# 2020
# TC-20
# Instructions

Draft
9/22/20

**These instructions are subject to change until marked as final.**

# Contents

General Instructions and Information ..... 1
TC-20 – Utah Corporation Franchise and Income Tax Return ..... 6
Schedule A – Utah Net Taxable Income and Tax Calculation ..... 8
Schedule B – Additions to Unadjusted Income ..... 13
Schedule C – Subtractions from Unadjusted Income ..... 15
Schedule D – Utah Contributions Deduction ..... 17
Schedule E – Prepayments of Any Type ..... 17
Schedule H – Nonbusiness Income Net of Expenses ..... 18
Schedule J – Apportionment Schedule ..... 20
Schedule M – Corporations Included in Combined Filings ..... 24
TC-559, Corporation/Partnership Payment Coupon ..... 25
Common Return Errors ..... 26

Utah State Tax Commission

Draft 9/2/20

Cover photo by Randolph Prawitt

## File the Right Corporate Forms

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

## E-Filing is Easier!

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

## Utah is Online

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

→ **tap.utah.gov**

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

UTAH TAP TAXPAYER ACCESS POINT

→ **tax.utah.gov**

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

## 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**.

## 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**

*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 2020 is $1,600.
- **COVID-19 Grants and Loans, Subtraction from Income:** The 2020 legislature passed SB 6005, creating a subtraction from income for federally-funded COVID-19 grant funds and forgiven loans that are included in unadjusted gross income. See page 16.
- The 2020 Utah Legislature passed HB 6013, suspending the 80 percent of income limitation on the Utah net loss carryforward deduction for the 2018-2020 tax years.
- **Apportionment Method:** The 2018 Utah Legislature passed HB 293, creating a new apportionment method and changing the industries that qualify as sales factor weighted taxpayers and optional apportionment taxpayers. See page 20.

## Reminders

- **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 Schedule J by considering the service income to be in Utah if the buyer receives a greater benefit of the service in Utah than in any other state. See *Schedule J – Apportionment Schedule* in this book.
- **Foreign Operating Company Changes:** A foreign operating company must have a minimum of at least $1,000,000 in payroll located outside the United States and at least $2,000,000 in property located outside the United States. In addition, income generated from transactions between members of the unitary group, or from intangible property or an asset held for investment does not qualify for the 50 percent foreign operating company income exclusion on Schedule C. See pages 4 and 15.

## Electronic Filing

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

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

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

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

## 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. These numbers are used for identification of the corporate tax return.

## Corporation Changes

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

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

and submit form TC-69C to:

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

## Dissolution or Withdrawal

Corporations that cease to do business in Utah must either dissolve or withdraw the corporation.

Corporations incorporated in Utah must file *Articles of Dissolution* with the Department of Commerce.

Corporations incorporated outside of Utah (foreign corporations) must obtain a *Certificate of Tax Clearance* from the Tax Commission before withdrawing from Utah. Foreign corporations must file an *Application for Withdrawal* with the Department of Commerce.

To request a *Certificate of Tax Clearance,* email the Tax Commission at **taxmaster@utah.gov**, or call 801-297-7705 or 1-800-662-4335 ext. 7705. We will send you form TC-2001 to complete and return.

Dissolving and withdrawing corporations must also close their other Utah tax accounts (sales, withholding, etc.). To close related tax accounts, send a completed TC-69C, *Notice of Change for a Business and/or Tax Account,* to the attention of Exceptions Processing at the Tax Commission address above.

## 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.**

## 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* later in these General Instructions for what federal information is required with the Utah return.

### Franchise Tax

Every C corporation incorporated in Utah (domestic), qualified in Utah (foreign), or doing business in Utah, whether qualified or not, must file a corporate franchise tax return. C corporation returns are filed on form TC-20. Every corporation that files

Draft 9/2/20

form TC-20 must pay a minimum tax (privilege tax) of $100, regardless of whether or not the corporation exercises its right to do business.

### S Corporation

Every S corporation (as defined in IRC §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

Corporate income tax filers use form TC-20.

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

**Example 1:**

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

**Example 2:**

A lender issuing credit cards to Utah customers from outside Utah that is not qualified to do business in Utah and has no place of business in Utah is subject to income tax rather than franchise tax.

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

### Federal Form 1120-IC-DISC

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

## Taxable Year

The taxable year for Utah tax purposes must match the taxable year used for federal tax purposes. When the taxable year changes for federal purposes, the taxable year must be changed for Utah purposes. 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 tax rates as provided in UC §§59-7-104 and 59-7-201 apply to short-period returns, which includes a minimum tax of $100.

## Where to File

Mail your return to:

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

## Due Date

A return must be filed on or before the 15th day of the fourth month following the close of the taxable year 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.

# Prepayment Requirements

## Extension Prepayments

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

Use form TC-559, *Corporation/Partnership Payment Coupon* to make the estimated prepayments.

## Quarterly Payments

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

A corporation does not need to make quarterly estimated tax payments the first year it files in Utah if it pays the minimum tax on or before the due date, without the extension.

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

Draft 9/22/20

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

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

Corporations that do not make the required tax prepayments are subject to a penalty. See *Penalties,* below.

# Penalties

Utah law (UC §59-1-401) provides penalties for not filing tax returns by the due date, not paying tax due on time, not making sufficient prepayment on extension returns, and not filing information returns or supporting schedules. 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.

## Exceptions to Penalty on Estimated Tax

### Annualized Exception

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

### Recurring Seasonal Exception

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

### Prepayment of Minimum Tax

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

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

# Interest (in addition to penalties due)

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

For more information, get Pub 58, *Utah Interest and Penalties*, at **tax.utah.gov/forms**.

# Suspension for Failure to Pay Tax Due

Utah law provides for suspension of a corporation's right to do business in Utah if it fails to pay taxes due before 5:00 p.m. on the last day of the 11th month after the due date.

If you cannot pay the full amount you owe, you can request a payment plan. Go to **tap.utah.gov** and click "Request Waiver, Payment Plan or e-Reminder."

You may also:

1. complete form TC-804B, *Business Tax Payment Agreement Request* (**tax.utah.gov/forms**), 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-20. Also, keep copies of these with your tax records.

- **Utah Corporation Return Schedules:** Attach applicable Utah schedules A, B, C, D, E, H, J, and/or M.
- **Federal Return:** Attach only pages 1 through 6 of your federal corporation return, plus Schedule M-3 and IRS form 1125-A, if applicable.

**Do not send a copy of your entire federal return, credit schedules, worksheets, or other documentation with your Utah return unless otherwise stated in these instructions.** Keep these in your files. We may ask you to provide them later to verify entries on your Utah return.

# Combined Reports

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

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

## Unitary Business

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

Draft 12/20

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

## Instructions for Combining Captive Real Estate Investment Trusts

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

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

## Water's Edge Combined Report

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

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

## Water's Edge Election

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

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

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

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

## Worldwide

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

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

## Threshold Level of Business Activity

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

## Foreign Dividends

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

## Preparation of Combined Report(s)

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

1. determining which corporations are unitary;
2. computing unadjusted income on a separate return basis;
3. combining income or loss of the members included in the combined report;
4. making appropriate eliminations and adjustments between members included in the combined report to arrive at unadjusted income on a combined basis; and
5. making additions and subtractions to unadjusted income as outlined in Schedules B, C and D to arrive at adjusted income.

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

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

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

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

Draft 9/22/20

## IRC Section 338

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

Get form TC-20MC, *Utah Tax Return for Miscellaneous Corporations*, at **tax.utah.gov/forms**.

## IRC Section 338(h)(10)

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

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

## IRC Section 336(e)

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

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

## Installment Sales

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

Draft 9/22/20

# TC-20 – Utah Corporation Franchise and Income Tax Return

## Filing Period

File the 2020 return for calendar year 2020 and fiscal years beginning in 2020 and ending in 2021. If the return is for a fiscal year or a short tax year (less than 12 months), fill in the tax year beginning and end dates at the top of the form using the format mm/dd/yyyy.

## Corporation Name & Address

Enter the corporation name, address and telephone number, including area code. If the address has changed, see *Corporation Changes* in the General Instructions.

### Zip Code

Enter your ZIP Code, including the "plus four" at the end, without a hyphen.

### Foreign Country

If your address is in a foreign country, enter the mailing address where indicated. Enter the foreign city, state/province and postal code in the City field. Abbreviate if necessary. Leave the State and ZIP Code fields blank. Enter only the foreign country name in the "Foreign country" field.

## EIN and Utah Incorporation/ Qualification Number

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

## Amended Returns

**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**.

Amend your return if:

- you discover an error on your Utah or federal return after it has been filed, or
- your federal return is audited or adjusted by the IRS and the audit or adjustment affects your Utah return. You must amend your Utah return within 90 days of the IRS's final determination.

To qualify for a refund or credit, an amended return must be filed by the later of three years after the original return was due or two years from the date the tax was paid. A return filed before the due date is considered filed on the due date.

To amend a previously filed return, on the top of page 1 of TC-20 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 error.

**3** Your federal return was changed by an IRS audit or adjustment that affects your Utah return. Attach a copy of the IRS adjustment.

**4** Other. Attach an explanation to your return.

Enter the corrected figures on the return and/or schedule. Enter all other amounts as shown on your original return. If you received a refund on your original return, subtract the previous refund (exclude refund interest) from the amount of any tax paid with the original return and/or subsequent payments of the tax prior to filing the amended return. Enter the net amount on Schedule A, page 2, line 30. Enter a net refund as a negative amount (preceded by a minus sign).

## Federal Form 8886

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

## Line-by-Line Instructions

### Line 1

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

### Line 2

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

### Line 3

Enter an "X" to indicate whether the return is:

a. A water's edge combined report, or

b. A water's edge election made under UC §59-7-402(2), or

c. A worldwide combined report.

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

### Line 4

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

### Line 5

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

Draft 9/22/20

### Line 6

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

### Line 7 – Total Tax

Enter the total tax from Schedule A, page 2, line 27.

### Line 8 – Total Refundable Credits and Prepayments

Enter the total refundable credits and prepayments from Schedule A, page 2, line 31.

### Line 9 – Tax Due

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

### Line 10 – Penalties and Interest

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

### Line 11 – Total Due - Pay This Amount

Add lines 9 and 10. Pay 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.

### Line 12 – Overpayment

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

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

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

### Line 14 – Refund

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

### Line 15 – Quarterly Estimated Prepayments Meeting Exception

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

## Signature and Date Lines

Sign and date the return. 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 on the right-hand side 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 penalties (second degree felony with a fine from $1,500 to $25,000).

## Supplemental Information to be Supplied by All Corporations

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

Draft 9/22/20

# Schedule A – Utah Net Taxable Income and Tax Calculation

## Line 1 – Unadjusted Income (Loss)

Enter the federal taxable income from line 28 of your federal form 1120.

If any member of the unitary group is a "controlling entity of a captive real estate investment trust," include taxable income from line 20 of each federal form 1120-REIT on this line. A "controlling entity of a captive real estate investment trust" is an entity that:

1. is treated as an association taxable as a corporation under the Internal Revenue Code;
2. is not exempt from federal income tax under IRC §501(a); and
3. directly, indirectly or constructively holds more than 50 percent of the voting power or value of shares or beneficial interests of a captive real estate investment trust.

## Line 2 – Additions to Unadjusted Income

Enter the total additions from Schedule B, line 16.

## Line 3 – Add line 1 and line 2

## Line 4 – Subtractions from Unadjusted Income

Enter the total subtractions from Schedule C, line 18.

## Line 5 – Adjusted Income (Loss)

Subtract line 4 from line 3.

## Line 6 – Utah Net Nonbusiness Income

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

## Line 7 – Non-Utah Net Nonbusiness Income

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

## Line 8 – Total Nonbusiness Income

Add line 6 and line 7.

## Line 9 – Apportionable Income (Loss) Before Contributions Deduction

Subtract line 8 from line 5.

## Line 10 – Utah Contributions Deduction

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

## Line 11 – Apportionable Income (Loss)

Subtract line 10 from line 9.

## Line 12 – Apportionment Fraction (Decimal)

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

## Line 13 – Apportioned Income (Loss)

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

## Line 14 – Utah Net Nonbusiness Income

Enter the amount from line 6, above.

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

Add line 13 and line 14.

## Line 16 – Utah Net Loss Carried Forward from Prior Years

Enter Utah net losses carried forward from prior years.

Attach documentation to the return to support the losses.

## Line 17 – Net Utah Taxable Income (Loss)

Subtract line 16 from line 15.

## Line 18 – Tax Amount

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

## Line 18a

Multiply line 17 by 4.95% (.0495). Do not enter an amount less than zero.

## Line 18b

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

## Line 19 – Interest on Installment Sales

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

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

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

1. The tax rate applied must be 4.95 percent; and
2. In the case of multi-state corporations, the amount of Utah gain that has not been recognized must be determined by multiplying the deferred gain that has not been recognized for federal purposes by the current year apportionment fraction.

## Line 20 – Current Year IRC §965(a) Installment Amount

If you were liable for Utah tax on deferred foreign income described in IRC §965(a) and you chose to pay the tax in eight yearly installments, enter the current-year installment amount on line 20. The installment is a percentage of the total Utah tax due, as reported on line 17 of form TC-20R.

Draft 9/22/20

### Installment Table

| | |
|---|---|
| First installment: | 8% (paid with TC-20R) |
| Second Installment: | 8% |
| Third installment: | 8% |
| Fourth installment: | 8% |
| Fifth installment: | 8% |
| Sixth installment: | 15% |
| Seventh installment: | 20% |
| Eighth installment: | 25% |

## Line 21 – Recapture of Low-Income Housing Credit

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

## Line 22 – Total Tax

Add the amounts on lines 18, 19, 20 and 21. Carry this total to Schedule A, page 2, line 23.

## Line 23

Enter the total tax from Schedule A, page 1, line 22.

## Line 24 – Nonrefundable Credits

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

If you claim any of the following nonrefundable credits, write the **code and amount** of each credit you claim on lines 24a through 24f. Enter the sum of all nonrefundable credits on line 24. An explanation of each nonrefundable credit is listed below.

**Use these codes for lines 24a through 24f**

- **05** Carryforward of Clean Fuel Vehicle Credit
- **06** Historic Preservation Credit
- **08** Low-income Housing Credit
- **12** Credit for Increasing Research Activities in Utah
- **13** Carryforward Credit for Machinery and Equipment Used to Conduct Research
- **15** Utah Municipal, U.S. and Agency Bond Interest Credit
- **21** Renewable Residential Energy Systems Credit
- **63** Achieving a Better Life Experience (ABLE) Program Credit
- **AF** Guarantee Association Assessment Credit

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

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

### (06) Historic Preservation Credit (UC §59-7-609)

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 this form and all related documents with your records to provide the Tax Commission upon request.

The credit is for restoration costs of any residential certified historic building. Unused credits may be carried forward five years as a credit against Utah tax due.

For more information, contact:
State Historic Preservation Office
300 S Rio Grande
Salt Lake City, UT 84101
801-245-7251
**heritage.utah.gov/history/state-tax-credit**

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

This credit is determined by the Utah Housing Corporation for owners of a low-income housing project who also received part of the federal low-income housing credit. When this credit applies, the project owner will provide you with form TC-40TCAC (issued by the Utah Housing Corporation).

If you share in this credit, get form TC-40TCAC, *Utah Low-Income Housing Tax Credit Allocation Certification*, and complete form TC-40LI, *Summary of Utah Low-Income Housing Tax Credit*. Do not send these forms with your return. Keep the forms and all related documents with your records.

The building project owner must also complete and attach to his/her return form TC-40LIS, *Utah Credit Share Summary of Low-Income Housing Project*.

**Note:** Any credit that is more than the tax liability may be carried back for the previous three years, or carried forward for five years. If you are carrying this credit forward or backward, you must also complete form TC-40LIC, *Utah Low-Income Housing Tax Credit Carryback and/or Carryforward.*

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

For more information, contact:
Utah Housing Corporation
2479 S Lake Park Blvd.
West Valley City, UT 84120
801-902-8200
**utahhousingcorp.org**

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

The credit is:

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

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

Draft 9/2/20

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

### (13) Carryforward of Prior Year Credit for Machinery and Equipment Used to Conduct Research (UC §59-7-613)

This credit expired for taxable years beginning after 2010.

If you claimed a credit on your return for machinery and/or equipment used to conduct research for a year after 1998 and prior to 2011 and the credit was more than the tax liability for the year, you may carry forward the excess credit to the next 14 years and use it to offset tax until used up. If you are using any remaining credit this year, enter that carryforward amount on Schedule A, page 2, line 24 (24a through 24f). Use code 13.

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

You may claim a credit of 1 percent of Utah municipal interest and federal interest included in Utah taxable income. For multi-state corporations, the amount of Utah municipal and federal interest included in Utah taxable income is calculated by multiplying the total amount of that interest by the current year apportionment fraction.

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

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

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

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

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

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

For more information, contact:

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

### (63) Achieving a Better Life Experience (ABLE) Program Credit (UC §59-7-620)

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

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

**Credit calculation**

Contributions _____ x .05 = Credit _____

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

For more information, contact:

Department of Workforce Services
140 E 300 S
PO Box 45249
Salt Lake City, UT 84145-0249
801-526-9675
**jobs.utah.gov**

### (AF) Guarantee Association Assessment Credit (UC §59-7-623)

An insurer that is not subject to the premium tax on health care insurance may claim a nonrefundable tax credit equal to 20 percent of a guaranty association assessment payment for each of the five years following the assessment.

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

## Line 25 – Net Tax

Subtract line 24 from line 23. Enter the result, but not less than the minimum tax shown on line 18b or less than zero.

## Line 26 – Utah Use Tax

Use tax is a tax on goods and taxable services purchased for use, storage or other consumption in Utah. 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 26 of TC-20, Schedule A.

You may take a credit for sales or use tax paid to another state (but not a foreign country). If the other state's tax rate is lower than Utah's, you must pay the difference. If the other state's tax rate is more than Utah's, no credit or refund is given. If sales tax was paid to more than one state, complete the *Use Tax Worksheet* below for each state. Add lines 8 on all worksheets and enter the total on line 26.

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.

Draft 9/22/20

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, 2020)

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

**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) (If less than zero, enter "0.") | 8 | _____ |

## Line 27 – Total Tax

Add line 25 and line 26. Carry this amount to TC-20, page 1, line 7.

## Line 28 – Refundable Credits

Add lines 28a through 28d.

Claim any of the following refundable credits that apply. Write the **code and amount** of each credit you are claiming on lines 28a through 28d. Enter the sum of these credits on line 28. Each refundable credit is explained below.

**Codes for lines 28a through 28d**

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

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

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

For more information, contact:

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

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

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

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

Draft 9/22/20

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

Enter the total of the mineral production tax withheld as shown on forms TC-675R or Utah Schedule K-1(s) for the tax year. For a fiscal year corporation, the credit is claimed on the corporate return that is required to be filed during the year following the December closing period of the form TC-675R.

Attach copies of form TC-675R or Utah Schedule K-1(s) to the return to receive proper credit.

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

You may claim a credit of 31.1 cents per gallon for motor fuel and undyed diesel fuel bought in Utah during 2020 and used to operate stationary farm engines and self-propelled farm machinery used solely for commercial non-highway agricultural use if the fuel was taxed at the time it was bought.

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

**Credit calculation:**

Gallons _____ x .311 = 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 §59-7-614.1)

This credit is for sales and use tax paid on hand tools purchased and used or consumed primarily and directly in a farming operation in Utah. The credit only applies if the purchase price of a tool is more than $250.

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

## Line 29 – Prepayments from Schedule E

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

## Line 30 – Amended Return Only

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

## Line 31 – Total Refundable Credits and Prepayments

Add lines 28 through 30. Carry this amount to TC-20, page 1, line 8.

Draft 9/22/20

# Schedule B – Additions to Unadjusted Income

## Line 1 – Interest from State Obligations

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

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

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

## Line 2a – Income Taxes Paid to Any State

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

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

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

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

Enter corporate stock taxes paid to any state.

## Line 2d – Taxes Paid to a Foreign Country

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

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

Enter business and occupation taxes deducted for federal purposes.

## Line 3 – Safe Harbor Lease (SHL) Adjustments

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

**Add to income:**

*SHL Purchaser/Lessor*

1. Interest expense
2. Depreciation claimed on SHL property

*SHL Seller/Lessee*

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

## Line 4 – Capital Loss Carryover

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

## Line 5 – Federal Deductions Taken Previously on a Utah Return

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

## Line 6 – Federal Charitable Contributions

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

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

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

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

## Line 8 – Adjustments Due to Basis Difference

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

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

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

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

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

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

Draft 9/2020

## Line 11 – Nonqualified Withdrawal from Utah my529 Account (UC §59-7-105(10))

If you withdrew an amount from a Utah my529 account but did not use it for qualified higher education expenses, and the withdrawal did not meet an exception under IRC §529(c) or §530(d), enter that amount to the extent the amount was deducted on the current or a previously filed Utah tax return.

If you are a my529 account owner, you will receive form TC-675H, *my529 Tax Statement for Contributions, Withdrawals, and Transfers*, from my529. Keep this form with your records. If you have any questions about my529 accounts, call my529 at 800-418-2551, or visit **my529.org**.

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

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

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

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

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

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

## Line 15 – Deductions for a Royalty or Other Expense Paid to an Entity Related by Common Ownership

Enter the amount of any deduction taken on a Utah return for a royalty or other expense that a corporation pays to an entity related by common ownership for the use of an intangible asset where the intangible asset is owned by the entity, unless the entity is subject to income taxes on the royalty or other expense in Utah, another state or a foreign government that has an income tax treaty with the United States in the same tax year.

## Line 16 – Total Additions

Add lines 1 through 15. Enter the result on line 16 and on Schedule A, line 2.

Draft 9/22/20

# Schedule C – Subtractions from Unadjusted Income

## Line 1 – Intercompany Dividend Elimination

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

## Line 2 – Foreign Dividend Gross-up

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

## Line 3 – Net Capital Loss

You must enter your capital losses if you elected to take a deduction for capital losses incurred in the taxable year. If a current year deduction is not taken, you must carry the loss forward as provided in IRC §1212(a)(1)(B) and (C).

## Line 4a – Federal Jobs Credit Salary Reduction

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

## Line 4b – Federal Research and Development Credit Expense Reduction

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

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

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

## Line 4d – Expense Reduction for Other Federal Credits

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

## Line 4e – Federal Qualified Tax Credit Bond Credit, Income Increase

Enter any increase in interest income for federal tax purposes due to claiming the qualified tax credit bond credit under IRC §54A.

## Line 4f – Federal Qualified Zone Academy Bond Credit, Income Increase

Enter any gross income increase for federal tax purposes due to claiming the qualified zone academy bond credit under IRC §1397E.

## Line 5 – Safe Harbor Lease (SHL) Adjustments

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

### Subtract from income:

*SHL Purchaser/Lessor*

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

*SHL Seller/Lessee*

1. Interest income
2. Depreciation on SHL property

## Line 6 – Federal Income Previously Taxed by Utah

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

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

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

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

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

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

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

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

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

## Line 9 – Gain (Loss) on Certain Stock Sales

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

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

Draft 9/22/20

## Line 10 – Adjustments Due to Basis Difference

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

## Line 11 – Interest Expense

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

## Line 12 – Dividends from Admitted Insurance Company Subsidiaries

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

## Line 13 – Contributions to Utah my529 Account(s) (UC §59-7-106(1)(r))

If a qualified contribution was made to your my529 account, you may claim a deduction on line 13. To qualify, the contribution must be made during the taxable year and not deducted on your federal return.

If you are a my529 account owner, you will receive form TC-675H, *my529 Tax Statement for Contributions, Withdrawals, and Transfers*, from my529. Enter on line 13 the amount from form TC-675H, box 1C.

Keep form TC-675H with your records. If you have any questions about my529 accounts, call my529 at 1-800-418-2551, or visit **my529.org**.

## Line 14 – Contributions to the Student Prosperity Savings Program (UC §59-7-106(1)(s))

If you made a donation to the Student Prosperity Savings Program, you may claim a deduction on line 14. To qualify, you must have made the donation during the taxable year and not deducted it on your federal return.

You may claim this deduction in addition to the my529 deduction.

If you have any questions about the Student Prosperity Savings Program, call my529 at 1-800-418-2551, or visit **my529.org**.

## Line 15 – Dividends Received from a Captive Real Estate Investment Trust by a Member of the Unitary Group

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

## Line 16 – IRC Section 857(b)(2)(E) Deduction from a Captive REIT

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

## Line 17 – FDIC Payments

Enter any FDIC premiums that were not allowed as a deduction on the federal return under IRC 162(r).

## Line 18 – COVID-19 Utah Grant Funds Included in Unadjusted Income (UC §59-7-106(1)(x))

Enter the amount of any federally-funded COVID-19 grant funds or forgiven loans received from Utah or a local Utah government that are included in unadjusted income on this return.

## Lines 19-20 – RESERVED

## Line 21 – Total Subtractions

Add lines 1 through 20. Enter the result on line 21 and on Schedule A, line 4.

Draft 9/22/20

# Schedule D – Utah Contributions Deduction

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

### Line 1 – Apportionable Income Before Contributions Deduction

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

### Line 2 – Utah Contribution Limitation

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

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

### Line 3 – Current Year Contributions

Enter charitable contributions made for the current year.

### Line 4 – Utah Contribution Carryforward

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

### Line 5 – Total Contributions Available

Add line 3 and line 4.

### Line 6 – Utah Contributions Deduction

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

### Line 7 – Contribution Carryover to Next Year

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

Draft 9/22/20

# Schedule E – Prepayments of Any Type

### Line 1 – Overpayment Applied from Prior Year

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

### Line 2 – Extension Prepayment

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

### Line 3 – Other Prepayments

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

### Line 4 – Total Prepayments

Add lines 1, 2 and 3. Enter the total on this line and on Schedule A, line 29.

# Schedule H – Nonbusiness Income Net of Expenses

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

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

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

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

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

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

Complete Schedule H as follows:

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

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

## Utah Nonbusiness Income

### Lines 1a-1e – Utah Nonbusiness Income

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

### Line 2 – Total of Columns C and D

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

### Line 3 – Total Utah Nonbusiness Income

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

### Lines 4a-4e – Direct Related Expenses

Describe and enter amounts of direct expenses on the same letter line as the corresponding Utah nonbusiness income is listed on lines 1a through 1e. Direct related expenses include wages, interest, depreciation, etc. (UC §59-7-101).

### Line 5 – Total Direct Related Expenses

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

### Line 6 – Utah Nonbusiness Income Net of Direct Related Expenses

Subtract line 5 from line 3.

### Line 7 – Beginning-of-Year Assets

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

### Line 8 – End-of-Year Assets

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

### Line 9 – Sum of Beginning and Ending Asset Values

Add lines 7 and 8 for each respective column.

### Line 10 – Average Asset Value

Divide line 9 by 2 for each column.

### Line 11 – Utah Nonbusiness Asset Ratio

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

Draft 9/22/20

### Line 12 – Interest Expense

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

### Line 13 – Indirect Related Expenses for Utah Nonbusiness Income

Multiply line 12 by the ratio on line 11.

### Line 14 – Total Utah Nonbusiness Income Net of Expenses

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

## Non-Utah Nonbusiness Income

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

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

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

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

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

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

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

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

### Line 19 – Total Direct Related Expenses

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

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

Subtract line 19 from line 17.

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

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

### Line 22 – End-of-Year Assets

Enter in column A the total end-of-year value of assets used to produce non-Utah nonbusiness income 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 1120, line 18 and elsewhere on the federal return.

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

Multiply line 26 by the ratio on line 25.

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

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

Draft 9/22/20

# Schedule J – Apportionment Schedule

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

Complete TC-20, Schedule J to determine the apportionment fraction (decimal). The factors express a ratio for property in Utah to total property everywhere, for wages and salaries in Utah to total wages and salaries everywhere, and for sales in Utah to total sales everywhere. Use these factors or ratios to arrive at the Utah apportionment fraction calculated to **six decimals.** Then apply this fraction (decimal) to the apportionable income (or loss) on Schedule A to arrive at the amount of income (or loss) apportioned to Utah. In cases where one or more of the factors is omitted due to peculiar aspects of the business operations, use the number of factors present to determine the Utah apportionment fraction.

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

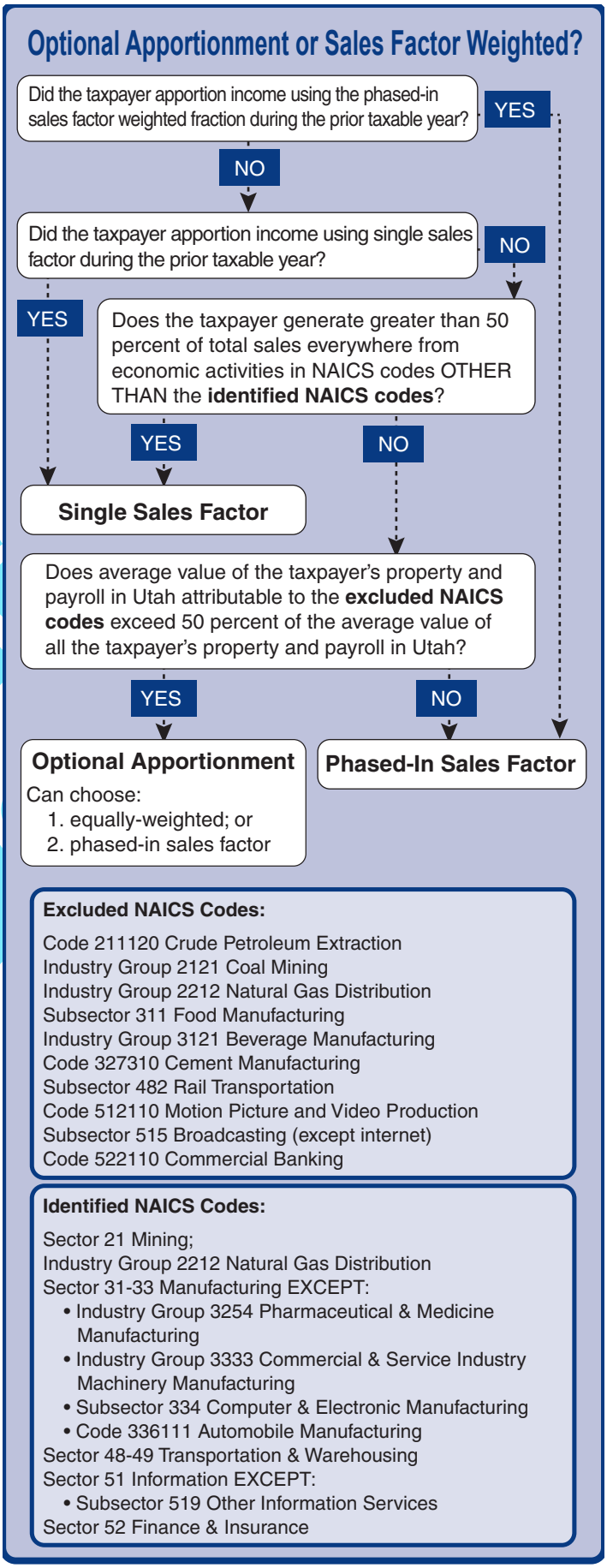
## Pass-through Entity Taxpayers

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

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

## Apportionment Method

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




Draft 9/2

## Sales Factor Weighted Taxpayers

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

A sales factor weighted taxpayer is a taxpayer that either:

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

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

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

## Optional Apportionment Taxpayers

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

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

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

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

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

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

## Phased-in Sales Factor Weighted Taxpayers

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

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

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

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

## Line Instructions

### Business Activity

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

### Lines 1a - 1f – Property Factor

Show the average cost value during the taxable year of real and tangible personal property used in the business within Utah (including leased property) in column A and overall (including Utah) in column B.

Property you own is valued at its original cost. Property you rent is valued at eight times the net annual rental rate. Net annual rental rate is the annual rental rate you pay less the annual rate you receive from sub-rentals.

The average value of property must be determined by averaging the cost values at the beginning and end of the tax period. However, monthly values may be used or required if monthly averaging more clearly reflects your property's average value.

Attach a supporting schedule whenever you use monthly averaging.

Draft 9/2020

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

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

### Line 2 – Property Factor Calculation

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

### Line 3 – Payroll Factor

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

Compensation is paid in Utah if:

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

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

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

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

### Line 4 – Payroll Factor Calculation

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

### Lines 5a - 5h – Sales Factor

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

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

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

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

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

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

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

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

### Line 6 – Sales Factor Calculation

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

## NAICS Code for Taxpayer

### Line 7 – NAICS Code

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

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

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

## Apportionment Fraction

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

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

### Line 8 – Total Factors

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

### Line 9 – Apportionment Fraction

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

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

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

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

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

Draft 9/22/20

### Line 10 – Phased-in Sales Factor

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

### Line 11 – Sales Factor

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

### Line 12 – Total Factors

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

### Line 13 – Apportionment Fraction

Calculate the phased-in sales factor to six decimals by dividing line 12 by the number of factors used (typically 10 – property, payroll and eight times the sales factor).

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

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

## ▶ Part 3 – Sales Factor Weighted Taxpayers

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

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

### Line 14 – Apportionment Fraction

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

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

## Specialized Apportionment Laws and Rules

Specialized apportionment procedures apply for:

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

Draft 9/22/20

# Schedule M – Corporations Included in Combined Filings

Any corporation filing a combined report must complete Schedule M if one or more of the subsidiaries or affiliated corporations is incorporated, qualified, or doing business in Utah. Federal schedules are not acceptable as substitutes.

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. Use the Schedule M Supplemental Sheet if you need more space.

## Minimum Tax

### Line a – Number of Corporations

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

### Line b – Total Minimum Tax

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

Draft
9/22/20

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**.

Draft 9/22/20

**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.
- ◯ 2nd qtr.
- ◯ 3rd qtr.
- ◯ 4th qtr.
- ◯ Extension payment
- ◯ Return payment

| Name of corporation/partnership | EIN |
|---|---|
| | |

| Address | | |
|---|---|---|
| City | State | Zip code |

**Payment amount enclosed** $ 00

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

C
P
T

# Common Return Errors

1. **Unitary businesses not filing a combined report –** Groups of corporations that are engaged in an integrated unitary business must file on a combined basis. See instructions on page 3.
2. **Utah sales factor on Schedule J –** Out-of-state corporations qualified in Utah, but not doing business in Utah must file a corporate return paying the minimum tax. However, sales into Utah are not required to be included in the gross receipts numerator, except as provided under Utah Rule R865-6F-24. Conversely, corporations making sales from Utah into a state where they are qualified but not doing business must include such sales in the Utah gross receipts numerator as throwback sales, except as provided under Utah Rule R865-6F-24.
3. **Net capital losses may not be carried back –** Capital losses may be deducted in full in the year incurred or may be carried forward. See UC 59-7-106(2).
4. **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.
5. **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-20
2. Utah schedules A through M (if required), in alphabetical order
3. Federal extension form, if applicable
4. First six pages **only** of your federal return (plus Form 1120, Schedule M-3 and IRS form 1125-A, if applicable)
5. Other supporting documentation **only** as requested in these instructions

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

Draft 9/22/20