through to the shareholders on Schedule K-1. Nonrefundable credits may not be used against any tax owed by the S corporation.

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

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

Cash contributions made in the taxable year to a qualified Utah nonprofit rehabilitation sheltered workshop facility for persons with disabilities are eligible for the credit. Check with the workshop to make sure they have a current Day Training Provider License or Day Support Provider Certificate issued by the Department of Human Services. The credit is the lesser of \$200 or 50 percent of the total cash contributions.

There is no form for this credit. Keep all related documents with your records. The shareholder must list the qualified workshop name on their return to claim the credit. Enter this name on Schedules K and K-1.

For more information, contact:

Div. of Services for People with Disabilities
195 N 1950 W
Salt Lake City, UT 84116
801-538-4200
dspd.utah.gov

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

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

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

See incometax.utah.gov/credits/capital-gains for more information.

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

Calculation of Capital Gain Transactions Tax Credit

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

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

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 the form and all related documents with your records.

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

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

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

For more information, contact:

State Historic Preservation Office
300 S Rio Grande St
Salt Lake City, UT 84101
801-533-3500
history.utah.gov/historic_buildings/financial_assistance

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

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

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

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

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

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.

For more information, contact:

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

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

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

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**

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

The credit is:

1. 5% of your qualified expenses for increasing research activities in Utah above a base amount,
2. 5% of certain payments made to a qualified organization increasing basic research in Utah above a base amount, and
3. 7.5% of your qualified research expenses for a taxable year beginning on or after Jan. 1, 2012.

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

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

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 credit to the new owner. Additional residential energy systems or parts may be claimed in subsequent years as long as the total amount claimed does not exceed \$2,000 per residential unit. The principal portion of the lease payments may qualify for the credit, if the lessor irrevocably elects not to claim the credit.

Form TC-40E, *Renewable Residential and Commercial Energy Systems Tax Credits*, must be obtained 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 §59-10-1024)**

You may claim a credit of 25 percent 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.

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 §59-10-1031)**

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.

Refundable Credits Passed-through on Schedule K

Refundable credits on an S corporation return are entered on Schedule K and then allocated and passed-through to the shareholders on Schedule K-1. Refundable credits may not be claimed on an S corporation return.

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

(36) Upper-tier Pass-through Entity Withholding Tax (UC §59-10-1103)

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

This pass-through entity withholding tax is then distributed to the shareholders of this S corporation.

Complete TC-250, Part 2, and then enter and allocate the total upper-tier (previous) pass-through entity withholding tax using code 36.

Do not include the Utah Schedule K-1 the corporation received showing this credit when filing this corporation's return.

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

This credit is for reasonable costs, including installation, of a commercial energy system that is an active solar system, a direct-use geothermal system, a geothermal heat-pump system, a hydro-energy system, or a passive solar system. Credit is also allowed for a commercial system that uses wind, geothermal electricity, or 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
801-536-4235
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 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.

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)

**(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 reported on the corporate return required to be filed during the year following the December closing period of the form TC-675R.

Enter the mineral production withholding tax on TC-250. Enter the credit in Part 2 if received from an upper-tier pass-through entity, or in Part 3 if received on a TC-675R from the mineral producer.

Do not attach the TC-675R or Utah Schedule K-1 to the corporation return.

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

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

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

Credit calculation:

Gallons _____ x .245 = Credit _____

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

**(48) Farm Operation Hand Tools Credit
(UC §59-10-1105)**

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.

Schedule K-1 – Shareholder's Share of Utah Income, Deductions and Credits Instructions

Complete a Utah TC-20S, Schedule K-1 for each shareholder, showing the share of income, gains, losses, deductions, and Utah credits that are distributed to the shareholder.

S Corporation Information

Line A – Enter the S corporation's federal identification number.

Line B – Enter the complete name and address of the S corporation.

Shareholder Information

Line C – Enter the shareholder's social security or federal employer identification number.

Line D – Enter the shareholder's complete name and address.

Line E – Enter the percent of ownership the shareholder has in the S corporation. Enter the same percentage of stock ownership as entered on line F of the shareholder's federal Schedule K-1.

Other Information

Enter any additional information or explanation of entries needed by the shareholder in order to complete the shareholder's individual Utah return.

Reminder:

For a Utah resident shareholder, report the same information on their Utah Schedule K-1 for income, losses and deductions that was reported on their federal Schedule K-1.

For a Utah nonresident shareholder, report the **apportioned** Utah income, losses and deductions multiplied by their ownership interest in the S corporation. Use the apportionment fraction from Schedule A, line 11. Expenses directly attributable to Utah sources should be deducted against Utah income in total and not apportioned.

Portfolio income should **not** be allocated to nonresident shareholders. See Schedule A, line 6 instructions on 7.

Utah nonrefundable and refundable credits passed through from the S corporation to both Utah resident and nonresident shareholders are reported on the Utah Schedule K-1.

Line 1 – Utah Ordinary Business Income (Loss)

For a Utah resident shareholder, enter the amount from their federal Schedule K-1, box 1.

For a nonresident shareholder, enter the pro rata share of apportioned Utah ordinary business income (loss) reported on the Utah Schedule A, line 13.

Line 2 – Utah Net Rental Real Estate Income (Loss)

For a Utah resident shareholder, enter the amount from their federal Schedule K-1, box 2.

For a nonresident shareholder, enter the pro rata share of apportioned Utah net rental real estate income (loss) included in the amount reported on the Utah Schedule A, line 13.

Line 3 – Utah Other Net Rental Income (Loss)

For a Utah resident shareholder, enter the amount from their federal Schedule K-1, box 3.

For a nonresident shareholder, enter the pro rata share of apportioned Utah other net rental income (loss) included in the amount reported on the Utah Schedule A, line 13.

Line 4a – Utah U.S. Government Interest Income

For a Utah resident shareholder, enter the amount of U.S. government income included in box 4 of their federal Schedule K-1.

For a nonresident shareholder, enter the pro rata share of apportioned Utah U.S. government interest income included in the amount reported on the Utah Schedule A, line 13.

Line 4b – Utah Municipal Bond Interest Income

For a Utah resident shareholder, enter the amount of Utah taxable municipal bond interest income included on their federal Schedule K-1 line 16.

For a nonresident shareholder, enter the pro rata share of apportioned Utah taxable municipal bond interest income.

Line 4c – Utah Other Interest Income

For a Utah resident shareholder, enter the amount of other interest income (other than interest income shown on lines 4a and 4b, above) included in box 4 of their federal Schedule K-1.

For a nonresident shareholder, enter the pro rata share of apportioned Utah other interest income included in the amount reported on the Utah Schedule A, line 13.

Line 5 – Utah Ordinary Dividends

For a Utah resident shareholder, enter the amount from their federal Schedule K-1, box 5a.

For a nonresident shareholder, enter the pro rata share of apportioned Utah ordinary dividends included in the amount reported on the Utah Schedule A, line 13.

Line 6 – Utah Royalties

For a Utah resident shareholder, enter the amount from their federal Schedule K-1, box 6.

For a nonresident shareholder, enter the pro rata share of apportioned Utah royalties included in the amount reported on the Utah Schedule A, line 13.

Line 7 – Utah Net Short-term Capital Gain (Loss)

For a Utah resident shareholder, enter the amount from their federal Schedule K-1, box 7.

For a nonresident shareholder, enter the pro rata share of apportioned Utah net short-term capital gain (loss) included in the amount reported on the Utah Schedule A, line 13.

Line 8 – Utah Net Long-term Capital Gain (Loss)

For a Utah resident shareholder, enter the amount from their federal Schedule K-1, boxes 8a through 8c.

For a nonresident shareholder, enter the pro rata share of apportioned Utah net long-term capital gain (loss) included in the amount reported on the Utah Schedule A, line 13.

Line 9 – Utah Net Section 1231 Gain (Loss)

For a Utah resident shareholder, enter the amount from their federal Schedule K-1, box 9.

For a nonresident shareholder, enter the pro rata share of apportioned Utah net section 1231 gain (loss) included in the amount reported on the Utah Schedule A, line 13.

Line 10 – Recapture of Section 179 Deduction

For a Utah resident shareholder, enter the amount from their federal Schedule K-1, box 17, code L.

For a nonresident shareholder, enter the pro rata share of any apportioned Utah recapture of a Section 179 deduction included in the amount reported on the Utah Schedule A, line 13.

Line 11 – Utah Other Income (Loss)

For a Utah resident shareholder, enter the amount from their federal Schedule K-1, box 10.

For a nonresident shareholder, enter the pro rata share of apportioned Utah other income (loss) included in the amount reported on the Utah Schedule A, line 13.

Enter the description as shown on the Schedule K in the space provided.

Line 12 – Utah Section 179 Deduction

For a Utah resident shareholder, enter the amount from their federal Schedule K-1, box 11.

For a nonresident shareholder, enter the pro rata share of apportioned Utah section 179 deduction included in the amount reported on the Utah Schedule A, line 13.

Line 13 – Utah Contributions

For a Utah resident shareholder, enter the amount from their federal Schedule K-1, box 12, codes A through G.

For a nonresident shareholder, enter the pro rata share of apportioned Utah contributions included in the amount reported on the Utah Schedule A, line 13.

Line 14 – Utah Investment Interest Expense

For a Utah resident shareholder, enter the amount from their federal Schedule K-1, box 12, code H.

For a nonresident shareholder, enter the pro rata share of apportioned Utah investment interest expense included in the amount reported on the Utah Schedule A, line 13.

Line 15 – Utah Section 59(e)(2) Expenditures

For a Utah resident shareholder, enter the amount from their federal Schedule K-1, box 12, code J.

For a nonresident shareholder, enter the pro rata share of apportioned Utah section 59(e)(2) expenditures included in the amount reported on the Utah Schedule A, line 13.

Line 16 – Foreign Taxes Paid or Accrued

For a Utah resident shareholder, enter the amount from their federal Schedule K-1, box 14, codes L and M.

For a nonresident shareholder, enter the pro rata share of apportioned Utah foreign taxes paid or accrued included in the amount reported on the Utah Schedule A, line 13.

Line 17 – Utah Other Deductions

For a Utah resident shareholder, enter the amount from their federal Schedule K-1, box 12, except codes A through H and J.

For a nonresident shareholder, enter the pro rata share of apportioned Utah other deductions included in the amount reported on the Utah Schedule A, line 13.

Enter the description as shown on the Schedule K in the space provided.

Line 18 – Utah Nonrefundable Credits

Enter each shareholder's pro rata share of Utah non-refundable credits reported on the Utah Schedule K, line 19. Also enter the description and the Utah non-refundable credit code as shown on the Schedule K.

Line 19 – Utah Refundable Credits

Enter each shareholder's pro rata share of Utah refundable credits reported on the Utah Schedule K, line 20. Also enter the description and the Utah refundable credit code as shown on the Schedule K.

Line 20 – Utah Tax Withheld on Behalf of Shareholder

Enter the amount of Utah withholding tax withheld by this corporation on behalf of this shareholder if treated as a pass-through entity taxpayer and calculated on Schedule N, and for whom the waiver from withholding was not requested (see instructions on page 21). This amount will be claimed on the shareholder's individual Utah return.

Enter an "X" if the S corporation entered a "1" in the **Withholding Waiver Request** box at the top of Schedule N to not withhold Utah tax on all pass-through entity taxpayers, or if the S corporation entered a "2" in the **Withholding Waiver Request** box at the top of Schedule N and entered an "X" on line B of Schedule N for this specific shareholder.

Provide each shareholder a copy of their Utah Schedule K-1.

Schedule M – Qualified Subchapter S Subsidiaries Instructions

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

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

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

Schedule N – Pass-through Entity Withholding Tax Instructions

The S corporation, as a pass-through entity, must pay or withhold tax on behalf of each nonresident individual shareholder and each resident or nonresident trust business shareholder (collectively referred to as pass-through entity taxpayers) unless a withholding waiver request is made (see below). An S corporation is not required to withhold on a shareholder that is exempt from the tax under UC §59-7-102(1)(a) or §59-10-104.1, or this corporation is a plan under IRC Sections 401, 408 or 457 and is not required to file a return under UC Chapter 7, or is a publicly traded partnership as defined under UC §59-1403.2(1)(b).

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

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

If the shareholder is a pass-through entity, it must file a Utah return to report its income/loss and withholding allocations to its partners/members/shareholders.

S corporations having shareholders for whom withholding is required must complete Schedule N showing the amount of Utah income attributable to the shareholders, the amount of Utah tax on such income (5%), any Utah mineral production withholding tax and upper-tier Utah pass-through entity withholding tax credited to the shareholders, and the net amount of withholding tax this S corporation must pay on behalf of such shareholders. Use additional forms TC-20S, Schedule N, if needed.

Withholding Waiver Request (UC §59-10-1403.2(5))

You may request a waiver from the requirement to withhold Utah income tax on pass-through entity taxpayers by entering a "1" in the box if the waiver is for **all** shareholders, or a "2" if the waiver is for only certain shareholders. Also enter an "X" on line B and a "0" in column F for each shareholder for whom the waiver is requested.

Requesting the waiver for all or specific shareholders does not relieve the S corporation from the responsibility for the payment of Utah tax on the income allocated to shareholders if the shareholders do not pay. If the shareholder or shareholders for whom you requested a waiver fail to file a return and make the required payment in a timely manner, you will be liable for the withholding on those amounts, plus any associated penalties and interest.

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

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

Line B – Withholding Waiver for this Shareholder

If you entered either a "1" or a "2" in the **Withholding Waiver Request** box at the top of the Schedule N, enter an "X" on line B if this shareholder is included in the waiver request.

If you check this box, enter a "0" on line F for the shareholder.

Line C – SSN/EIN of Shareholder

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

Line D – Percent of Ownership in S Corporation by Shareholder

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

Line E – Income (Loss) Attributable to Utah

Enter the income (loss) attributable to Utah and taxable to the pass-through entity taxpayer.

Calculate this income for a pass-through entity taxpayer by multiplying the amount on Schedule A, line 13 by each pass-through entity taxpayer's percentage shown on line D.

Line F – 5% of Income

Multiply the amount of income attributable to Utah for each pass-through entity taxpayer (line E) by 5%. If the amount on line E is a loss, enter "0." Also enter "0" if the waiver request has been requested for this shareholder (box B checked).

Line G – Mineral Production Withholding Credit

Enter the amount of any mineral production withholding tax allocated by the S corporation to the pass-through entity taxpayer. The credit for mineral production withholding tax reduces the amount of Utah withholding tax that is calculated for this shareholder on Schedule N. The credit should also be reported on line 20 of Schedule K-1 for this shareholder.

Line H – Upper-tier Pass-through Withholding Tax

Enter the amount of any pass-through entity withholding tax paid by an upper-tier (previous) pass-through entity, attributable to this S corporation, and allocated to the pass-through entity taxpayer of this S corporation. The credit for upper-tier pass-through entity withholding tax reduces the amount of Utah withholding tax calculated for this shareholder on Schedule N. The credit should also be reported on line 20 of Schedule K-1 for this shareholder.

Line I – Withholding Tax to be Paid by This Corporation

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

The withholding tax shown in column I is the withholding tax this corporation must withhold or pay on behalf of the pass-through entity taxpayer. This withholding tax is to be reported on line 21 of Utah Schedule K-1 given to the shareholder.

This withholding tax is to be paid to the Tax Commission by the original due date of the return. If the return is being filed on extension, this withholding tax must be prepaid by the original due date.

Total Pass-through Entity Withholding

Add the pass-through withholding in column I for all shareholders. Enter this total at the bottom of the Schedule N and carry it over to Schedule A, line 14 and to Schedule K, line 21.

Pass-through Withholding Tax Calculation Summary

The Utah withholding tax for shareholders who are pass-through entity taxpayers and for whom the waiver is not requested is calculated as follows:

1. Line E – Enter the income allocated to Utah for the shareholder.
2. Line F – Multiply the income on line E by the Utah tax rate of 5% (.05).
3. Line G – Enter any Utah mineral production withholding tax allocated to this shareholder and which is used to reduce the amount of Utah withholding tax calculated.
4. Line H – Enter any previous Utah withholding tax passed-through to this corporation by an upper-tier pass-through entity and allocated to this shareholder, and which is used to reduce the amount of Utah withholding tax calculated.
5. Line I – Enter the tax in column F less the sum of the allocated Utah mineral production withholding tax in column G and the upper-tier pass-through withholding tax in column H. This is the pass-through withholding tax that must be paid by the corporation on behalf of the shareholder. Do not enter an amount less than zero.

TC-250 – Credits Received from Upper-tier Pass-through Entities and Mineral Production Withholding Tax Credit on TC-675R Instructions

TC-250 is used to report Utah nonrefundable and refundable tax credits allocated on a Utah Schedule K-1 to this corporation by an upper-tier pass-through entity in which this corporation owns an interest, as well as mineral production withholding tax credits received on a form TC-675R.

TC-250 must be attached to your corporation return if the partnership received an allocation of nonrefundable and/or refundable credits from an upper-tier pass-through entity on a Utah Schedule K-1.

Upper-tier Pass-through Entity. An upper-tier pass-through entity is a pass-through entity in which this corporation has an ownership interest and from whom this corporation receives an allocation of income, gain, loss, deduction, or credit on a Utah Schedule K-1.

If additional lines are needed to report any category, you may use additional forms TC-250.

Part 1 – Utah Nonrefundable Credits Received from Other Pass-through Entities

Utah nonrefundable tax credits allocated to this corporation by an upper-tier pass-through entity and shown on the Utah Schedule K-1 received from the upper-tier pass-through entity must be reported in Part 1. These credits are found on the Utah Schedule K-1 under nonrefundable credits with a credit code. Do not include the Utah Schedule K-1 the corporation received showing these credits when filing this corporation's return.

First Column

Enter in the first column the federal EIN shown in box "A" of the Utah Schedule K-1 received by this corporation from the upper-tier pass-through entity.

Second Column

Enter in the second column the name shown in box "B" of the Utah Schedule K-1 received by this corporation from the upper-tier pass-through entity.

Third Column

Enter in the third column the nonrefundable credit code shown on the Utah Schedule K-1 received by this corporation from the upper-tier pass-through entity.

Fourth Column

Enter in the fourth column the amount of the distributed Utah nonrefundable credit shown on the Utah Schedule K-1 received by this corporation from the upper-tier pass-through entity.

Carry the nonrefundable credits over to the Utah Schedule K, line 18 for this return. If you have multiple credits for the same credit code, combine the credit amounts before entering on the Schedule K. Allocate the credit to the shareholders on their individual Schedule K-1 based on their ownership percentage.

Part 2 – Utah Refundable Credits Received from Other Pass-through Entities

Utah refundable tax credits allocated to this corporation by an upper-tier pass-through entity and shown on the Utah Schedule K-1 received from the upper-tier pass-through entity must be reported in Part 2. These credits are found on the Utah Schedule K-1 under refundable credits with a credit code. Do not include the Utah Schedule K-1 the corporation received showing these credits when filing this corporation's return.

First Column

Enter in the first column the federal EIN shown in box "A" of the Utah Schedule K-1 received by this corporation from the upper-tier pass-through entity.

Second Column

Enter in the second column the name shown in box "B" of the Utah Schedule K-1 received by this corporation from the upper-tier pass-through entity.

Third Column

Enter in the third column the refundable credit code shown on the Utah Schedule K-1 received by this corporation from the upper-tier pass-through entity.

Fourth Column

Enter in the fourth column the amount of the allocated Utah refundable credit shown on the Utah Schedule K-1 received by this corporation from the upper-tier pass-through entity.

Carry the refundable credits over to the Utah Schedule K, line 19 for this return. If you have multiple credits for the same credit code, combine the credit amounts before entering on the Schedule K. Allocate the credit to the shareholders on their individual Schedule K-1 based on their ownership percentage.

Part 3 – Utah Mineral Production Withholding Tax Credit Received on TC-675R

Utah mineral production tax withheld on production income received by this corporation from the producer shown on form TC-675R must be reported in Part 3. Do not include the TC-675R with your corporation return.

First Column

Enter in the first column the federal EIN shown in box "2" of the form TC-675R received by this corporation.

Second Column

Enter in the second column the producer's name shown in box "1" of the form TC-675R received by this corporation.

Third Column

Enter in the third column the amount of the mineral production withholding tax shown in box "5" of the form TC-675R received by this corporation.

Total the mineral production withholding amounts shown in the third column. Carry this total to the Utah Schedule K for this return and enter it on line 19 using code "46." Distribute this amount to the shareholders on their individual Schedule K-1 based on their ownership percentage.

Corporate/Partnership Payment CouponTC-559
Rev. 12/11**Payment Coupon**

Use payment coupon TC-559 to make the following corporate/partnership tax payments:

- 1) Estimated tax payments
- 2) Extension payments
- 3) Return payments

Mark the circle on the coupon that shows the type of payment you are making.

Corporation Estimated Tax Requirements

Every corporation with a tax liability of \$3,000 or more in the current or previous tax year must make quarterly estimated tax payments. A parent company filing a combined report must make the payment when the total tax is \$3,000 or more for all affiliated companies, including those that pay only the minimum tax.

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

Estimated tax payments are due in four equal payments on the 15th day of the 4th, 6th, 9th and 12th months of the entity's taxable year. You may make quarterly payments equal to 90% of the current year tax or 100% of the previous year tax. A corporation that had a tax liability of \$100 (the minimum tax) for the previous year may prepay the minimum tax amount of \$100 on the 15th day of the 12th month instead of making four \$25 payments.

The Tax Commission will charge an underpayment penalty to entities that fail to make or underpay the required estimated tax.

Extension Payment Requirements

A corporation/partnership will have an automatic filing extension if it makes the necessary extension payment by the return due date. The estimated tax payments must equal at least the lesser of:

- 1) 90 percent of the current year tax liability
(or the \$100 corporation minimum tax, if greater), or
- 2) 100 percent of the previous-year tax liability.

The remaining tax, plus any penalty and interest, is due when the return is filed.

Note: A pass-through entity (partnership or S corporation) must pay 100% of any pass-through withholding by the original due date to avoid penalties and interest.

Penalties and Interest

If your tax payments do not equal the lesser of 90% of the current year tax liability (\$100 minimum tax for corporations) or 100% of the previous year tax liability, we will assess a penalty of 2% of the unpaid tax for each month of the extension period. We will assess a late filing penalty if you file the return after the extension due date.

We will assess interest at the legal rate from the original due date until paid in full.

See Pub 58, *Utah Interest and Penalties*, online at tax.utah.gov/forms.

Where to File

Send your payment coupon and payment to :

Corporate/Partnership Tax Payment
Utah State Tax Commission
210 N 1950 W
Salt Lake City, UT 84134-0180

Electronic Payment

You may pay your estimated tax payments, extension payments and return payments online at taxexpress.utah.gov.

SEPARATE AND RETURN ONLY THE BOTTOM COUPON WITH PAYMENT. KEEP TOP PORTION FOR YOUR RECORDS.

**Corporation/Partnership
Payment Coupon**

Tax year ending (mm/dd/yyyy)

USTC Use Only

Mail to: Utah State Tax Commission, 210 N 1950 W, SLC UT 84134-0180

Estimated payment:

- ☐ 1st qtr. ☐ 3rd qtr. ☐ Extension payment
☐ 2nd qtr. ☐ 4th qtr. ☐ Return payment

Name of corporation/partnership

EIN

Address

City

State

Zip code

Payment amount enclosed \$

00

Make check or money order payable to the Utah State Tax Commission.
Do not send cash. Do not staple check to coupon. Detach check stub.

TC-559
Rev. 12/11

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Common Return Errors

1. **Utah sales factor on Schedule J** – Out-of-state corporations qualified in Utah, but not doing business in Utah, are required to file a Utah corporate return. However, sales into Utah are not required to be included in the gross receipts numerator, except as provided under Rule R-865-6F-24. Conversely, corporations making sales from Utah into a state where they are qualified but not doing business are required to include such sales in the Utah gross receipts numerator as throwback sales.
2. **Dissolution or withdrawal** – Corporations no longer in business or no longer doing business in Utah are required to legally dissolve or withdraw the corporation. See instructions on page 2.



Please arrange your return in the following order:

1. Utah form TC-20S
2. Utah Schedules A through N (if required) in alphabetical order, except Schedules K-1
3. Utah Schedules K-1 for each shareholder
4. Federal extension form, if applicable
5. A copy of the Federal form 1120S, pages 1 through 4 only (plus Schedule M-3, if applicable)
6. **Do not attach federal Schedules K-1**
7. Other supporting documentation as required in these instructions