

# Utah

# 2020



Due to legislative action, these instructions have been amended. See the attached addendum for revised instructions regarding COVID-19 grants and loans.

## S Corporation

## TC-20S Forms & Instructions

# Contents

|  |    |
|--|----|
| General Instructions and Information .....   | 1  |
| TC-20S – Utah S Corporation Tax Return Instructions.....   | 5  |
| Schedule A – Utah Taxable Income for Pass-through Taxpayers .....  | 7  |
| Schedule E – Prepayments of Any Type.....  | 9  |
| TC-20, Schedule J – Apportionment Schedule .....   | 11 |
| Schedule K-1 – Shareholder's Share of Utah Income, Deductions and Credits.....   | 19 |
| Schedule M – Qualified Subchapter S Subsidiaries.....  | 21 |
| Schedule N – Pass-through Entity Withholding Tax.....  | 21 |
| TC-250 – Credits Received from Upper-tier Pass-through Entities and Mineral Production Withholding Tax Credit on TC-675R ..... | 23 |
| TC-559, Corporation/Partnership Payment Coupon.....  | 25 |
| Common Return Errors .....   | 26 |



Cover photo by Randolph Prawitt

## File the Right Corporate Forms

- **TC-20** if Corporation filed federal form 1120, 1120-IC-DISC
- **TC-20S** if S Corporation filed federal form 1120S
- **TC-20MC** if Corporation filed federal forms 1120-H, 1120-RIC, 1120-REIT, 990-T or 8023

## E-Filing is Easier!

E-filing is the easiest and most accurate way to file. Ask your tax preparer about e-filing your individual, fiduciary, 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:

➔ [tap.utah.gov](https://tap.utah.gov)

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

➔ [tax.utah.gov](https://tax.utah.gov)

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



## Utah Taxpayer Advocate Service

The Taxpayer Advocate Service helps taxpayers who have made multiple, unsuccessful attempts to resolve concerns with the Tax Commission. This service helps resolve problems when normal agency processes break down, identifies why problems occurred, and suggests solutions. See [tax.utah.gov/contact](https://tax.utah.gov/contact), or contact us to find out if you qualify for this service at 801-297-7562 or 1-800-662-4335, ext. 7562, or by email at [taxpayeradvocate@utah.gov](mailto:taxpayeradvocate@utah.gov).

Do not use the Taxpayer Advocate Service to bypass normal methods for resolving issues or disputes.

## Need more information?

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

**Research** Utah rules, bulletins and Commission decisions:  
[tax.utah.gov](https://tax.utah.gov)  
Utah Code (UC): [leg.utah.gov](https://leg.utah.gov)  
Internal Revenue Code (IRC):  
[law.cornell.edu/uscode/26](https://www.law.cornell.edu/uscode/26)

## 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 [uscis.gov/e-verify](https://uscis.gov/e-verify).

*If you need an accommodation under the Americans with Disabilities Act, email [taxada@utah.gov](mailto:taxada@utah.gov), or call 801-297-3811 or TDD 801-297-2020. Please allow three working days for a response.*



# General Instructions and Information

## What's New

- **Solar Energy Systems Phase-out:** The maximum Renewable Residential Energy Systems Credit (Credit 21) for solar power systems installed in 2020 is \$1,600.
- **Apportionment Method:** The 2018 Utah Legislature passed HB 293, creating a new apportionment method and changing the industries that qualify as sales factor weighted taxpayers and optional apportionment taxpayers. See page 12.

See the attached addendum for revised instructions.

## Reminders

- **TC-250:** List all nonrefundable and refundable credits received from an upper-tier pass-through entity on a Utah Schedule K-1, and any mineral production withholding tax credit received on a form TC-675R.
- **Market Sourcing of Revenues from Performance of Services by Multi-state Taxpayers:** Corporations performing a service both in and outside of Utah must calculate the sales factor numerator on TC-20, 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 *TC-20, Schedule J – Apportionment Schedule* in this book.

## Identification Numbers

The corporation's federal Employer Identification Number (EIN) is the Utah identification number. 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.

## Corporation Changes

Report corporation changes (e.g., name change, physical and/or mailing address changes, merger, or ceasing to do business in Utah) in writing to:

UT Division of Corporations and Commercial Code  
Department of Commerce  
160 E 300 S, 2nd Floor  
PO Box 146705  
Salt Lake City, UT 84114-6705

and submit form TC-69C to:

Exceptions Processing  
Utah State Tax Commission  
210 N 1950 W  
Salt Lake City, UT 84134-3215

## 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*, email the Tax Commission at [taxmaster@utah.gov](mailto:taxmaster@utah.gov), or call 801-297-7705 or 1-800-662-4335 ext. 7705. We will send you form TC-2001 to complete and return.

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 Business and/or Tax Account*, to Exceptions Processing at the Tax Commission address above.

## S Corporations Not Subject to Tax

An S corporation is not subject to Utah income tax. However, shareholders are liable for Utah income tax in their separate or individual capacities. An S corporation must withhold Utah tax on all nonresident individual pass-through entity taxpayers and all resident or nonresident business, estate, or trust pass-through entity taxpayers. See *Pass-through Entity Withholding Requirements* below.

## 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

### Tax Forms

The Tax Commission does not mail forms for filing corporate taxes. Get forms at [tax.utah.gov/forms](http://tax.utah.gov/forms) or by calling the Forms Hotline at 801-297-6700 or 1-800-662-4335, ext. 6700.

Note: See *What to Attach and What to Keep* later in these *General Instructions* for 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 §1361(a)) that has filed a proper and timely election under IRC §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.

### Example 1:

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

### Example 2:

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

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

## Pass-through Entity Withholding Requirements

S corporations and business entities treated as S corporations are considered pass-through entities (see UC §59-10-1402(10)) and, for tax years beginning on or after Jan. 1, 2009, are required to withhold Utah income tax on all nonresident individual shareholders, on all resident and nonresident business shareholders, and on all resident and nonresident trust and estate shareholders. These shareholders are collectively referred to as pass-through entity taxpayers (see UC §59-10-1402(11)). 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 pass-through entity is a plan under IRC §§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 §59-10-1403.2(1)(b)(iv).

Utah imposes a 4.95 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.

Calculate Utah withholding tax on Schedule N. See the instructions for Schedule N in this book.

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 in this book 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. See *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 pass-through entity withholding provisions as provided in Utah Administrative Rule R865-91-13, apply to short period S corporation returns.

## Where to File

Mail your return to:

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

You may also pay any tax due at [tap.utah.gov](http://tap.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 or the due date of the federal return, whichever is later. 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 NOT an extension of time to pay your taxes – it is only an extension of time to file your return.** 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. See [tax.utah.gov/billing/penalties-interest](http://tax.utah.gov/billing/penalties-interest) and Pub 58, *Utah Interest and Penalties*, at [tax.utah.gov/forms](http://tax.utah.gov/forms).

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

## Interest (in addition to penalties due)

Interest is assessed on underpayments from the due date until the liability is paid in full. The interest rate for the 2021 calendar year is 2 percent.

For more information, get Pub 58, *Utah Interest and Penalties*, at [tax.utah.gov/forms](http://tax.utah.gov/forms).

## Rounding Off to Whole Dollars

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 on the return.**

## 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 you cannot pay the full amount you owe, you can request a payment plan. Go to [tap.utah.gov](http://tap.utah.gov), and click "Request Waiver, Payment Plan or e-Reminder."

You may also:

1. complete form TC-804B, *Business Tax Payment Agreement Request* ([tax.utah.gov/forms](http://tax.utah.gov/forms)), or
2. call the Tax Commission at 801-297-7703 or 1-800-662-4335 ext. 7703.

## 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 5 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. We may ask you to provide them 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 or forward in any given year on the shareholder's Utah return.

## Utah Income

Complete Schedule A to determine 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 TC-20, 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 §59-10-1402(2).

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

The following are examples of business income:

- 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.

## Nonbusiness Income

Nonbusiness income means all income other than business income. See UC §59-10-1402(7). Nonbusiness income includes portfolio income that is not derived in the ordinary course of a pass-through entity's trade or business. The burden of proof is on the taxpayer to justify the manner in which income is claimed on the return.

## Apportionable Income

The following types of income are apportionable business income:

1. Interest, dividends, royalties, gains, etc., derived in the ordinary course of a pass-through entity's trade or business.
2. Interest, dividends, gains, etc., of an entity whose primary business activity is investing funds (such as with a brokerage firm).
3. Income received from holdings in or the sale of partnership interests.

## 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 the 2020 return for calendar year 2020 and fiscal years beginning in 2020 and ending in 2021. 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, 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.

## 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. Get prior year forms and instructions at [tax.utah.gov/forms-pubs/previousyears](https://tax.utah.gov/forms-pubs/previousyears).

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 17. Enter a net refund 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 F 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. List each of these subsidiaries that did business, incorporated or was qualified in Utah on Schedule M.

## Line 5 – Total Tax

Enter the total tax from Schedule A, line 15. If Schedule A is not required because all shareholders are Utah resident individuals, enter zero.

## Line 6 – Total Payments

Enter the total payments from Schedule A, line 18. If Schedule A is not required because all shareholders are Utah residents, enter zero.

## 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. See Pub 58, *Utah Interest and Penalties*.

## Line 9 – Total Due - Pay This Amount

Add lines 7 and 8. Pay at **tap.utah.gov**, or 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 (see the back of this book) and send it 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. We will not issue a refund without a signature.

## Paid Preparer Authorization

If the corporation wants to allow the Tax Commission to discuss this 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's 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 next year's tax return.

If you want to expand the preparer's authorization, complete and submit form TC-737, *Power of Attorney and Declaration of Representative* (**tax.utah.gov/forms**). If you want 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)-(12))

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 credit card payments include a service fee. Follow the instructions at **tap.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 "2020 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 (see the back of this book) 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.

## Supplemental Information to be Supplied by All S Corporations

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

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

## Line 1 – Federal Income (Loss) Reconciliation

Enter the amount of federal income tax or loss reconciliation as shown on federal form 1041, Schedule K, line 18 (R865-9I-13).

See the attached addendum for revised instructions.

## Line 2 – Charitable Contributions

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

## Line 3 – Foreign Taxes

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

## Line 4 – Recapture of Section 179 Deduction

Enter the amounts reported on federal Schedules K-1, box 17, code L.

## Line 5 – Total Income (Loss)

Add lines 1 through 4.

## Line 6 – Utah Net Nonbusiness Income

Enter the nonbusiness income net of expenses allocated to Utah from TC-20, 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.

## Line 7 – Non-Utah Net Nonbusiness Income

Enter the nonbusiness income net of expenses allocated outside Utah from TC-20, Schedule H, line 28.

## Line 8

Add line 6 and line 7.

## Line 9 – Apportionable Income (Loss)

Subtract line 8 from line 5.

## Line 10 – Apportionment Fraction (Decimal)

Enter 1.000000, or the apportionment fraction (decimal) from TC-20, Schedule J, line 9, 13 or 14, if applicable.

## Line 11 – Utah Apportioned Business Income (Loss)

Multiply the apportionable income (loss) on line 9 by the apportionment fraction on line 10.

## Line 12 – Total Utah Income (Loss) Allocated to Pass-through Entity Taxpayers

Add line 6 and line 11.

## Line 13 – 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 at **tax.utah.gov** or use form TC-559, *Corporation/Partnership Payment Coupon*.

Do not include 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 Utah Schedule K-1.

## Line 14 – Utah Use Tax

Use tax is a tax on goods and taxable services purchased for use, storage or other consumption in Utah during the taxable year. Use tax applies only if sales tax was not paid at the time of purchase. If you purchased an item from an out-of-state seller (including Internet, catalog, radio and TV purchases) and the seller did not collect sales tax on that purchase, you must pay the use tax directly to the Tax Commission.

If you have a Utah sales tax license/account, report the use tax on your sales tax return. If you do not have a Utah sales tax license/account, report the use tax on line 14 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 *Use Tax Worksheet* below for each state. Add lines 8 on all worksheets and enter the total on line 14 of Schedule A.

Sales and use tax rates vary throughout Utah. Use the *Use Tax Rate Chart* below 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 percent. 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, *Sales and Use Tax*, at **tax.utah.gov/forms**.

### Use Tax Worksheet

- |  |         |
|--|---------|
| 1. Amount of purchases (except grocery food) subject to use tax              | 1 _____ |
| 2. Use tax rate (decimal from <i>Use Tax Rate Chart</i> )                    | 2 _____ |
| 3. Multiply line 1 by line 2   | 3 _____ |
| 4. Amount of grocery food purchases subject to use tax                       | 4 _____ |
| 5. Multiply line 4 by 3% (.03)   | 5 _____ |
| 6. Add line 3 and line 5   | 6 _____ |
| 7. Credit for sales tax paid to another state on use tax purchases           | 7 _____ |
| 8. Use tax due (subtract line 7 from line 6) (If less than zero, enter "0.") | 8 _____ |

## Line 15 – Total Tax

Add lines 13 and 14. Carry this total to TC-20S, page 1, line 5.

### Use Tax Rate Chart (Effective Dec. 31, 2020)

|   |  |
|---|--|
| <b>.0635 Beaver County</b>  | <b>.0635 Rich County</b>   |
| .0735 Beaver City   | .0795 Garden City  |
| <b>.0610 Box Elder County</b>   | <b>.0725 Salt Lake County</b>  |
| .0665 Brigham City, Perry, Willard  | .0875 Alta   |
| .0640 Mantua  | .0835 Brighton   |
| .0710 Snowville   | .0745 Murray, South Salt Lake  |
| <b>.0670 Cache County</b>   | .0775 Salt Lake City   |
| .0695 Cache Valley Transit, Hyde Park, Lewiston, Millville  | <b>.0635 San Juan County</b>   |
| .0700 Hyrum, Logan, Nibley, N. Logan, Providence, Richmond, River Heights, Smithfield                           | .0675 Blanding, Monticello   |
| <b>.0635 Carbon County</b>  | .0745 Bluff  |
| .0645 Helper  | <b>.0635 Sanpete County</b>  |
| .0675 Price   | .0645 Centerfield, Mayfield  |
| .0665 Wellington  | .0665 Ephraim, Mt. Pleasant  |
| <b>.0735 Daggett County</b>   | .0675 Fairview, Gunnison   |
| .0845 Dutch John  | <b>.0635 Sevier County</b>   |
| <b>.0715 Davis County</b>   | .0645 Aurora, Redmond  |
| .0725 Bountiful, Centerville, Clearfield, Farmington, Layton, N. Salt Lake, Syracuse, W. Bountiful, Woods Cross | .0675 Richfield, Salina  |
| <b>.0635 Duchesne County</b>  | <b>.0715 Summit County</b>   |
| .0645 Duchesne City   | .0905 Mil. Rec. Park City, Park City   |
| .0675 Roosevelt   | .0745 Snyderville Basin Transit  |
| <b>.0635 Emery County</b>   | <b>.0660 Tooele County</b>   |
| .0825 Green River   | .0690 Erda, Grantsville, Lakepoint, Lincoln, Stansbury Park  |
| <b>.0710 Garfield County</b>  | .0700 Tooele City  |
| .0810 Boulder, Panguitch, Tropic  | <b>.0645 Uintah County</b>   |
| .0830 Bryce Canyon  | .0695 Naples, Vernal   |
| .0820 Escalante   | <b>.0715 Utah County</b>   |
| <b>.0685 Grand County</b>   | .0725 American Fork, Cedar Hills, Lindon, Orem, Payson, Pleasant Grove, Provo, Santaquin, Spanish Fork, Vineyard |
| .0875 Moab  | <b>.0610 Wasatch County</b>  |
| <b>.0610 Iron County</b>  | .0640 Heber  |
| .0810 Brian Head  | .0720 Independence   |
| .0620 Cedar City  | .0750 Midway   |
| <b>.0610 Juab County</b>  | .0800 Park City East   |
| .0650 Nephi   | <b>.0645 Washington County</b>   |
| .0635 Santaquin South   | .0675 Hurricane, Ivins, La Verkin, St. George, Santa Clara, Washington City                                      |
| <b>.0710 Kane County</b>  | .0745 Virgin   |
| .0810 Kanab, Orderville   | .0805 Springdale   |
| <b>.0635 Millard County</b>   | <b>.0610 Wayne County</b>  |
| .0645 Fillmore  | <b>.0725 Weber County</b>  |
| <b>.0620 Morgan County</b>  | .0745 Falcon Hill Riverdale, Riverdale   |
| <b>.0610 Piute County</b>   |  |

## Line 16 – 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.

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 Utah Schedule K-1.

## Line 17 – Amended Return Only

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

## Line 18 – Total Payments

Add lines 16 and 17. Carry this total to TC-20S, page 1, line 6.

## Schedule E – Prepayments of Any Type

Do not include 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 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 16.

## TC-20, Schedule H – Nonbusiness Income Net of Expenses

Complete TC-20, Schedule H to determine nonbusiness income allocated to Utah and outside Utah.

**Nonbusiness income** is all income that does not arise from the conduct of a taxpayer's trade or business operations. Intangible income must be properly classified and based upon factual evidence. The burden of proof is on the taxpayer to justify the manner in which the income is claimed on the return.

**Interest income** is business income where the intangible with respect to which the interest was received arises out of or was created in the regular course of the taxpayer's trade or business operations, or where the purpose for acquiring and holding the intangible is an integral, functional, or operative component of the taxpayer's trade or business operations, or otherwise materially contributes to the production of business income of the trade or business operations. See Tax Commission Rule R865-6F-8(2)(e)(iii).

**Dividends** are business income where the stock with respect to which the dividends were received arose out of or was acquired in the regular course of the taxpayer's trade or business operations or where the acquiring and holding of the stock is an integral, functional, or operative component of the taxpayer's trade or business operations, or otherwise

materially contributes to the production of business income of the trade or business operations. See Tax Commission Rule R865-6F-8(2)(e)(iv).

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

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

Complete Schedule H as follows:

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



Use additional pages or supporting schedules in the same format, if necessary, to provide complete information, including a description of the business purpose for making the investment, the transactions creating the nonbusiness income, and the use of revenues generated by the nonbusiness 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 allocated. Use additional pages or supporting schedules in the same format, if necessary, to provide complete information about additional sources of nonbusiness income.

### Line 2 – Total of Columns C and D

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

### Line 3 – Total Utah Nonbusiness Income

Enter the total of column E, lines 1a through 1e.

### 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 federal 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, page 1, line 6.

## Non-Utah Nonbusiness Income

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

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

### Line 16 – Total of Columns C and D

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

### Line 17 – Total Non-Utah Nonbusiness Income

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

### Lines 18a-18e – Direct Related Expenses

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

### Line 19 – Total Direct Related Expenses

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

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

Subtract line 19 from line 17.

### Line 21 – Beginning-of-Year Assets

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

### Line 22 – End-of-Year Assets

Enter in column A the total end-of-year value of assets used to produce non-Utah nonbusiness income 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 Values**

Divide line 23 by 2 for each column.

**Line 25 – Non-Utah Nonbusiness Asset Ratio**

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

**Line 26 – Interest Expense**

Enter the total amount of interest deducted on federal form 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, page 1, line 7.

## TC-20, Schedule J – Apportionment Schedule

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 property in Utah to total property everywhere, for wages and salaries in Utah to total wages and salaries everywhere, and for sales in Utah to total sales everywhere. Use these factors or ratios to arrive at the Utah apportionment fraction calculated to **six decimals**. Then apply this fraction (decimal) 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.

Your economic activities, and your method of apportioning income in the previous year, dictate the apportionment method you may use.

### Pass-through Entity Taxpayers

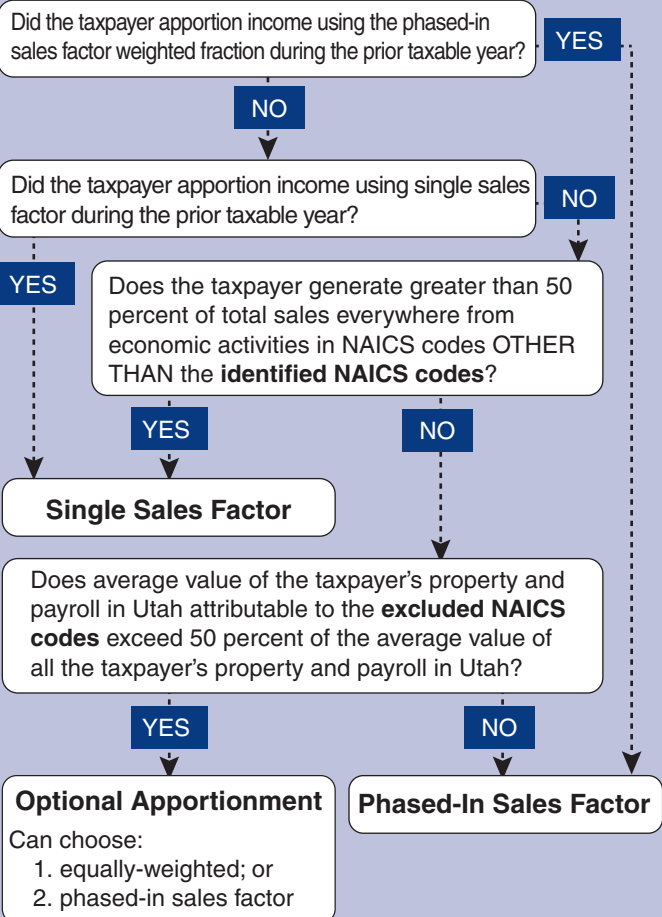
Partners, shareholders and beneficiaries of pass-through entities (an entity taxed as a partnership, s-corporation or trust) must include their pro rata share of the pass-through entity's property, payroll and sales in their calculation of the apportionment factor on TC-20, Schedule J, page 1.

If a corporation holds direct and indirect ownership interests in tiered pass-through entities, it must include its pro rata share of the apportionment factors (property, payroll and sales) of the pass-through entities, applying the respective ownership percentages. For example, a corporation that holds 50 percent interest in Partnership A that in turn holds 20 percent interest in Partnership B would include 50 percent of the factors of Partnership A, and 10 percent (50 percent of 20 percent) of the factors of Partnership B.

### Apportionment Method

To determine if you are a sales factor weighted taxpayer, a phased-in sales factor weighted taxpayer, or an optional apportionment taxpayer, take into account the economic activities of each of the entities included in the return. Include the economic activities of any pass-through entities whose income and factors are included in the return.

## Optional Apportionment or Sales Factor Weighted?



### Excluded NAICS Codes:

Code 211120 Crude Petroleum Extraction  
 Industry Group 2121 Coal Mining  
 Industry Group 2212 Natural Gas Distribution  
 Subsector 311 Food Manufacturing  
 Industry Group 3121 Beverage Manufacturing  
 Code 327310 Cement Manufacturing  
 Subsector 482 Rail Transportation  
 Code 512110 Motion Picture and Video Production  
 Subsector 515 Broadcasting (except internet)  
 Code 522110 Commercial Banking

### Identified NAICS Codes:

Sector 21 Mining;  
 Industry Group 2212 Natural Gas Distribution  
 Sector 31-33 Manufacturing EXCEPT:  
 • Industry Group 3254 Pharmaceutical & Medicine Manufacturing  
 • Industry Group 3333 Commercial & Service Industry Machinery Manufacturing  
 • Subsector 334 Computer & Electronic Manufacturing  
 • Code 336111 Automobile Manufacturing  
 Sector 48-49 Transportation & Warehousing  
 Sector 51 Information EXCEPT:  
 • Subsector 519 Other Information Services  
 Sector 52 Finance & Insurance

## Sales Factor Weighted Taxpayers

A sales factor weighted taxpayer may only use the sales factor weighted apportionment formula.

A sales factor weighted taxpayer is a taxpayer that either:

1. apportioned income using the sales factor weighted fraction during the prior taxable year, or
2. generates more than 50 percent of total sales everywhere from economic activities in any NAICS codes OTHER THAN these identified NAICS codes:
  - Sector 21, Mining;
  - Industry Group 2212, Natural Gas Distribution;
  - Sector 31-33, Manufacturing EXCEPT:
    - Industry Group 3254, Pharmaceutical and Medicine Manufacturing
    - Industry Group 3333, Commercial and Service Industry Machinery Manufacturing
    - Subsector 334, Computer and Electronic Product Manufacturing
    - Code 336111, Automobile Manufacturing
  - Sector 48-49, Transportation and Warehousing
  - Sector 51, Information EXCEPT:
    - Subsector 519, Other Information Services
  - Sector 52, Finance and Insurance

Report property and payroll factors on Schedule J, page 1, but do not use them to calculate the apportionment of sales factor weighted taxpayers.

Sales factor weighted taxpayers must calculate the apportionment fraction on Schedule J, Page 2 using Part 3 - *Sales Factor Weighted Taxpayers Only*.

## Optional Apportionment Taxpayers

To determine if you are an optional apportionment taxpayer, first calculate the following property and payroll factor fractions:

- **Property factor fraction:** Add together the value of property in Utah attributable to economic activities that are classified in an excluded NAICS code. Divide this number by the value of all property in Utah. Remove property from this calculation if the property is attributable to economic activities in both excluded NAICS codes and non-excluded NAICS codes.
- **Payroll factor fraction:** Add together the amount of payroll in Utah attributable to economic activities that are classified in an excluded NAICS code. Divide this number by the total amount of payroll in Utah. A taxpayer engaged in activities in an excluded NAICS code must remove an individual's payroll from this calculation of the payroll factor fraction if the individual's payroll may be attributed to economic activities in both excluded NAICS codes and NAICS codes that are not excluded, or to providing management, information technology, finance, accounting, legal or human resource services.

Add the property and payroll factor fractions and divide that sum by two. If either the property factor fraction or payroll factor fraction has a denominator of zero, or is otherwise excluded, divide by one. If the average is greater than 50 percent, you are an optional apportionment taxpayer.



Optional apportionment taxpayers may calculate the apportionment fraction using either the equally-weighted three factor formula (Schedule J, Part 1) or the phased-in sales factor formula (Schedule J, Part 2).

Excluded NAICS codes are NAICS codes of the 2017 North American Industry Classification System within:

- Code 211120, Crude Petroleum Extraction
- Industry Group 2121, Coal Mining
- Industry Group 2212, Natural Gas Distribution
- Subsector 311, Food Manufacturing
- Industry Group 3121, Beverage Manufacturing
- Code 327310, Cement Manufacturing
- Subsector 482, Rail Transportation
- Code 512110, Motion Picture and Video Production
- Subsector 515, Broadcasting (except Internet)
- Code 522110, Commercial Banking

## Phased-in Sales Factor Weighted Taxpayers

A phased-in sales factor weighted taxpayer is a taxpayer that either:

1. is not a sales factor weighted taxpayer,
2. does not meet the definition of an optional apportionment taxpayer, or
3. meets the definition of an optional apportionment taxpayer and used the phased-in sales factor method of apportioning income during the previous tax year.

If the calculation of the property and payroll fractions you use to determine if you are an optional apportionment taxpayer is less than or equal to 50 percent, you are a phased-in sales factor weighted taxpayer.

For tax years that begin between Jan. 1, 2020 and Dec. 31, 2020, a phased-in sales factor weighted taxpayer calculates the apportionment fraction using Schedule J, Part 2.

## Line Instructions

### 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 you own is valued at its original cost. Property you rent is valued at eight times the net annual rental rate. Net annual rental rate is the annual rental rate you pay less the annual rate you receive 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 your property's average value.

Attach a supporting schedule whenever you use monthly averaging.

If you are a pass-through entity taxpayer, add to line 1e any amounts listed on line J of any TC-65 Schedule K-1 you have received.

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

### Line 2 – Property Factor Calculation

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

### Line 3 – Payroll Factor

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

Compensation is paid in Utah if:

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

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

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

If you are a pass-through entity taxpayer, add to line 3a any amounts listed on line K of any TC-65 Schedule K-1 you have received.

### Line 4 – Payroll Factor Calculation

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

### Lines 5a - 5h – Sales Factor

The sales factor is the fraction the sales or charges for services within Utah for the taxable year bear to the overall sales for the taxable year. Gross receipts from the performance of services in Utah are assigned to the Utah sales numerator if the purchaser of the service receives a greater benefit of the service in Utah than in any other state.

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

Sales of tangible personal property are in Utah if the property is delivered or shipped to a purchaser within Utah regardless of the F.O.B. point or other conditions of the sale, or if the property is shipped from an office, store, warehouse, factory or other place of storage in Utah and:

1. the purchaser is the United States Government, or
2. the taxpayer is not taxable in the state of the purchaser.

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

**Note:** Securities brokerage businesses must follow the provisions in UC §59-7-319(6).

If you are a pass-through entity taxpayer, add to line 5g any amounts listed on line L of any TC-65 Schedule K-1 you have received.

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

This is a mandatory field. Your NAICS code may dictate your apportionment method.

Enter on line 7 the NAICS code for the primary business activity. Do not use the holding company NAICS code.

If multiple NAICS codes apply to this filing, attach an explanation showing the percentage of business activity associated with each NAICS code.

## Apportionment Fraction

### ► Part 1 – Equally-Weighted Three Factor Formula

If you are an optional apportionment taxpayer using the equally-weighted three factor formula, complete lines 8 and 9. Otherwise, leave lines 8 and 9 blank.

### Line 8 – Total Factors

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

### Line 9 – Apportionment Fraction

Calculate the apportionment fraction to six decimals by dividing line 8 by the number of factors used (typically 3 – property, payroll and sales).

- If one or more of the factors are not present (i.e., there is a zero in the denominator on lines 1f, 3a or 5h in column B), divide by the number of factors present.
- If the numerator is zero, but a denominator is present, include that factor in the number of factors present.

Enter the apportionment fraction (decimal) here and on Schedule A, line 12.

### ► Part 2 – Phased-in Sales Factor Formula

Use the above flowchart to determine if you must or may use the single sales factor formula. If you are not a sales factor weighted taxpayer, you may choose to use the phased-in sales factor formula.

## Line 10 – Phased-in Sales Factor

Enter an “X” on line 10 for phased-in sales factor.

## Line 11 – Sales Factor

Multiply the sales factor (decimal) from line 6 by 8. This will result in the sales factor being considered eight times in the calculation.

## Line 12 – Total Factors

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

## Line 13 – Apportionment Fraction

Calculate the phased-in sales factor to six decimals by dividing line 12 by the number of factors used (typically 10 – property, payroll and eight 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 eight factors for sales).
- If the numerator is zero, but a denominator is present, include that factor in the number of factors present.

Enter the apportionment fraction (decimal) here and on Schedule A, line 12.

## ► Part 3 – Sales Factor Weighted Taxpayers

See instructions above for the definition and qualifications of a sales factor weighted taxpayer.

Leave line 14 blank if you are an optional apportionment taxpayer.

## Line 14 – Apportionment Fraction

Enter the sales factor from line 6 of Schedule J, page 1. This is the apportionment fraction for this apportionment method. (Property and payroll factors are not used in the calculation of the apportionment fraction for a sales factor weighted taxpayer.)

Enter the apportionment fraction (decimal) here and on Schedule A, line 12.

## Specialized Apportionment Laws and Rules

Specialized apportionment procedures apply for:

- Trucking Companies (R865-6F-19)
- Railroads (R865-6F-29)
- Publishing Companies (R865-6F-31)
- Financial Institutions (R865-6F-32)
- Telecommunications (R865-6F-33)
- Registered Securities or Commodities Broker or Dealer (R865-6F-36)
- Airlines (UC §§59-7-312 thru 319)
- Sale of Management, Distribution or Administration Services to or on Behalf of a Regulated Investment Company (UC §59-7-319(5))

# Schedule K – Shareholders' Pro Rata Share Items

Attach 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](https://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 §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 §179 from box 17, code L of federal Schedules K-1. 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.

See the attached addendum for revised instructions.

Describe the type of income in the space provided.

## Line 12 – Section 179 Deduction

Enter in the first column the federal §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 §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 14p 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 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 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.

### Nonrefundable Credit Codes

- 02** Qualified Sheltered Workshop Cash Contribution Credit
- 04** Capital Gain Transactions Credit
- 05** Carryforward of Clean Fuel Vehicle Credit (TC-40V)
- 06** Historic Preservation Credit
- 08** Low-Income Housing Credit
- 12** Credit for Increasing Research Activities in Utah
- 21** Renewable Residential Energy Systems Credit (TC-40E)
- 63** Achieving a Better Life Experience (ABLE) Program Credit
- AB** Student Prosperity Savings Program 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:

Division of Services for People with Disabilities  
195 N 1950 W  
Salt Lake City, UT 84116  
1-844-275-3773  
[dspd.utah.gov](http://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](http://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 Credit

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

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

The clean fuel vehicle credit is no longer available. The five-year carryforward remains for credit earned before 2017. If you have unused credit from a year prior to 2017, you may carry it forward through tax year 2021 or until the credit is used up (whichever comes first). The carryforward must not be more than your tax liability in the year you claim it.

### (06) Historic Preservation 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 to provide the Tax Commission upon request.

For more information, contact:

State Historic Preservation Office  
300 S Rio Grande St  
Salt Lake City, UT 84101  
801-245-7251

[history.utah.gov/preservation/financial-incentives](http://history.utah.gov/preservation/financial-incentives)

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

This credit is determined by the Utah Housing Corporation for owners of a low-income housing project who also received part of the federal low-income housing credit. When this credit ap-

plies, the project owner will provide you with form TC-40TCAC (issued by the Utah Housing Corporation).

If you share in this credit, get 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 also complete and attach to his/her return form TC-40LIS, *Utah Credit Share Summary of Low-Income Housing Project*.

For more information, contact:

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

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

The credit is:

1. 5 percent of your qualified expenses for increasing research activities in Utah above a base amount,
2. 5 percent of certain payments made to a qualified organization increasing basic research in Utah above a base amount, and
3. 7.5 percent of your qualified research expenses in Utah for the current taxable year.

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

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

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

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

Get form TC-40E, *Renewable Residential and Commercial Energy Systems Tax Credits*, from the Governor's Office of Energy Development with their certification stamp showing the amount of the credit. Do not send form TC-40E with your return. Keep the form and all related documents with your records to provide the Tax Commission upon request.

For more information, contact:

Governor's Office of Energy Development (OED)  
PO Box 144845  
Salt Lake City, UT 84114  
801-538-8732 or 801-538-8682  
[energy.utah.gov/renewabletaxcredit](http://energy.utah.gov/renewabletaxcredit)

## **(63) Achieving a Better Life Experience (ABLE) Program Credit** (UC §59-10-1035)

You may claim a credit for 5 percent of the total qualified contributions you made to a Utah resident's *Achieving a Better Life Experience Program* account. You must make the contributions during the taxable year and have an itemized statement from the qualified ABLE program.

You may not claim a credit for an amount greater than the federal gift tax exclusion (IRC §2503) or an amount already deducted on your federal income tax return.

### **Credit calculation**

Contributions \_\_\_\_\_ x .05 = Credit \_\_\_\_\_

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

For more information, contact:

Department of Workforce Services  
140 E 300 S  
PO Box 45249  
Salt Lake City, UT 84145-0249  
801-526-9675  
[jobs.utah.gov](http://jobs.utah.gov)

## **(AB) Student Prosperity Savings Program Credit** (UC §59-10-1017.1)

You may claim a credit for 5 percent of a qualified donation to the Student Prosperity Savings Program. You will receive a donation receipt from the plan. Keep this receipt with your records. You may claim this credit in addition to the Utah my529 Credit if you also make a qualified contribution to a my529 account. You **must** donate to the Student Prosperity Savings Program in order to claim this credit.

You may not claim a credit for an amount already deducted on your federal income tax return.

### **Credit calculation**

Donation \_\_\_\_\_ x .05 = Credit \_\_\_\_\_

**Note:** You may not carry forward or back any credit that is more than your tax liability.

For more information, contact:

my529  
[my529.org](http://my529.org)  
1-800-418-2551

## **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.

**Refundable Credit Codes**

- 36** Upper-tier Pass-through Entity Withholding Tax
- 39** Renewable Commercial Energy Systems Credit (TC-40E)
- 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 owns an interest in another pass-through entity, that pass-through entity 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 S corporation then distributes the credit for the pass-through entity withholding tax to its shareholders.

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 Utah Schedule K-1 the corporation received showing this credit when filing this corporation's return.

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

Get form TC-40E, *Renewable Residential and Commercial Energy Systems Tax Credits*, from the Governor's Office of Energy Development with their certification stamp. Do not send this form with your return. Keep the form and all related documents with your records to provide the Tax Commission upon request.

For more information, contact:

Governor's Office of Energy Development (OED)  
 PO Box 144845  
 Salt Lake City, UT 84114  
 801-538-8732 or 801-538-8682  
[energy.utah.gov/renewabletaxcredit](http://energy.utah.gov/renewabletaxcredit)

**(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 that is 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 31.1 cents per gallon for motor fuel and undyed diesel fuel bought in Utah during 2020 and used to operate stationary farm engines and self-propelled farm machinery used solely for commercial non-highway agricultural use if the fuel was taxed at the time it was bought.

This does not include golf courses, horse racing, boat operations, highway seeding, vehicles registered for highway use, hobbies, personal farming and other non-agricultural use.

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**Credit calculation:**

Gallons \_\_\_\_\_ x .311 = Credit \_\_\_\_\_

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There is no form for this credit. Keep all related documents with your records to provide the Tax Commission upon request.

**(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 to provide the Tax Commission upon request.



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

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 employer 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.

## Shareholder's Share of Apportionment Factors

- Line F. Enter the shareholder's share of the S corporation's property apportionment factor. Multiply both Column A and Column B of Schedule J, line 1f, by the shareholder's percent of ownership (line E, above).
- Line G. Enter the shareholder's share of the S corporation's payroll apportionment factor. Multiply both Column A and Column B of Schedule J, line 3a, by the shareholder's percent of ownership (line E, above).
- Line H. Enter the shareholder's share of the S corporation's sales apportionment factor. Multiply both Column A and Column B of Schedule J, line 5h, by the shareholder's percent of ownership (line E, above).

## 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 10. Expenses directly attributable to Utah sources should be deducted against Utah income in total and not apportioned.

Utah nonrefundable and refundable credits passed through from the S corporation to both Utah resident and nonresident shareholders are reported on 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 Utah Schedule A, line 12.

## 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 Utah Schedule A, line 12.

## 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 Utah Schedule A, line 12.

## 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 Utah Schedule A, line 12.

## 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 Utah Schedule A, line 12.

## 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 Utah Schedule A, line 12.

**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 Utah Schedule A, line 12.

**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 Utah Schedule A, line 12.

**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 Utah Schedule A, line 12.

**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 §1231 gain (loss) included in the amount reported on Utah Schedule A, line 12.

**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 §179 deduction included in the amount reported on Utah Schedule A, line 12.

**Line 11 – Utah Other Income (Loss)**

For a Utah resident shareholder, enter the amount from their federal Schedule K-1, box 13.

For a nonresident shareholder, enter the pro rata share of apportioned Utah other income (loss) included in the amount reported on Utah Schedule A, line 12.

Enter the description as shown on 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 §179 deduction included in the amount reported on Utah Schedule A, line 12.

**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 Utah Schedule A, line 12.

**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 Utah Schedule A, line 12.

**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 §59(e)(2) expenditures included in the amount reported on Utah Schedule A, line 12.

**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 Utah Schedule A, line 12.

**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 Utah Schedule A, line 12.

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

**Line 18 – Utah Nonrefundable Credits**

Enter each shareholder's pro rata share of Utah nonrefundable credits reported on Utah Schedule K, line 18. Also enter the description and the Utah nonrefundable credit code as shown on Schedule K.

**Line 19 – Utah Refundable Credits**

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

See the attached addendum for revised instructions.

## Schedule M – Qualified Subchapter S Subsidiaries

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

You may not use any other form as a substitute for Schedule M without prior approval from the Tax Commission. See *Guidelines for Substitute Utah Tax Forms*, at [tax.utah.gov/developers/substitute-forms](http://tax.utah.gov/developers/substitute-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

The S corporation, as a pass-through entity, must pay or withhold tax on behalf of each nonresident individual shareholder, each resident or nonresident business shareholder, and each resident or nonresident trust or estate 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 Utah tax on a shareholder if:

- the shareholder is exempt from taxation under UC §59-7-102(1)(a) or §59-10-104.1;
- this corporation is a plan under IRC §§401, 408 or 457 and is not required to file a return under UC Chapter 7; or
- this corporation is a publicly traded partnership as defined under UC §59-10-1403.2(1)(b)(iv).

**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/beneficiaries.

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 (4.95%), 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 Claim

(UC §59-10-1403.2(5))

You may claim 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 claimed.

Claiming 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 claimed a waiver fail to file a return and make the required payment in a timely manner, you will be liable for the withholding, plus any penalties and interest.



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

Enter the name of each nonresident individual shareholder, resident/nonresident business shareholder, or resident/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 Claim** box at the top of Schedule N, enter an "X" on line B if this shareholder is included in the waiver claim.

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, the federal employer identification number (EIN) of each resident/nonresident business shareholder, or the EIN of each resident/nonresident trust or estate 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 12 by each pass-through entity taxpayer's percentage shown on line D.

### Line F – 4.95% of Income

Multiply the amount of income attributable to Utah for each pass-through entity taxpayer (line E) by 4.95 percent (.0495). 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. Also report the credit on line 19 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. Also report the credit 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 reported on line 20 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 Schedule N and carry it over to Schedule A, line 13 and to Schedule K, line 20.

### Pass-through Withholding Tax Calculation Summary

The Utah withholding tax for shareholders who are pass-through entity taxpayers 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 4.95 percent (.0495).
3. Line G – Enter any Utah mineral production withholding tax allocated to this shareholder that 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 that 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

Use TC-250 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.

**Attach form TC-250 to your S corporation return if the corporation 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.

Use additional copies of form TC-250 if you need more lines to report any category.

## ► 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 Utah Schedule K-1 received from the upper-tier pass-through entity must be reported in Part 1. These credits are found on Utah Schedule K-1 under nonrefundable credits with a credit code. Do not include 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 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 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 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 Utah Schedule K-1 received by this corporation from the upper-tier pass-through entity.

Carry the nonrefundable credits to 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 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 Utah Schedule K-1 received from the upper-tier pass-through entity must be reported in Part 2. These credits are found on Utah Schedule K-1 under refundable credits with a credit code. Do not include 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 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 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 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 Utah Schedule K-1 received by this corporation from the upper-tier pass-through entity.

Carry the refundable credits to 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 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 "6" of the form TC-675R received by this corporation.

Total the mineral production withholding amounts shown in the third column. Carry this total to 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.



Utah State Tax Commission

**Corporate/Partnership Payment Coupon**TC-559  
Rev. 11/16**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 percent of the current year tax or 100 percent 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 has 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 percent 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 percent of the current-year tax liability (\$100 minimum tax for corporations) or 100 percent of the previous-year tax liability, we will assess a penalty of 2 percent 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*, at [tax.utah.gov/forms](http://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 make estimated tax, extension and return payments at [tap.utah.gov](http://tap.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)

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

**TC-559**  
Rev. 11/16

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.

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# Common Return Errors

1. **Utah sales factor on TC-20, 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 R865-6F-24. Conversely, corporations making sales from Utah into a state where they are qualified but not doing business are required to include such sales in the Utah gross receipts numerator as throwback sales, except as provided under Utah Rule R865-6F-24.
2. **Dissolution or withdrawal** – Corporations no longer in business or no longer doing business in Utah are required to legally dissolve or withdraw the corporation. See instructions on page 1.
3. **Pass-through entity income and factors** – Income or loss from partnership or joint venture interests must be included in income and apportioned to Utah.



## 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 5 only (plus Schedule M-3 and IRS form 1125-A, if applicable)
6. **Do not attach federal Schedules K-1**
7. Other supporting documentation **only** as requested in these instructions

# 2020 TC-20S Instructions Addendum

## RE: COVID-19 Grants and Loans

### What's New

The 2020 legislature passed SB 6005 for the treatment of Paycheck Protection Loans and other federal grants or loans related to COVID-19.

Follow the instructions in this addendum if you meet the qualifications or if you own an interest in an LLC, a partnership, an s-corporation or a trust that meets the qualifications.

These instructions do not apply to a grant or loan issued by a Utah local government agency. See UC §59-7-106(i)(x).

**These instructions supersede already-published tax return instructions.**



## TC-20S, Schedule A – Utah Taxable Income for Pass-through Taxpayers

### Line 1 – Federal Income (Loss) Reconciliation, COVID-19 Grants and Loans

➔ Enter on this line **TWO TYPES** of income:

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

2. Paycheck Protection Loans and other federal grants and loans related to COVID-19 if:

- a. the grant or loan was forgiven during the 2020 tax year,
- b. the value of the grant or loan is not subject to federal income tax, and
- c. the grant or loan is used for expenses that are deductible for federal income tax purposes.



## TC-20S, Schedule K – Shareholders' Pro Rata Share Items

### Line 11 – Other Income (loss)

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

Also use the federal column of line 11 for amounts of any Paycheck Protection Loans or similar federal grants and loans related to COVID-19 that are included on TC-20S, Schedule A, Line 1. Enter in the Utah column the total reported on all Utah Schedules K-1.

Describe the type of income in the space provided.



## TC-20S, Schedule K-1 – Shareholder's Share of Utah Income, Deductions and Credits

### Line 11 – Other Income (loss)

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

Also use line 11 to report the shareholder's pro rata share of COVID-19 grant or loan income included on TC-20S, Schedule A, Line 1.

For a **nonresident** shareholder, enter the pro rata share of apportioned Utah other income (loss) included on TC-20S, Schedule A, line 12.

Also use line 11 to report the amount of COVID-19 grant or loan income included on TC-20S, Schedule A, Line 1.

For all entries on line 11, enter the description shown on Utah Schedule K, line 11, in the space provided.