

STATE 2023

**TC-20S Forms and
Instructions**

S Corporation



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

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Cover art 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

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

→ tax.utah.gov

- Download forms and instructions for all Utah tax types.
- 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, 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.

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
Utah Code (UC): le.utah.gov
Internal Revenue Code (IRC):
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.

If you need an accommodation under the Americans with Disabilities Act, email 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 2023 is \$400.
- **Utah Tax Rate:** The 2023 Utah Legislature passed HB 54, lowering the corporate income tax rate from 4.85 percent to 4.65 percent.
- **Payroll Protection Program Loan Addback:** In certain situations you must add to your income the amount of PPP grants or loans forgiven in 2023. See page 7.

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* on page 11.
- **Method of Apportioning Income:** To determine if you qualify as an optional apportionment taxpayer or a sales factor weighted taxpayer, see *Schedule J – Apportionment Schedule* on page 11.

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:

Master Records
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, or call 801-297-2200 or 1-800-662-4335. We will send you an *Application for Tax Clearance to Withdraw a Foreign Corporation* 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 Master Records 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 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* on page 3 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(11)) and must 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(12)). 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 4.65 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, previous pass-through entity withholding tax allocated to the shareholder, and taxes paid for this shareholder with form TC-75, *Voluntary Taxable Income Election for Pass-through Entities*.

Calculate Utah withholding tax on Schedule N. See the instructions for Schedule N on page 21.

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 must 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)).

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.

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

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

Interest (in addition to penalties due)

Interest is assessed on underpayments from the due date until the liability is paid in full. The interest rate for the 2024 calendar year is 7 percent.

For more information, get Pub 58, *Utah Interest and Penalties*, at 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.**

Negative Numbers

When reporting losses or other negative numbers, do not use parentheses. Always indicate a negative number with a minus sign (-).

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. Log into your corporate account at tap.utah.gov, and click "Request waiver, payment plan or payment plan email."

You may also:

1. complete form TC-804B, *Business Tax Payment Agreement Request* (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(8). 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.

Payment Options

Online

Easily and securely pay your tax online with your credit card, an electronic check (ACH debit), or other electronic options. Online payments may include a service fee. Pay at tap.utah.gov.

Check or Money Order

To pay by check or money order, mail your check or money order with your return. Make payable to the "Utah State Tax Commission" and write your daytime phone number and "2023 TC-20S" on the check. **Do not staple** to your 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.

If paying by mail, **include a TC-559 coupon with your payment**. See form TC-559 on page 25 of these instructions.

TC-20S – Utah S Corporation Tax Return Instructions

Filing Period

File the 2023 return for calendar year 2023 and fiscal years beginning in 2023 and ending in 2024. 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* on page 1.

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 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.

Enter your **current address** on an amended return.

Amend your return if:

- you discover an error on your Utah or federal return after it has been filed, or
- your federal return is examined or adjusted by the IRS and the examination 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, at the top of page 1, on the “Amended Return” line, enter the code number from the following list that best describes your **Reason for Amending**:

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 examination or adjustment and it affects your Utah return. Attach a copy of the IRS adjustment.
- 4 Other. Attach an explanation to your return.

Enter the corrected figures on the return and/or schedules. Enter all other amounts as shown on your original return. If you received a refund on your original return, subtract the previous refund (exclude refund interest) from the amount of any tax paid with the original return and/or subsequent payment of the tax prior to filing the amended return. Enter the net amount on Schedule A, line 19. 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 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*.

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 percent.

Note: The percentage of shares must be the same as the total of the stock ownership percentages entered on line G 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 17. 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 20. 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 page 25) and send it with your payment. See *Payment Options* on page 4 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).

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

Line 2 – Charitable Contributions

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

Line 3 – Foreign Taxes

Enter the amount of foreign taxes deducted on federal form 1120S, Schedule K, line 16f.

Line 4 – Recapture of Section 179 Deduction

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

Line 5 – Payroll Protection Program Grant or Loan Addback

If you received a COVID-19 Payroll Protection Program (PPP) grant or loan, enter any amount that:

1. was forgiven during the 2023 tax year,
2. is exempt from federal income tax, and
3. you used for expenses that you deducted on your federal tax return.

Line 6 – RESERVED

Line 7 – Total Income/Loss

Add lines 1 through 6.

Line 8 – 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 9 – Non-Utah Net Nonbusiness Income

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

Line 10

Add line 8 and line 9.

Line 11 – Apportionable Income/Loss

Subtract line 10 from line 7.

Line 12 – Apportionment Fraction (Decimal)

Enter 1.000000, or the apportionment fraction (decimal) from TC-20, Schedule J, line 9 or 10, if applicable.

Line 13 – Utah Apportioned Business Income/Loss

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

Line 14 – Total Utah Income/Loss Allocated to Pass-through Entity Taxpayers

Add line 8 and line 13.

Line 15 – Total Pass-through Withholding Tax

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

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 16 – 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 16 of TC-20S, Schedule A.

You may take a credit for sales or use tax paid to another state (but not a foreign country). If the other state's tax rate is lower than Utah's, you must pay the difference. If the other state's tax rate is more than Utah's, no credit or refund is given. If sales tax was paid to more than one state, complete the *Use Tax Worksheet* below for each state. Add lines 8 on all worksheets and enter the total on line 16 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 Rate Chart (Effective Dec. 31, 2023)

.0635	Beaver County	.0885	Alta
.0735	Beaver City	.0835	Brighton
.0635	Box Elder County	.0745	Murray, South Salt Lake
.0690	Brigham City, Perry, Willard	.0775	Salt Lake City,
.0665	Mantua		Inland Port SLC,
.0735	Snowville		SLC Convention Hotel
.0670	Cache County	.0635	San Juan County
.0695	Cache Valley Transit, Hyde	.0675	Blanding, Monticello
	Park, Lewiston, Millville	.0745	Bluff
.0700	Hyrum, Logan, Nibley, N. Logan,	.0635	Sanpete County
	Providence, Richmond, River	.0645	Centerfield, Mayfield
	Heights, Smithfield	.0675	Ephraim, Fairview, Gunnison,
			Mt. Pleasant
.0635	Carbon County	.0665	Manti
.0645	Helper	.0635	Sevier County
.0675	Price	.0645	Aurora, Redmond
.0665	Wellington	.0665	Monroe
.0735	Daggett County	.0675	Richfield, Salina
.0845	Dutch John	.0715	Summit County
.0715	Davis County	.0905	Park City
.0725	Bountiful, Centerville,	.0745	Snyderville Basin Transit
	Clearfield, Farmington,	.0660	Tooele County
	Kaysville, Layton, N. Salt	.0690	Erda, Lakepoint City,
	Lake, S. Weber, Syracuse,		Lakepoint Transit, Lincoln,
	W. Bountiful, Woods Cross		Stansbury Park
.0635	Duchesne County	.0700	Grantsville, Tooele City
.0645	Duchesne City	.0645	Uintah County
.0675	Roosevelt	.0695	Naples, Vernal
.0635	Emery County	.0715	Utah County
.0825	Green River	.0725	American Fork, Cedar Hills,
.0735	Garfield County		Highland, Lehi, Linton, Orem,
.0835	Boulder, Panguitch, Tropic		Payson, Pleasant Grove,
.0855	Byce Canyon		Provo, Santaquin, Spanish
.0845	Escalante		Fork, Springville, Vineyard
.0685	Grand County	.0645	Wasatch County
.0885	Moab	.0675	Heber
.0635	Iron County	.0755	Independence, Mil. Rec.
.0835	Brian Head		Wasatch, Mil. Rec. Hideout,
.0645	Cedar City		Mil. Rec. MWR Hotel, Mil.
.0635	Juab County		Rec. GAEC PID
.0675	Mona	.0785	Midway
.0675	Nephi	.0835	Park City East
.0670	Santaquin South	.0645	Washington County
.0735	Kane County	.0675	Hurricane, Ivins, La Verkin,
.0845	Kanab		St. George, Santa Clara,
.0835	Orderville		Washington City
.0635	Millard County	.0805	Springdale
.0675	Fillmore	.0745	Virgin
.0670	Morgan County	.0635	Wayne County
.0695	Morgan City	.0665	Bicknell
.0635	Piute County	.0725	Weber County
.0635	Rich County	.0745	Falcon Hill Riverdale,
.0795	Garden City		Riverdale
.0725	Salt Lake County		

Use Tax Worksheet

1. Amount of purchases (except grocery food) subject to use tax 1 _____
2. Use tax rate (decimal from *Use Tax Rate Chart*) 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) 8 _____ (If less than zero, enter "0.")

Line 17 – Total Tax

Add lines 15 and 16. Carry this total to TC-20S, page 1, line 5.

Line 18 – Prepayments from Schedule E

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

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 19 – 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 20 – Total Payments

Add lines 18 and 19. 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 18.

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

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

Business income is income arising from transactions and activity in the regular course of a taxpayer's trade or business. It 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.

Nonbusiness income is all income that does not arise from 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 how 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 the amount here and on Schedule A, line 8.

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, line 9.

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 must apportion income using the sales factor formula or if you qualify as 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.

Sales Factor Weighted Taxpayers

A sales factor weighted taxpayer may only use the sales factor fraction to apportion income.

You must use the sales factor formula if you:

1. apportioned income using the sales factor formula during the prior taxable year,
2. do not meet the definition of an optional apportionment taxpayer (see instructions below), or
3. generate 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 2 - *Sales Factor Formula*.

Optional Apportionment Taxpayers

If you did not use the sales factor fraction in the prior year, and you do not generate more than 50 percent of total sales everywhere from economic activities in any NAICS codes OTHER THAN the **identified NAICS codes** listed above, determine if you are an optional apportionment taxpayer by first calculating the following two 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 more than 50 percent, you are an optional apportionment taxpayer. If the average is not more than 50 percent, you are not an optional apportionment taxpayer and must apportion income to Utah using the sales factor.

Optional apportionment taxpayers may calculate the apportionment fraction using either the equally-weighted three factor formula (Schedule J, Part 1) or the sales factor formula (Schedule J, Part 2). If you choose to use the sales factor formula, you must file using only the sales factor in the next taxable year.

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

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.

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 – Sales Factor Formula

See instructions above for the definition and qualifications of a taxpayer who must apportion income using the sales factor formula.

Leave line 10 blank if you are using the equally-weighted three-factor formula.

Line 10 – 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 taxpayers who must apportion income using the sales factor formula.)

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.

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.

Also use the federal column of line 11 for PPP grant or loan amounts reported on Utah Schedule A, line 5. Enter in the Utah column the total reported on all Utah Schedules K-1.

Also enter in the federal column the amount of state and local taxes the S corporation paid to Utah and any other state(s) on behalf of shareholders. Enter in the Utah column the total reported on all Utah Schedules K-1.

Describe the type of income in the space provided.

Line 12 – Section 179 Deduction

Enter in the first column the federal §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 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 16f 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

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.

Note: If the S corporation elected to pay Utah taxes on form TC-75 (*State and Local Tax (SALT) Report*), allocate the amount paid for each individual shareholder on their K-1 as a nonrefundable credit.

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 J 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
 - 06** Historic Preservation Credit
 - 12** Credit for Increasing Research Activities in Utah
 - 21** Renewable Residential Energy Systems Credit (TC-40E)
 - 27** Veteran Employment Credit
 - 28** Employing Persons Who are Homeless Credit
 - 63** Achieving a Better Life Experience (ABLE) Program Credit
 - AG** Special Needs Opportunity Scholarship Program Credit
 - AP** Pass-through Entity Taxpayer Income Tax Credit
-

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

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

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

For more information, contact:

Division of Services for People with Disabilities
288 N 1460 W
Salt Lake City, UT 84116
1-800-275-3773
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:

- the transaction occurs on or after Jan. 1, 2008;
- 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
- you did not have an ownership interest in the qualified Utah small business corporation at the time of investment.

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

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

Calculation of Capital Gain Transactions Credit

- | | |
|---|----------|
| 1. Eligible short-term or long-term capital gain | \$ _____ |
| 2. Multiply line 1 by 4.65% (.0465).
This is the credit. | \$ _____ |

(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:

Utah State Historic Preservation Office
3760 S Highland Drive
Salt Lake City, UT 84106
801-245-7277
ushpo.utah.gov/shpo/financial-incentives/

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

The credit is:

- 5 percent of your qualified expenses for increasing research activities in Utah above a base amount,
- 5 percent of certain payments made to a qualified organization increasing basic research in Utah above a base amount, and

- 7.5 percent of your qualified research expenses in Utah for the current taxable year.

Note: You may carry forward for the next 14 years any credit for 1 or 2 (above) that is more than your tax liability. You may not carry forward any credit for 3 (above).

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.

You may not claim this credit if you claim either the Renewable Commercial Energy Systems Credit (code 39) or the credit described in Utah Code §59-10-1029.

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
801-538-8682

energy.utah.gov/renewable-energy-systems-tax-credit

(27) Veteran Employment Credit (UC §59-10-1031)

A nonrefundable credit is available to taxpayers who hire a qualified, recently deployed veteran.

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

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

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

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

Calculate the credit as follows:

First Year Credit

(count all months in the year the 45-week requirement is met):

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

Second Year Credit:

4. Number of months or partial months the veteran was employed in the 2nd year	4	_____
5. Monthly credit allowable in second year	5	400
6. Second year credit – multiply line 4 by line 5 (maximum (\$4,800)	6	_____

We will not refund any credit greater than your tax due, but you may carry it forward to offset tax for up to five years.

If taking this credit, you must keep the following documentation and make it available to the Tax Commission upon request:

1. the veteran’s name, last known address, and taxpayer identification or Social Security number;
2. the start date of employment;
3. documentation establishing that the veteran was employed 45 out of the 52 weeks after the date of employment;
4. documentation from the veteran’s military service unit showing that the veteran was recently deployed; and
5. a signed statement from the Department of Workforce Services that the veteran was collecting, was eligible to collect, or exhausted their unemployment benefits within the last two years.

(28) Employing Persons Who Are Homeless Credit
(UC §59-10-1032)

You may claim a credit for hiring a homeless person if you receive a credit certificate from the Department of Workforce Services.

Do not send the certificate with your return. Keep the certificate and all related documents with your records.

Note: You may carry forward for the next five years any credit that is more than your tax liability.

For more information contact:

Department of Workforce Services
140 E 300 S
PO Box 142503
Salt Lake City, UT 84111-2503
385-272-7798
jobs.utah.gov/employer/business/htc.html

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

You may claim a credit for 4.65 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 .0465 = 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 - ABLEUtah
1595 West 500 South
Salt Lake City, Utah 84104-5238
1-800-439-1653
ableut.com

(AG) Special Needs Opportunity Scholarship Program Credit
(UC §59-10-1041)

You may claim a credit for a donation made to the Special Needs Opportunity Scholarship Program. You will receive a tax credit certificate from the program, listing the amount of the credit. You may not claim this credit if you claimed the donation as an itemized deduction on your federal income tax return.

Do not send the certificate with your return. Keep the certificate and all related documents with your records.

Note: You may carry back one year or forward for the next three years any credit that is more than your tax liability.

(AP) Pass-through Entity Taxpayer Income Tax Credit
(UC §59-10-1045)

A shareholder who is an individual may claim a credit equal to the amount of Utah tax paid on their behalf by this S corporation under §59-10-1043.2(2). This amount must be reflected on the K-1 issued to the shareholder. There is no form for this credit. Each shareholder must keep all related documents with their records.

Note: The shareholder receiving this credit may carry forward for the next five years any credit that is more than the shareholders's tax liability.

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.

You may not claim this credit if you claim either the Renewable Residential Energy Systems Credit (code 21) or the credit described in Utah Code §59-10-1029.

For more information, contact:

Governor's Office of Energy Development (OED)
PO Box 144845
Salt Lake City, UT 84114
801-538-8682

energy.utah.gov/renewable-energy-systems-tax-credit

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

Enter the total of the mineral production tax withheld as shown on forms TC-675R or Utah Schedule K-1(s) for the tax year. For a fiscal year corporation, the credit is 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 36.4 cents per gallon for motor fuel and undyed diesel fuel bought in Utah during 2021 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.

Credit calculation:

Gallons _____ x .364 = Credit _____

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 EIN.

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

Shareholder Information

Line C. Enter the shareholder’s Social Security or federal EIN.

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 G 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 12. 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 14.

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 14.

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 14.

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 14.

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 14.

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 14.

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 14.

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 14.

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 14.

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 14.

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 14.

Line 11 – Utah Other Income/Loss

For a Utah resident shareholder, enter:

1. the amount from their federal Schedule K-1, box 10;
2. the shareholder's distributive share of COVID-19 PPP grant or loan income reported on Utah Schedule A, line 5; and
3. the amount of state and local taxes paid to Utah and any other state(s) on income distributed to the shareholder.

For a nonresident shareholder, enter:

1. the pro rata share of apportioned Utah other income/loss included in the amount reported on Utah Schedule A, line 14;
2. the amount of COVID-19 PPP grant or loan income reported on Utah Schedule A, line 5; and
3. the amount of state and local taxes paid to Utah and any other state(s) on income distributed to the shareholder.

For all entries on line 11, enter the description shown on Utah Schedule K, line 11, 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 14.

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 14.

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 14.

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 14.

Line 16 – Foreign Taxes Paid or Accrued

For a Utah resident shareholder, enter the amount from their federal Schedule K-1, box 16, code F.

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 14.

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 14.

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.

For each individual shareholder for whom you made a voluntary taxable income election (TC-75, *State and Local Tax (SALT) Report*), enter the amount of taxes paid. Allocate this amount directly to the individual as reported on form TC-75. Use code AP.

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. The shareholder will claim this amount on their individual Utah return.

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

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

Schedule M – Qualified Subchapter S Subsidiaries

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.

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 (4.65 percent), any Utah mineral production withholding tax, upper-tier Utah pass-through entity withholding tax credited to the shareholders, taxes paid with form TC-75 (*Voluntary Taxable Income Election for Pass-through Entities*), 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 of each nonresident individual shareholder, the federal EIN of each resident/nonresident business shareholder, or the federal 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 14 by each pass-through entity taxpayer’s percentage shown on line D.

Line F – 4.65 Percent of Income

Multiply the amount of income attributable to Utah for each pass-through entity taxpayer (line E) by 4.65 percent (.0465). 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 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. 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 – Tax Paid by Pass-through Entity (PTE)

Enter the amount of taxes paid for this shareholder with form TC-75, *Voluntary Taxable Income Election for Pass-through Entities* (TC-75 is filed electronically on or before the last day of the corporation’s taxable year). This amount reduces the Utah withholding tax calculated for this shareholder on Schedule N. Also report the credit on line 18 of Schedule K-1 for this shareholder.

Line J – Withholding Tax to be Paid by This Corporation

Subtract the total of the credits on lines G, H and I 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 J is the withholding tax this corporation must withhold or pay on behalf of the pass-through entity taxpayer. Report this withholding tax on line 20 of Utah Schedule K-1 for this 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 J for all shareholders. Enter this total at the bottom of Schedule N and carry it over to Schedule A, line 15 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 4.65 percent (.0465).
3. Line G – Enter any Utah mineral production withholding tax allocated to this shareholder.
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.
5. Line I – Enter any tax paid for this shareholder with form TC-75.
6. Line J – Subtract lines G, H and I from line F. Do not enter an amount less than zero. This is the pass-through withholding tax that must be paid by the corporation on behalf of the shareholder.

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.

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.

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

Corporation/Partnership Payment Coupon

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

TC-559
Rev. 11/16

Tax year ending (mm/dd/yyyy)

Estimated payment:

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

Name of corporation/partnership	EIN
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Address		
City	State	Zip code

Payment amount enclosed	\$	00
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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.

CPT

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 form TC-250
4. Utah Schedules K-1 for each shareholder
5. Federal extension form, if applicable
6. A copy of the Federal form 1120S, pages 1 through 5 only (plus Schedule M-3 and IRS form 1125-A, if applicable)
7. **Do not attach federal Schedules K-1**
8. Other supporting documentation **only** as requested in these instructions