

**IT-20 CORPORATE**  
**INDIANA**

**INCOME TAX BOOKLET YEAR 2011 & FISCAL YEARS ENDING IN 2012**



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# INDIANA IT-20 CORPORATE

Income Tax Booklet Year 2011 & Fiscal Years Ending in 2012

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# What's New for 2011?

## Legislative Changes to Adjusted Gross Income Tax for 2011

### References to the Internal Revenue Code

Public Law (PL) 229-2011, SEC. 83 amended Indiana Code (IC) 6-3-1-11. The definition of adjusted gross income (AGI) is updated to correspond to the federal definition of adjusted gross income contained in the Internal Revenue Code (IRC). For tax year 2011, any reference to the IRC and subsequent regulations means the Internal Revenue Code of 1986, as amended and in effect on Jan. 1, 2011. For a complete summary of new legislation regarding taxation, please see 2011 **Summary of State Legislation Affecting the Department of Revenue** at [www.in.gov/dor/3656.htm](http://www.in.gov/dor/3656.htm)

### New Addbacks

The 2011 Indiana General Assembly did not conform to several provisions in the IRC. Therefore, per House Enrolled Act 1001-2011, five deductions allowed at the federal level must be added back to taxpayers' Indiana AGI. These include

- The deduction for qualified environmental remediation costs;
- The deduction for qualified advanced mine safety equipment;
- The deduction for qualified leasehold improvement property;
- The deduction for a motorsports entertainment complex;
- The deduction for start-up expenditure;
- The deduction based on employment of an unauthorized alien;
- The deduction pertaining to limitations on percentage depletion of oil and gas wells; and
- The deduction for qualified electric utility amortization.

**NOTE: The Act is effective retroactively to taxable years beginning after Dec. 31, 2009.** So, if one of the modifications applies to a taxpayer's Indiana AGI for both 2011 and 2010, the taxpayer can report both on his 2011 income tax return. He does not need to file an amended return for 2010 to report the required modification, although filing an amended return is allowed.

Please note that, because these modifications/addbacks apply to both 2010 and 2011, each addback has two 3-digit codes listed for it. Codes that begin with a 1 should be used for addbacks to your AGI in 2011; codes that begin with a 3 should be used for addbacks to your AGI in 2010.

### Single-factor Sales Formula for Apportionment of Income

PL 162-2006 SECTIONS 25 and 56 amended IC 6-3-2-2(b), effective Jan. 1, 2007, has transitioned to a single-factor formula based on sales to apportion business income. For 2011, Schedule E, Apportionment of Income for Indiana, has been revised to reflect the single-factor formula.

### Elimination of NOL Carryback

Effective January 1, 2012, the net operating loss carryback for corporations is eliminated (IC 6-3-2-2.6).

### Electronic Filing Requirement for Tax Preparers

Effective July 1, 2011, a professional tax preparer that files more than 50 returns in 2012 must file those returns in an electronic format. This requirement decreases to just 10 returns in 2013.

### View Estimated Tax Payments Online and Make Payments by ePay

Corporate taxpayers can now verify their state estimated tax payments and balances online. This feature saves time, helps to avoid delayed refunds, and identifies estimated discrepancies prior to filing. Visit [www.in.gov/dor/epay/index.html](http://www.in.gov/dor/epay/index.html) to access your estimated tax information.

Please have the following information available:

- Name;
- Taxpayer's federal tax ID or employer identification number (EIN);
- Current street address; and
- Last payment amount;

View it by clicking Begin using IN e-pay at [www.in.gov/dor/epay/index.html](http://www.in.gov/dor/epay/index.html) If you have any questions, please call the Department at (317) 232-0129.

### Administrative Highlights Annual Public Hearing

In accordance with the Indiana Taxpayer Bill of Rights, the Department will conduct an annual public hearing on Tuesday, June 5, 2012. Please come and share your ideas about how the Department of Revenue can better administer Indiana tax laws. The hearing will be held from 9 a.m. to 11 a.m. in the Indiana Government Center South, Conference Center - Room 1, 402 W. Washington Street, Indianapolis, IN. If you can't attend, please submit your concerns in writing to: Indiana Department of Revenue, Commissioner's Office, 100 N. Senate Avenue, Indianapolis, IN 46204.

### Introduction to Corporate Taxation

Indiana has three kinds of corporate income tax:

- A corporation doing business in Indiana is subject to the AGI tax. Any corporation earning income from Indiana sources is also subject to the AGI tax.
- Any entity transacting the business of a financial institution in Indiana is subject to a franchise tax. Taxpayers subject to the financial institution tax are exempt from the AGI tax.
- Any corporation providing utility services in Indiana is subject to the utility receipts tax. Tax is imposed on the gross receipts received from selling utility services.

Indiana recognizes a variety of business organizations. How the business is organized determines the type of tax return(s) it must file. It is important you know the tax-related requirements before setting up operations in Indiana.

## General Filing Requirements

All types of corporations, business corporations, professional corporations, C corporations, and subchapter S corporations have essentially the same filing requirements. They might have different tax responsibilities, but they are still corporations. Any corporation doing business and having gross income in Indiana must file a corporation income tax return. It must do this regardless of whether it has taxable income (unless it's exempt under IRC section 501).

Nonprofit entities can be organized formally or informally. Contact the Internal Revenue Service for the federal requirements to obtain nonprofit (commonly known as 501(c)(3)) status. The IRS publishes an information booklet titled *Tax Exempt Status for Your Organization*, Publication 557. Contact:

Internal Revenue Service: (800) 829-1040  
Publications: (800) 829-3676  
<http://www.irs.ustreas.gov/>

To register your nonprofit status with the state, you must submit a Nonprofit Organization Application for Sales Tax Exemption (NP-20A). Contact:

Indiana Department of Revenue  
Tax Administration  
P.O. Box 7206  
Indianapolis, IN 46207-7206  
(317) 232-0129

## Taxable Period

Indiana tax law requires all corporations to adopt their federal tax year for reporting income to Indiana. A federal entity election or default classification is recognized for state AGI tax.

## Doing Business in Indiana

For Indiana AGI tax purposes, the term *doing business* generally means the operation of any business enterprise or activity in Indiana, including but not limited to the following:

1. Maintenance of an office, a warehouse, a construction site, or another place of business in Indiana;
2. Maintenance of an inventory of merchandise or material for sale, distribution, or manufacture;
3. Sale or distribution of merchandise to customers in Indiana directly from company-owned or -operated vehicles when the title of merchandise is transferred from the seller or distributor to the customer at the time of sale or distribution;
4. Rendering of a service to customers in Indiana;
5. Ownership, rental, or operation of business or property (real or personal) in Indiana;
6. Acceptance of orders in Indiana with no right of approval or rejection in another state;
7. Interstate transportation; or
8. Maintenance of a public utility.

Doing business by a corporate entity that is transacting the business of a financial institution in Indiana is similarly defined under IC 6-5.5-3-1.

## Deriving Income from Indiana Sources

If a corporation has business income from both within and outside Indiana, the entity must apportion its income using the three-factor formula under IC 6-3-2-2. The one exception is if the entity is a financial institution or domestic insurance company. Business income is all income that arises from the conduct of the taxpayer's trade or business operations. Nonbusiness income is specifically allocated under IC 6-3-2-2(g) through (k).

## Starting a New Business in Indiana

Formal business organizations require some filing with the Secretary of State, Corporations Division. We suggest that you consult an attorney before forming a formal business entity.

After a business entity has formed or been granted authority to do business in Indiana, it has an ongoing responsibility to file regular business entity reports. These reports must be filed every year by nonprofit organizations and every two years by for-profit businesses. The filings are due during the anniversary month of the organization's formation.

All organizational filings and reports for formal business entities should be sent to:

Indiana Secretary of State, Business Services Division  
302 W. Washington Street, Room E018  
Indianapolis, IN 46204  
(317)-232-6576  
[www.in.gov/sos/business/index.html](http://www.in.gov/sos/business/index.html)

Information Line and Front Desk Hours:

8:00 a.m. to 5:30 p.m., Monday through Friday  
(except state holidays)  
Forms are available via fax 24 hours a day.  
Call (800) 726-8000 (in Indiana)

If you need more detailed information about new businesses, check out the general requirements for starting your own business in the *Business Owner's Guide to State Government*.

## Registering with the Indiana Department of Revenue

If you are starting a new business in Indiana, you might need to register with the Indiana Department of Revenue (IDOR). Registration is required if you will have employees. It's also required if you intend to sell (retail or wholesale) or rent or lease tangible personal property.

Any company registering for Indiana withholding tax must provide its federal employer identification number (EIN). If you do not have an EIN, you can register for one at [www.irs.gov/businesses/small/article/0,,id=98350,00.html](http://www.irs.gov/businesses/small/article/0,,id=98350,00.html)

If you indicate on your Business Tax Application (BT-1) that you will be collecting Indiana gross retail sales tax, you will be issued a Registered Retail Merchants Certificate (RRMC). An RRMC must be displayed at each location where you are doing business. A company that provides a service but has no employees might not need to register. If you are unsure, contact the Department at (317) 232-0129.

## Sales Tax Exemption Certificates

Registered retail merchants must assess Indiana sales tax on any sale of tangible personal property unless the customer presents a valid exemption certificate. The exemption certificate is kept by the seller as part of its business records and sales invoices. It must:

- Be legible;
- Be signed; and
- Include the customer's tax exempt number.

A business registered as a retail merchant can issue an exemption certificate and purchase tangible personal property exempt from sales tax when the property is:

- Purchased for resale;
- Made into property being resold;
- Directly used in the manufacturing of tangible personal property to be sold; or
- Exempt by law.

## How Do I Register?

A single application (Form BT-1) is used to register with the Department for the following:

- Alcohol and tobacco tax;
- Sales tax;
- Withholding tax;
- Food and beverage tax;
- County innkeeper's tax;
- Motor vehicle rental excise tax; and
- Prepaid sales tax on gasoline.

A separate application is required for each business location.

## Internet

If you need to register your business with the Department, you can do so online using the Department's Online BT-1 application.

## INtax

You can use Indiana's free online business tax filing program to directly manage your sales and withholding tax accounts. After your business is registered, you can use INtax to complete the registration process. With INtax, you can file and pay your business taxes and much more. At this time, you can manage your obligations for:

- Indiana retail sales;
- Out-of-state sales;
- Prepaid and metered pump sales;
- Tire fee sales; and
- Payroll withholding taxes.

Visit INtax at [www.in.gov/dor/4336.htm](http://www.in.gov/dor/4336.htm)

## Paper

You can complete the Form BT-1 application online and then print and sign your registration.

Mail the completed application to:

Indiana Department of Revenue  
Tax Administration  
100 N. Senate Avenue  
Room N281 Mail Stop 105  
Indianapolis, IN 46204-2253

If you mail Form BT-1, please allow approximately 4-6 weeks to complete the registration process. You can request that a blank Form BT-1 be mailed to you.

## In Person

Visit our Taxpayer Service Center in the Indiana Government Complex or at any of the IDOR district offices. Simply bring in your completed BT-1 application for same-day service.

## Register Multiple Locations:

You must complete a separate BT-1 for each location you need to register. If you want to consolidate tax filings for all or some of your locations, complete Form BT-1C (Authorization for Consolidated Sales Tax Filing Number). This form is included in the BT-1 Packet.

## Important Reminders:

- To avoid delays in processing applications, please make sure all the applicable information is complete and the form is signed.
- The application will be delayed if the business itself has any outstanding tax liabilities.
- When you close your business, you are responsible for notifying the Department of the closure. Failure to do this can result in billings being issued for failure to file returns.

## Business Entities (in General)

### Which Indiana Income Tax Form(s) to File?

The type of form you file varies depending on how your corporation is organized and the type of income it earns. An organization filing a federal return and doing business in Indiana must also file the comparable Indiana return. The name of the corporation (which must include the word *Corporation*, *Company*, *Incorporated*, *Limited*, or an abbreviation thereof) must be included on all returns. When filing your Indiana corporate forms, use your federal employer identification number (EIN) to identify your return. The IRS assigns this number to business entities at [www.irs.gov/businesses/small/article/0,,id=98350,00.html](http://www.irs.gov/businesses/small/article/0,,id=98350,00.html)

For Indiana tax purposes, a corporation's tax filing includes other less formal organizations and unincorporated entities, such as general partnerships and nonprofit associations. To determine which return to file, use the following list. File the specified state form(s) to report the income, gains, losses, deductions, and credits. Also use it to figure your entity's corporate income tax liability.

The state returns are due 30 days after the due date for the filing of the federal return. Unless otherwise specified, the state tax returns are due on the 15th day of the fourth month following the close of the corporation's taxable year.

A corporation or an entity doing business in Indiana is subject to the *corporate* adjusted gross income tax (AGIT). The corporate AGIT tax rate is 8.5 percent. (**Note:** Beginning on July 1, 2012, the corporate tax rate will decrease by 0.5% each year, until July 1, 2015, when it will be 6.5%.) Certain entities are exempt from the tax (see IC 6-3-2-2.8 and 6-3-2-3.1). A brief explanation of the tax treatment for each type follows.

## Types of Corporate Entities and Returns to File

### For-Profit Corporations (Domestic and Foreign)

A corporation can be formed for profit or nonprofit purposes. Forming a corporation creates a specific legal entity. An organization incorporated in this state (a domestic corporation) must have on file *Articles of Incorporation 4159* with the Corporations Division of the Secretary of State.

An organization incorporated in another state or with a foreign government must have on file an *Application for Certificate of Authority 38784* with the Indiana Secretary of State. This allows a foreign (outside Indiana) corporation to do business in Indiana.

| General or Regular Corporations                                     | State Return(s) to File |
|---|-------------------------|
| Filing federal Form 1120, file:                                     | Form IT-20, or          |
| If meeting 80 percent income test as a financial institution, file: | Form FIT-20             |
| If a utility service provider, also file:                           | Form URT-1              |

**80 Percent Income Test:** Is the corporation primarily in the business of extending credit? If so, it might be subject to the financial institution franchise tax (FIT) in Indiana. If 80 percent or more of the taxpayer's gross income comes from extending credit, servicing loans, or a credit card operation, the FIT applies (see 45 IAC 17-2-4). You can also see Commissioner's Directive #14 at [www.in.gov/dor/3617.htm](http://www.in.gov/dor/3617.htm) for more information.

The FIT rate of tax is the same as the AGIT rate: 8.5 percent. If the taxpayer is subject to the FIT, it is exempt from the AGIT (IC 6-5.5-9-4). *It must instead file on Form FIT-20.*

**Utility Service Provider:** Are you in business as a utility service? If so, you might be subject to the utility receipts tax (URT) on those gross receipts. *Gross receipts* are defined as the value received for the retail sale of utility services.

You owe this tax if you furnish any of the following:

- Electrical energy;
- Natural gas;
- Water;
- Steam;
- Sewage; or
- Telecommunications services.

The URT is due on the retail sale of these services in Indiana. The URT tax rate is 1.4 percent. See Commissioner's Directive #18 at [www.in.gov/dor/3617.htm](http://www.in.gov/dor/3617.htm) for more information. *Entities subject to this tax must also file Form URT-1.*

### Forms for Specific Organizations

| Cooperative Association                  | State Return(s) to File |
|--|-------------------------|
| Filing federal Form 1120-C, file:        | Form IT-20              |
| If a utility service provider, also file | Form URT-1              |

A cooperative association (including a subchapter T cooperative) that engages in farming and reports its income and deductions on federal Form 1120-C must file Form IT-20. If this applies to you, check box J-5 in the taxpayer identification section on the front of the return.

If the cooperative is in the business of providing a utility service, it must also file Form URT-1 to report any retail sales of utility services to its nonmembers. **Note:** The utility receipts tax return is due on the 15th day of the fourth month following the close of the cooperative association's taxable year.

*The corporate adjusted gross return, Form IT-20, is due on the 15th day of the 10th month following the close of the cooperative association's tax year. The utility receipts return, Form URT-1, is due on the 15th day of the 4th month following the close of the association's tax year.*

| Corporation (Engaged in Farming)          | State Return(s) to File |
|---|-------------------------|
| Filing federal Form 1120, file:           | Form IT-20              |
| If a utility service provider, also file: | Form URT-1              |

A corporation that engages in farming and reports its income and deductions on federal Form 1120 or 1120-A must file Form IT-20.

*The state tax return(s) is due on the 15th day of the fourth month following the close of the corporation's tax year.*

| Domestic Corporation                                       | State Return(s) to File |
|--|-------------------------|
| Filing federal Form 1120, file:                            | Form IT-20              |
| If a utility service provider, also file:                  | Form URT-1              |
| If a financial institution (80 percent income test), file: | Form FIT-20             |

An organization incorporated in this state is known as a domestic corporation for tax purposes. It must file an Indiana return to report taxable income if it is not otherwise exempt.

*The state tax return(s) is due on the 15th day of the fourth month following the close of the corporation's tax year.*

## Exempt Organizations:

(Refer to the section on nonprofit corporations)

| Foreign Corporation  | State Return(s) to File |
|--|-------------------------|
| Filing federal Form 1120 or 1120-F, file:                  | <b>Form IT-20</b>       |
| If a utility service provider, also file:                  | <b>Form URT-1</b>       |
| If a financial institution (80 percent income test), file: | <b>Form FIT-20</b>      |

An organization incorporated in another state or with a foreign government is known as a foreign corporation for Indiana tax purposes. It must have a Certificate of Authority to do business in Indiana. You can get an application for a Certificate of Authority from the Indiana Secretary of State or the State Information Center.

A foreign corporation with authority to operate in Indiana (other than a life or property and casualty insurance company) generally must file its Indiana tax return on the Corporation Income Tax Return, Form IT-20.

*The state tax return(s) is due on the 15th day of the fourth month following the close of the corporation's tax year.*

| Foreign Sales Corporation (IRC section 922) | State Return(s) to File |
|---|-------------------------|
| Filing federal Form 1120-FSC, file:         | <b>Form IT-20</b>       |
| If a utility service provider, also file:   | <b>Form URT-1</b>       |

A foreign corporation with authority to operate in Indiana generally must file its Indiana tax return on the Corporation Income Tax Return, Form IT-20.

*The state tax return(s) is due on the 15th day of the fourth month following the close of the corporation's tax year.*

| Homeowner's Association (IRC section 831) | State Return(s) to File |
|---|-------------------------|
| Filing Form 1120-H, file:                 | <b>Form IT-20</b>       |

A condominium management, residential real estate management, or timeshare association is subject to tax as a corporation if it elects to be treated as a homeowners association. It is not considered a nonprofit organization for Indiana tax purposes. Therefore, it must file as a for-profit corporation using Form IT-20.

*The state tax return is due on the 15th day of the fourth month following the close of the entity's tax year.*

| Interest Charge Domestic International Sales Corporation (IRC section 992) | State Return(s) to File |
|--|-------------------------|
| Filing federal Form 1120-IC-DISC, file:                                    | <b>Form IT-20</b>       |
| If a financial institution (80 percent income test), file:                 | <b>Form FIT-20</b>      |

*The state tax return is due on the 15th day of the fourth month following the close of the corporation's tax year.*

| Life Insurance Company (Domestic) (IRC section 801) | State Return(s) to File |
|---|-------------------------|
| Filing federal Form 1120-L, file:                   | <b>Form IT-20</b>       |

A domestic insurance company (organized under the laws of the state of Indiana) that elects to file the corporation income tax return instead of the premium insurance tax return must file on Form IT-20. It will be exempt from the insurance premium tax if it elects to pay the AGIT. If this applies to you, check box J-4 in the taxpayer identification section on the front of the return.

*The state corporate income tax return is due on the 15th day of the fourth month following the close of the corporation's tax year.*

| Limited Liability Companies (Domestic and Foreign)         | State Return(s) to File |
|--|-------------------------|
| If filing federal Form 1065 or 1065B, file:                | <b>Form IT-65</b>       |
| If filing federal Form 1120, file:                         | <b>Form IT-20</b>       |
| If a utility service provider, also file:                  | <b>Form URT-1</b>       |
| If a financial institution (80 percent income test), file: | <b>Form FIT-20</b>      |

A limited liability company (LLC) may be classified for federal income tax purposes as a partnership, a corporation, or an entity disregarded as an entity separate from its owner by applying the rules in federal regulation section 301.7701-3. An LLC has members rather than shareholders. If an entity with more than one member was formed as an LLC, it generally is treated as a partnership for federal income tax purposes. It therefore files Form 1065.

A single-member LLC can report its income and deductions as a corporate entity instead. The LLC can file a Form 1120 or Form 1120-A only if it has filed federal Form 8832, Entity Classification Election, to be treated as a corporation.

An LLC can be formed under state law by filing Articles of Organization 49459. An LLC based outside of Indiana must file an Application for Certificate of Authority of a Foreign Limited Liability Company to do business in Indiana, similar to what foreign corporations file. If the LLC qualifies under IRS guidelines to be treated as an association taxable as a corporation, it must file Form IT-20.

*The state tax return(s) is due on the 15th day of the fourth month following the close of the entity's tax year.*



| <b>Limited Liability Partnership (Domestic and Foreign)</b> | <b>State Return(s) to File</b> |
|---|--------------------------------|
| If filing federal Form 1065 or 1065B, file:                 | <b>Form IT-65</b>              |
| If filing federal Form 1120, file:                          | <b>Form IT-20</b>              |
| If a utility service provider, also file:                   | <b>Form URT-1</b>              |
| If a financial institution (80 percent income test), file:  | <b>Form FIT-20</b>             |

A limited liability partnership (LLP) can be classified for federal income tax purposes as a partnership, a corporation, or an entity disregarded as an entity separate from its owner by applying the rules in federal regulation section 301.7701.3. The income of an LLP is taxed in the same manner as a general partnership's income is.

An LLP can be formed under state law by filing Articles of Registration of a Limited Liability Partnership with the Secretary of State. An LLP based outside of Indiana must file a Certificate of Authority or Notice of Foreign Limited Liability Partnership to do business in Indiana, similar to what foreign corporations file.

*The state tax return(s) is due on the 15th day of the fourth month following the close of the entity's tax year.*

| <b>Limited Partnership (Domestic and Foreign)</b>          | <b>State Return(s) to File</b> |
|--|--------------------------------|
| If filing federal Form 1065 or 1065B, file:                | <b>Form IT-65</b>              |
| If filing federal Form 1120, file:                         | <b>Form IT-20</b>              |
| If a utility service provider, also file:                  | <b>Form URT-1</b>              |
| If a financial institution (80 percent income test), file: | <b>Form FIT-20</b>             |

A limited partnership (LP) must have at least one general partner and one limited partner. The income is generally taxed in the same manner as a general partnership's income is. An LP can be classified for federal income tax purposes as a partnership, a corporation, or an entity disregarded as an entity separate from its owner by applying the rules in federal regulation section 301.7701.3. The LP can be formed under state law by filing a Certificate of Limited Partnership with the Secretary of State. An LP based outside of Indiana must file a Certificate of Authority or Application of Registration to do business in Indiana, similar to what foreign corporations file.

*The state tax return(s) is due on the 15th day of the fourth month following the close of the entity's tax year.*

| <b>Nuclear Decommissioning Funds (IRC Section 468A)</b>    | <b>State Return(s) to File</b> |
|--|--------------------------------|
| If filing federal Form 1120-ND, file:                      | <b>Form IT-20</b>              |
| If a financial institution (80 percent income test), file: | <b>Form FIT-20</b>             |

*The state tax return is due on the 15th day of the fourth month following the close of the fund's taxable year.*

| <b>Personal Service Corporation (Domestic and Foreign)</b> | <b>State Return(s) to File</b> |
|--|--------------------------------|
| Filing federal Form 1120, file:                            | <b>Form IT-20</b>              |

*The state tax return for a personal service corporation, also known as a professional corporation, is due on the 15th day of the fourth month following the close of the corporation's tax year.*

| <b>Political Organization (IRC Section 527)</b> | <b>State Return(s) to File</b> |
|---|--------------------------------|
| If filing federal Form 1120-POL, file:          | <b>Form IT-20</b>              |

*The state tax return is due on the 15th day of the fourth month following the close of the organization's tax year.*

| <b>Property and Casualty Insurance Company (Domestic) (IRC Section 831)</b> | <b>State Return(s) to File</b> |
|---|--------------------------------|
| If filing federal Form 1120-PC, file:                                       | <b>Form IT-20</b>              |

A domestic insurance company (organized under the laws of the state of Indiana) can elect to file the corporation income tax return instead of the premium insurance tax return. However, if it elects to do this, it must file on Form IT-20. It is exempt from the insurance premium tax if it elects to pay the AGIT. If this applies to you, check box J-4 in the taxpayer identification section on the front of the return.

*The state corporate income tax return is due on the 15th day of the fourth month following the close of the corporation's tax year.*

| <b>Publicly Traded Partnership (Domestic and Foreign)</b>  | <b>State Return(s) to File</b> |
|--|--------------------------------|
| If filing federal Form 1065 or 1065B, file:                | <b>Form IT-65</b>              |
| If filing federal Form 1120, file:                         | <b>Form IT-20</b>              |
| If a utility service provider, also file:                  | <b>Form URT-1</b>              |
| If a financial institution (80 percent income test), file: | <b>Form FIT-20</b>             |

A publicly traded partnership (PTP) that is treated as a partnership and not as a corporation for federal income tax purposes must file on Form IT-65. A PTP that is treated as a corporation for federal income tax purposes under IRC Section 7704 must file on Form IT-20.

A PTP based outside of Indiana must file a Certificate of Authority to do business in Indiana. This is similar to what foreign corporations file.

*The tax return(s) is due on the 15th day of the fourth month following the close of the entity's tax year.*

| <b>Real Estate Investment Trust (IRC section 856)</b>      | <b>State Return(s) to File</b> |
|--|--------------------------------|
| If filing federal Form 1120-REIT, file:                    | <b>Form IT-20</b>              |
| If a financial institution (80 percent income test), file: | <b>Form FIT-20</b>             |

A corporation, a trust, or an association that meets certain conditions under IRC Section 856 can elect to be treated as a real estate investment trust (REIT) for the tax year. It does this by figuring its taxable income as a REIT on federal Form 1120-REIT. An entity filing as a REIT files Form IT-20 or FIT-20 to report business activity income in Indiana.

However, the deduction for dividends paid is not an allowable exclusion for the state return. A deduction for dividends included in federal taxable income is an addback on the state tax return.

*The state tax return is due on the 15th day of the fourth month following the close of the tax year.*

| <b>Real Estate Mortgage Investment Conduit (IRC Section 860D)</b> | <b>State Return(s) to File</b> |
|---|--------------------------------|
| If filing federal Form 1066, file:                                | <b>Form IT-20</b>              |
| If a financial institution (80 percent income test), file:        | <b>Form FIT-20</b>             |

A corporation, a partnership, a trust, or an entity that meets certain conditions under IRC Section 860D can elect to be treated as a real estate investment conduit (REMIC) for the tax year. It does this by figuring its taxable income as a REMIC on federal Form 1066. An entity filing as a REIT files either Form IT-20 or Form FIT-20 to report its total federal taxable income, deductions, gains, and losses from the operation of a REMIC in Indiana. In addition, the REMIC must report and pay taxes on any net income from foreclosure property and contributions after a startup day. If this applies to you, check box J-6 in the taxpayer identification section on the front of the return.

*The state tax return is due on the 15th day of the fifth month following the close of the entity's tax year. The entity's final state return is due 30 days from the filing due date of Form 1066 following the date the REMIC ceased to exist.*

| <b>Regulated Investment Company (IRC Section 851)</b>      | <b>State Return(s) to File</b> |
|--|--------------------------------|
| If filing federal Form 1120-RIC, file:                     | <b>Form IT-20</b>              |
| If a financial institution (80 percent income test), file: | <b>Form FIT-20</b>             |

A regulated financial corporation, subsidiary of a holding company, or regulated financial corporation can elect to be treated as a regulated investment company (RIC). It does this by filing Form 1120-RIC. For state purposes, the RIC must use Form IT-20 or FIT-20 to report federal taxable income, deductions, gains, and losses from the operation of an RIC in Indiana.

*The state return is due on the 15th day of the fourth month following the close of the corporation's tax year.*

| <b>S Corporation (IRC Section 1361)</b>   | <b>State Return(s) to File</b> |
|---|--------------------------------|
| If filing federal Form 1120S, file:       | <b>Form IT-20S</b>             |
| If a utility service provider, also file: | <b>Form URT-1</b>              |

A corporation incorporated in the United States can elect S corporation treatment. The corporation must submit IRS Form 2553 to the IRS for recognition of its status. This is a separate legal and taxable entity. It can have no more than 100 owners. An S corporation is exempt from federal income tax except on certain capital gains and passive income. Any income taxed at the corporate level is subject to the Indiana corporate AGIT.

A corporation that has permission to file as an S corporation must file its Indiana return on the Indiana S Corporation Income Tax Return, Form IT-20S.

*The state tax return(s) is due on the 15th day of the fourth month following the close of the corporation's tax year.*

| <b>Settlement Fund (IRC Section 468B)</b>                  | <b>State Return(s) to File</b> |
|--|--------------------------------|
| If filing federal Form 1120-SF, file:                      | <b>Form IT-20</b>              |
| If a financial institution (80 percent income test), file: | <b>Form FIT-20</b>             |

*The state tax return is due on the 15th day of the fourth month following the close of the fund's tax year.*

### **Nonprofit Corporations (Domestic and Foreign)**

A corporation can be formed for profit or nonprofit purposes. A nonprofit organization is an association whose purpose is to engage in activities that do not provide financial profit to the benefit of its members. Such corporations must get nonprofit or tax exempt status from the IRS and the Indiana Department of Revenue to be free from certain tax burdens.

## Formation of Nonprofit Corporation

Nonprofit entities can be organized formally or informally. Forming a corporation creates a specific legal entity. A nonprofit organization incorporated in this state (a domestic corporation) must have on file Articles of Incorporation 4162 with the Corporations Division of the Indiana Secretary of State. An organization incorporated in another state or with a foreign government must have on file an Application for Certificate of Authority 37035 with the Secretary of State. This allows a foreign (outside Indiana) corporation to do business in Indiana.

## Application for Nonprofit Status and Registration

Contact the Internal Revenue Service for federal requirements to obtain nonprofit (commonly known as 501(c)(3)) status. The IRS publishes an information booklet titled *Tax Exempt Status for Your Organization*, Publication 557. Contact:

Internal Revenue Service: (800) 829-1040  
Publications: (800) 829-3676  
[www.irs.ustreas.gov/](http://www.irs.ustreas.gov/)

To register your nonprofit status with the state, you must submit a Nonprofit Organization Application for Sales Tax Exemption (NP-20A). Contact:

Indiana Department of Revenue  
Tax Administration  
P.O. Box 7206  
Indianapolis, IN 46207-7206  
(317) 232-0129

After nonprofit status is granted, the organization must file the annual report (NP-20) to maintain state recognition of its sales tax exemption. If the organization has unrelated business income over \$1,000 during the tax year, it must also file Form IT-20NP. For information about nonprofit filing requirements, get Information Bulletin #17 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm)

*The annual report and income tax return are due on the 15th day of the fifth month following the close of the organization's tax year.*

## Forms for Specific Nonprofit Organizations

| Nonprofit Organization                    | State Return(s) to File            |
|---|------------------------------------|
| If filing federal Form 990 or 990T, file: | <b>Form IT-20NP and Form NP-20</b> |
| If a utility service provider, also file: | <b>Form URT-1</b>                  |

A nonprofit organization or corporation must file Form IT-20NP and/or Form NP-20.

The department recognizes the exempt status determined by the IRS. An organization registered as a nonprofit is subject to the AGIT unless the income is specifically exempt from taxation under the Adjusted Gross Income Tax Act (IC 6-3-2-2.8 and 6-3-2-3.1). The nonprofit organization is subject to both federal and state tax on income derived from an unrelated trade or business, as defined in IRS Section 513.

*The tax return on unrelated business income (Form IT-20NP) and the annual report (Form NP-20) are due on the 15th day of the fifth month following the close of the organization's tax year. The URT-1 tax return is due on the 15th day of the fourth month following the close of the organization's tax year.*

| Religious or Apostolic Organization (Exempt Under Section 501(d)) | State Return(s) to File |
|---|-------------------------|
| If filing federal Form 1065, file:                                | <b>Form IT-65</b>       |

*The state partnership return is due on the 15th day of the fourth month following the close of the organization's tax year.*

## Other Related Income Tax Filing Requirements of a Corporation

### State Return(s) to File Forms for Other Corporate Entities

#### Financial Institution Franchise Tax Form FIT-20

Financial institutions are subject to a franchise tax under IC 6-5.5. Indiana imposes a financial institution franchise tax (FIT) of 8.5 percent on the AGI of a taxpayer that is conducting the business of a financial institution in Indiana. Financial institution means:

- A holding company registered under the Bank Holding Act of 1956;
- A holding company registered as a savings and loan holding company;
- A holding company registered as a regulated financial corporation (including a state chartered credit union); or
- Any subsidiary of the above.

The franchise tax also extends to all other corporate entities when 80 percent or more of their gross income is derived from activities that constitute the business of a financial institution. The business of a financial institution is defined as:

- Activities authorized by the Federal Reserve Board;
- The making, acquiring, selling, or servicing of loans or extensions of credit;
- Acting as an agent broker or advisor in connection with leasing that is the economic equivalent of an extension of credit; or
- Operating a credit card, debit card, or charge card business (see 45 IAC 17-2-4).

Taxpayers subject to the FIT under IC 6-5.5-2-1 are exempt from Indiana's corporate AGIT. Entities subject to this tax should not file Form IT-20. Instead, they should file Form FIT-20, Indiana Financial Institution Tax Return. For more information, get Commissioner's Directive #14 at [www.in.gov/dor/3617.htm](http://www.in.gov/dor/3617.htm) or contact Corporate Taxpayer Assistance by calling (317) 232-0129.

*The FIT-20 return is due on the 15th day of the fourth month following the close of the corporation's tax year.*

## Premium (Privilege)

### Insurance Tax

**State Form 6135 or State Form 6136**

Insurance companies must file federal Form 1120-L or 1120-PC. A foreign insurance company (organized under the laws of a state other than Indiana) is required by IC 27-1-18-2 to pay the insurance premium tax to the Indiana Department of Insurance. However, a domestic (Indiana) insurance company can file either the premium insurance tax return or the corporation income tax return. Paying the premium tax exempts the insurance company from the AGIT.

*The state insurance return is filed with the Indiana Department of Insurance. It is due on March 1 following the close of the tax year ending Dec. 31.*

### Utility Receipts Tax

**Form URT-1**

Per IC 6-2.3-2-1, gross receipts from the retail sale of utility services are taxed at 1.4 percent. The utility services subject to tax include:

- Electrical energy;
- Natural gas;
- Water;
- Steam;
- Sewage; and
- Telecommunications.

*Gross receipts* are defined as the value received for the retail sale of utility services.

Entities subject to this tax must file Form URT-1 (Utility Receipts Tax Return). They must also file the annual corporate AGI or financial institution income tax return. See Commissioner's Directive #18 at [www.in.gov/dor/3617.htm](http://www.in.gov/dor/3617.htm) for more information.

*The URT-1 return is due on the 15th day of the fourth month following the close of the taxpayer's tax year.*

### Utility Services Use Tax

**Form USU-103**

Your business might be subject to an excise tax of 1.4 percent on the consumption of utility services. A utility services use tax (USUT) is due if the utility receipts tax is not payable by the seller. The person who consumes the utility service in Indiana is liable for the USUT. Unless the utility service seller is registered with the Department to collect the USUT on your behalf, you must pay the tax on Form USU-103. For more information, see Commissioner's Directive #32 at [www.in.gov/dor/3617.htm](http://www.in.gov/dor/3617.htm)

*The USU-103 return is due monthly by the 30th day following the end of each month.*

## General Filing Requirements for Form IT-20

### What to Enclose with Your State Corporate Return

To complete your state income tax return, you must enclose copies of pages 1 through 5 of the completed U.S. Corporation Income Tax Return (Form 1120) or the comparable federal return you are filing. You also must include federal Schedule M-3 and any confirmation of an extension of time to file the return.

## Adjusted Gross Income Tax

The Indiana AGIT is generally calculated using federal taxable income from federal Form 1120 or a comparable return and making Indiana modifications as required by IC 6-3-1-3.5(b). If you have income from sources both within and outside Indiana, use the apportionment and allocation formula on IT-20 Schedule E to determine the AGI that's attributed to Indiana. The AGIT rate is 8.5 percent. (**Note:** Beginning on July 1, 2012, the corporate tax rate will decrease by 0.5% each year, until July 1, 2015, when it will be 6.5%.)

## Due Dates

**The corporation's tax return is due by the 15th day of the fourth month following the close of the tax year.**

**A farmer's cooperative** (described in Section 1381 of the Internal Revenue Code) has until the 15th day of the 10th month following the end of its taxable year to file its annual Indiana return. A **real estate mortgage investment conduit's (REMIC's)** return is due by the 15th day of the **fifth** month following the close of its taxable year. The entity's final state return is due 30 days from the filing due date of Form 1066 following the date the REMIC ceased to exist.

## Extensions for Filing Return

The Department accepts the federal extension of time application (Form 7004) or the federal electronic extension. If you have one, you do not need to contact us before filing your annual return. Returns postmarked within 30 days after the last date indicated on the federal extension are considered timely filed. If your corporation does not need a federal extension of time but needs one for filing the state return, submit a letter to us requesting such an extension prior to the annual return's due date.

To request an Indiana extension of time to file, contact:

**Indiana Department of Revenue,  
Data Control Business Tax  
Returns Processing Center  
100 N. Senate Avenue  
Indianapolis, IN 46204-2253**

An extension of time granted under IC 6-8.1-6-1 waives the late payment penalty for the extension period on the balance of tax due, provided 90 percent of the current year's total tax liability is paid on or prior to the original due date. Use Form IT-6 to make an extension payment for your taxable year. This payment is processed as a "fifth" estimated payment. (See Income Tax Bulletin #15 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm) for more details.) Any tax paid after the original due date must include interest.

Interest on the balance of tax due must be included with the return when it is filed. Interest is computed from the original due date until the date of payment. Each October the Department establishes the interest rate for the next calendar year. See Departmental Notice #22 at [www.in.gov/dor/3618.htm](http://www.in.gov/dor/3618.htm) for interest rates.

If you have a valid extension of time or a federal electronic extension to file, you must **check box V1** on the front of the return. If applicable, enclose a copy of the federal extension of time with your state return.

### **Accounting Methods and Taxable Year**

You must use the same method of accounting you used for federal income tax purposes. The taxable year for the AGIT must also be the same as the accounting period you used for federal income tax purposes. If the apportionment provisions do not fairly reflect your Indiana income, you must petition the Department for permission to use an alternative method.

For an overview of corporate taxation, see Income Tax Information Bulletin #12 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm)

### **Consolidated Reporting**

Under the Adjusted Gross Income Tax Act, affiliated corporations have the privilege of filing a consolidated return. This is provided in IRC Section 1502 for those affiliates as defined in IRC Section 1504. The Indiana consolidated return must include any member of the affiliated group under IRC Section 1504 having income or loss attributable to Indiana during the year.

To file a consolidated return for AGIT purposes, the parent corporation must own at least 80 percent of each subsidiary's voting stock. Each corporation in the affiliated group electing to file consolidated must be either incorporated in Indiana or registered with the Secretary of State to do business in Indiana. The affiliated group may not include any corporation that does not have taxable income or loss from Indiana sources.

You can elect to file a consolidated return for Indiana purposes by filing by the due date or the extended due date. If you choose this, you should notify the Department by completing Schedule 8-D, Schedule of Indiana Affiliated Group Members. Indicate the affiliated corporations included in the consolidated return. You cannot elect to file a consolidated return on a retroactive basis. After an affiliated group elects to file consolidated for Indiana purposes, the group must follow that choice for all subsequent years of filing. In addition, a worksheet must accompany the annual return supporting each of the participating affiliates' consolidated AGI or loss. Schedule 8-D is available separately from the Department.

If the group wants to revoke the election in a subsequent tax year, it must prove good cause and receive written permission from the Department. The group must make its request to discontinue filing consolidated at least 90 days before the return's due date.

### **Unitary (Combined) Filing Status**

You can petition the Department for permission to file a combined income tax return for a unitary group. You must file the petition on or before 30 days after the end of the tax year for which you're seeking permission.

Permission will be granted if combined reporting will more fairly reflect the unitary group's Indiana source income. However, combined reporting is limited to the "water's-edge" of the United States. The petition should be sent to:

**Indiana Department of Revenue  
Tax Policy Division  
100 N. Senate Avenue, N-280  
Indianapolis, IN 46204**

**Caution:** After permission has been granted to file on a combined basis, the taxpayer must continue to file returns on this basis until the Department grants permission to use an alternative method. The taxpayer filing the combined return must petition the Department within 30 days after the end of the tax year for permission to stop filing a combined return.

**IT-20 Unitary Schedule 1, Combined Profit and Loss Statement of Indiana Unitary Group**, must be completed detailing the following:

- The federal taxable income;
- The intercompany eliminations; and
- The members' adjusted gross income tax.

You must enclose with the return a list of the corporations involved in the apportionment factor of the unitary filer. Include their federal identification numbers. You must also include the computation of apportionment for the combined group's members. Each taxable member will be assigned a share of business income according to its relative share (its percentage share without considering any nontaxable member's share) of the unitary group's Indiana property, payroll, and (adjusted) sales factors.

Get additional information concerning unitary requirements from the Tax Policy Division at (317) 232-7282. See Tax Policy Directive #6 at [www.in.gov/dor/3661.htm](http://www.in.gov/dor/3661.htm)

### **Treatment of Partnership Income**

The corporate partner's and the partnership's activities might constitute a unitary business under established standards, disregarding ownership requirements. If so, the business income of the unitary business attributable to Indiana is determined by a three-factor apportionment formula. The formula consists of the corporate partner's property, payroll, and sales. It also includes the corporate partner's share of the partnership's factors for any partnership year ending within or with the corporate partner's income year. The partner's proportionate shares of all the partnership's (unapportioned) state income taxes and charitable contributions are added back in to determine its AGI.

The corporate partner's activities and the partnership's activities might not constitute a unitary business under established standards. If they don't, the corporate partner's share of the partnership income attributable to Indiana is determined at the partnership level as follows:

1. If the partnership has income from sources within and outside Indiana, the income from the sources within Indiana is determined by a formula consisting of the property, payroll, and sales of the partnership.
2. If the partnership has income from sources entirely within Indiana or entirely outside Indiana, the income is not subject to formula apportionment.

Refer to 45 IAC 3.1-1-153. For non-unitary partners, taxable partnership distributions included in federal AGI are deducted on line 14 of the return. Non-unitary partnership income attributed to Indiana, including any apportioned pro rata modifications, is added back on line 17.

Refer to the instructions for Schedule F for more information. Losses are treated the same as income; however, losses cannot exceed the limits imposed by IRC Section 704.

### Quarterly Estimated Payments

A corporation whose estimated AGIT liability exceeds \$2,500 for a taxable year must file quarterly estimated tax payments. The quarterly estimated tax payments must be submitted with an appropriate Indiana voucher, with Form IT-6, or by electronic funds transfer (EFT), depending on the amount due. The quarterly due dates for estimated payments are the 20th day of the fourth, sixth, ninth, and twelfth months of the taxpayer's tax period, regardless of whether filing on a calendar-year, fiscal-year, or short-year basis. Taxpayers should use the reporting taxpayer's federal identification number.

Estimated taxes can be paid at [www.in.gov/dor/epay](http://www.in.gov/dor/epay)

To make an estimated tax payment or view payment history, you need the following information:

- Taxpayer name;
- Federal tax ID or employer identification number (EIN);
- Current street address; and
- Last payment amount.

Claim credit for all your estimated payments on lines 34 - 36 of Form IT-20. Refunds reflected on the annual corporate return can be applied to the next taxable year's estimated liability. Do this by entering the amount to be credited on line 47 of the IT-20. To get a refund, you must claim an overpayment of estimated payments on the annual return. After you remit the remainder of a year's estimated tax, you should not file any further estimated returns. All checks remitted to the Department should be accompanied by a return or a complete explanation for the payment. If you have zero liability for a quarter, you do not have to file Form IT-6.

The quarterly estimated payment must be equal to the lesser of:

- 25 percent of the AGI tax liability for the taxable year; or
- The annualized income installment calculated in the manner provided by IRC Section 6655(e) as applied to the corporation's liability for AGI tax.

Also, if your estimated liability exceeds \$5,000 per quarter, you must remit the tax by EFT. If the estimated payment is made by EFT, you are not required to file Form IT-6. For questions about EFT payments, call (317) 232-5500.

Corporations required to make quarterly estimated payments can use the annualized income installment method. It must be calculated in the manner provided by IRC Section 6655(e) as applied to the corporation's AGI tax liability.

If you need to set up an estimated account, contact the Department to remit the initial payment and to request preprinted quarterly estimated IT-6 returns. For more instructions, refer to Income Tax Information Bulletin #11 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm)

### Penalty for Underpayment of Estimated Tax

If you are required to pay estimated tax, you are subject to a 10 percent underpayment penalty if you don't file estimated payments or pay enough. The required estimate should exceed:

- The annualized income installment calculated in the manner provided by IRC Section 6655(e) as applied to your liability; or
- 25 percent of the final tax liability for the prior taxable year.

If you meet either of these conditions, no penalty will be assessed for the estimated period.

If you underpaid your tax for any quarter, use Schedule IT-2220 to show an exception to the penalty. If you don't meet any of the exceptions, you must include payment of the computed penalty with your return. The underpayment penalty is the difference between the amount paid for each quarter and 25 percent of your final income tax for the current tax year. See the instructions for completing Schedule IT-2220, Penalty for the Underpayment of Corporate Income Tax.

### Electronic Funds Transfer Requirements

Corporate quarterly estimated tax must be remitted by EFT if the corporation's AGI tax exceeds an average of \$5,000 per quarter (or \$20,000 annually). The Department assesses a penalty of either 10 percent of the unpaid tax or the amount of the EFT (whichever is less) on any EFT it cannot obtain payment on. There is no minimum amount of payment. Therefore, the Department encourages any corporate taxpayers not required to remit by EFT to voluntarily participate in our EFT program.

**Note:** Taxpayers remitting by EFT should not file quarterly IT-6 coupons. The amounts are reconciled when the annual income tax return is filed.

If the Department notifies a corporation that it must remit by EFT, the corporation has to:

1. Complete and submit the EFT Authorization Agreement (Form EFT-1); and
2. Begin remitting tax payments by EFT by the date/tax period specified by the Department.

If the corporation doesn't comply, a 10 percent penalty is added onto each quarterly payment not paid by EFT. Note: Per Indiana Code, the extension of time to file payment or the final payment due with the annual return does not have to be paid by EFT. Corporations should claim any EFT payment as an extension or estimated payment credit when filing their annual income tax returns.

Your return should not indicate an amount due if you have paid, or will pay, any remaining balance by EFT.

If your corporation meets the requirements to remit by EFT, contact the Department, EFT Section, by calling (317) 232-5500.

## Indiana Use Tax

Under Indiana law, use tax is imposed on the use, storage, and consumption of tangible personal property in Indiana when the property was acquired in a retail transaction and sales tax was not paid at the point of purchase.

The Indiana use tax rate is 7 percent. Indiana use tax does not apply to property purchased for resale or exempted by statute.

Items subject to Indiana use tax include:

- Magazine subscriptions;
- Office supplies;
- Property used or consumed outside the scope of production; and
- Property purchased from out-of-state vendors.

A Sale/Use Tax Worksheet is available on page 42 as a supplement to the income tax return (line 24) for reporting any unpaid use tax liability.

## Amended Returns

To amend an Indiana corporation income tax return, you must complete Form IT-20X. Always use Form IT-20X to comply with IC 6-3-4-6, which requires a taxpayer to notify the Department of any changes (federal adjustment, RAR, etc.) made to a federal income tax return within 180 days of such change. Federal waivers should be enclosed, if applicable.

To claim a refund of an overpayment, you must file the return within three years from the later of either the overpayment date or the return's due date. For carryback of a net operating loss deduction, Indiana generally follows federal regulations.

IC 6-8.1-9-1 entitles a taxpayer to claim a refund because of a reduction in tax due to a federal modification. A taxpayer can file a claim for refund within six months from the date of modification by the IRS. Therefore, an overpayment due to a change of a federal income tax liability must be claimed within the later of: the three-year period from the due date of the return,

the date of payment, or within six months of the taxpayer's notification by the IRS. If the taxpayer and the Department agree to an extension of the statute of limitations for an assessment, the period for filing a claim for refund is also extended.

## Calculation of Interest on Refund Claims

An overpayment of tax accrues interest from the date the refund claim is filed if it is not refunded or credited against a current or future tax liability within:

- 90 days after the refund claim is filed;
- The date the tax was due; or
- The date the tax was paid (whichever is latest).

The refund claim includes an amended return that indicates an overpayment of tax.

The rate of interest is established by the Commissioner as published in Departmental Notice #22. The rate is updated on or before Nov. 1 to take effect on Jan. 1 for the coming year.

An approved overpayment can be refunded or credited to the following tax year. A combination of these two options can also be used.

## Instructions for Completing Form IT-20

### Filing Period and Identification

File a 2011 Form IT-20 return for a taxable year ending Dec. 31, 2011; a short tax year beginning in 2011 and ending in 2011; or a fiscal year beginning in 2011 and ending in 2012. For a short or fiscal tax year, at the top of the form fill in the beginning month and day and the ending date of your taxable year.

The 2011 Form IT-20 can also be used if:

- The corporation's tax year is shorter than 12 months;
- The corporation's tax year begins and ends in 2011; and
- The 2011 Form IT-20 is not available at the time the corporation is required to file its return.

The corporation must show its 2012 tax year on the 2011 Form IT-20 and take into account any state tax law changes that are effective after Dec. 31, 2011. An amended Form IT-20X can be filed later to correct a previously filed return because of state and federal tax law changes effective to that tax period.

A corrected Form IT-20 must be enclosed. Please use the corporation's full legal name and present mailing address. *For foreign addresses, please note the following:*

- Be sure to enter the name of the city, town, or village in the box labeled City;
- Be sure to enter the name of the state or province in the box labeled State; and
- Be sure to enter the postal code and the 2-digit country code in the box labeled ZIP Code.

For a name change, check box B1 at the top of the return. **With the return, you must enclose copies of Amended Articles of Incorporation or an Amended Certificate of Authority** filed with the Indiana Secretary of State.

The federal identification number shown in the box in the return's upper-right corner must be accurate and be the same as what's used on the federal corporation income tax return. Consolidated filers must use the federal identification number of the corporation designated as the reporting corporation.

List the name of the county in Indiana where you have a primary business location. Enter "O.O.S." in the county box for an address outside Indiana.

Enter your principal business activity code, from the North American Industry Classification System (NAICS), in the designated block of the return. Use the six-digit activity code you reported on your federal corporation income tax return.

A link to a list of these codes is available through the Department's website at [www.in.gov/dor/3742.htm](http://www.in.gov/dor/3742.htm)

### Question J and Other Fill-in Lines

All corporations filing an Indiana corporation income tax return must complete the top portion of the form, including questions J through V. Check or complete all boxes that apply to your return.

**J-1.** Is this filing your initial return for the state of Indiana?

**J-2.** Is this filing your final return for the state of Indiana? Check this box only if the corporation is dissolved, is liquidated, or withdrew from the state. **Also, you must timely file Form BC-100 to close out any sales and withholding accounts. Go to [www.in.gov/dor/3731.htm](http://www.in.gov/dor/3731.htm) to complete this form online.**

**J-3.** Check this box if the corporation is in bankruptcy.

**J-4.** Check this box if you're filing as a domestic insurance company. A domestic insurance company uses a one-factor apportionment formula to determine taxable income from sources within Indiana. Enclose a separate calculation statement for the apportionment percentage for line 16d.

**J-5.** Check this box if filing as a farmer's cooperative. **Note:** The return for a farmer's cooperative is due on the 15th day of the 10th month following the close of the cooperative's tax year.

**J-6.** Check this box if filing as a real estate investment conduit (REMIC). **Note:** The return for an REMIC is due on the 15th day of the fifth month following the close of the taxpayer's tax year.

**K.** Enter the state of incorporation for the company on K-1, and enter the date of incorporation on K-2.

**M.** Enter the year the initial Indiana return was filed.

**N.** Enter the corporation's address where it keeps its records.

**O.** If the corporation paid estimated tax under a different federal identification number (FID) or employee identification number (EIN), check this box. On Schedule H (page 4 of the return), you must list all the other identification numbers you have used when making payments.

**P.** Check this box if you are filing federal Form 1120 as a consolidated return.

**Q.** If you are filing on a unitary basis, check yes or no to indicate whether any material changes in circumstances have occurred since you filed your last petition. If so, enclose a statement indicating those changes.

**R.** Check yes or no to indicate whether 80 percent or more of your gross income for the tax year is derived from making, acquiring, selling, or servicing loans or extensions of credit. If yes, do not file Form IT-20. Instead, you must file Form FIT-20, the Indiana financial institution tax return.

**S.** Check yes or no to indicate whether you are filing an Indiana consolidated return. If so, complete and enclose Schedule 8-D, Schedule of Indiana Affiliated Group Members.

**T.** Check yes or no to indicate whether you are filing a combined return on a unitary basis. If so, enclose your unitary apportionment addendum.

**U.** Check yes or no to indicate whether you deducted for any intangible expenses or directly related intangible interest expenses paid to 50 percent owned affiliates. If yes, you must complete IT-20 Schedule PIC and Schedule H on page 4 of the return. Also, enclose federal Form 851, Affiliations Schedule, with your return.

**V.** Check yes or no to indicate whether you have a valid extension of time or an electronic federal extension of time to file your return. **If applicable, enclose a copy of federal Form 7004 with your return.**

### Computation of Adjusted Gross Income Tax

Unitary filers should use the combined group's totals and relative formula percentage for entries on all lines except 18 and 20. Compute the Indiana portion of a net operating loss deduction, if any, on line 20. Base it on the relative formula percentage as applied for the loss year.

**Note:** Please round all entries to the nearest whole dollar amount. Also, please do not use a comma in dollar amounts of four digits or more. For example, instead of entering "3,455" you should enter "3455."

### Income

#### Line 1 - Federal Taxable Income

Enter the federal taxable income (as defined under IRC Sections 63, 801, and 832) before any federal net operating loss (NOL) deduction and/or special deductions from Form 1120 (pro forma U.S. Corporation Income Tax Return) for the taxable period.

**Some organizations can enter federal taxable income after the \$100 specific deduction. Political organizations and homeowner's associations are allowed a \$100 specific deduction.**



### Line 2 - Federal Deduction of Qualifying Dividends

Enter the special deductions from Schedule C, federal Form 1120. Use the amount reportable to Indiana if you're filing as a consolidated group. See line 12 for Indiana's treatment of any remaining foreign source dividends.

### Line 3 - Subtotal Federal Taxable Income Before NOL

Subtract line 2 from line 1.

## Modifications for Adjusted Gross Income, Lines 4 - 11

Enter any addbacks and deductions on lines 4 through 10. Enter the name of the addback/deduction, its 3-digit code, and its amount. Use minus signs to denote negative amounts. Attach additional sheets if necessary.

The 2011 Indiana General Assembly did not conform to several provisions in the IRC. Therefore, per House Enrolled Act 1001-2011, five deductions allowed at the federal level must be added back to taxpayers' Indiana AGI. These include

- The deduction for qualified environmental remediation costs;
- The deduction for qualified advanced mine safety equipment;
- The deduction for qualified leasehold improvement property;
- The deduction for a motorsports entertainment complex;
- The deduction for start-up expenditure;
- The deduction based on employment of an unauthorized alien;
- The deduction pertaining to limitations on percentage depletion of oil and gas wells; and
- The deduction for qualified electric utility amortization.

**NOTE: The Act is effective retroactively to taxable years beginning after Dec. 31, 2009.** So, if one of the modifications applies to a taxpayer's Indiana AGI for both 2011 and 2010, the taxpayer can report both on his 2011 income tax return. He does not need to file an amended return for 2010 to report the required modification, although filing an amended return is allowed.

Please note that, because these modifications/addbacks apply to both 2010 and 2011, each addback has two 3-digit codes listed for it. Codes that begin with a 1 should be used for addbacks to your AGI in 2011; codes that begin with a 3 should be used for addbacks to your AGI in 2010. The following addbacks and deductions should be entered on lines 4 through 10:

### Certain Taxes Deducted from Federal Schedules C, C-EZ, E, and/or F (3-digit code: 100)

If you deducted from your federal return taxes based on or measured by income levied at any state level by any state of the United States, that amount must be added back here. If a unitary relationship exists with a partnership, include the proportionate share of the partnership's modifications provided under IC 6-3-1-3.5(b) (unapportioned).

### Charitable Contributions (3-digit code: 114)

Add back all charitable contributions deducted when computing federal net taxable income.

### Qualified Domestic Production Activities (3-digit code: 103)

Add back the amount claimed as a deduction for qualified domestic production activities under IRC Section 199 for federal income tax purposes.

### Intangible Expenses (3-digit code: 115)

Add back the net result from IT-20 Schedule PIC Part 3(b). A corporation subject to the AGI tax must add to its taxable income any intangible expenses. It must also add any directly related intangible interest expenses paid, accrued, or incurred with one or more members of the same affiliated group or foreign corporation. A corporation answering yes to question U on the front of the return must complete IT-20 Schedule PIC on page 4 of the return.

The form and instructions are prescribed according to Emergency Rule LSA Document 2006 0726-IR-045060244ERA. IT-20 Schedule PIC and the instructions for how to complete it can be found in the section "Specific Instructions for Completing IT-20 Schedule PIC" on page 38 of this booklet.

The following definitions apply to corporations for the purpose of disclosing activities and amounts involving transactions of intangible property to the extent required under IC 6-3-2-20:

- **Affiliated group** has the meaning set forth in IRC Section 1504, except that the ownership percentage is determined using 50 percent instead of 80 percent.
- **Directly related intangible interest expenses** means interest expenses that are either paid to or accrued/incurred as a liability to a recipient if:
  - The amounts represent income from making loans; and
  - The recipient originally received the loaned funds from the payment of intangible expenses by the taxpayer, by
  - A member of the same affiliated group, or by a foreign corporation.
- **Foreign corporation** means a corporation that:
  - Is organized under the laws of a country other than the United States; **and**
  - Would be a member of the same affiliated group as the taxpayer if the corporation were organized under the laws of the United States.
- **Intangible expense** means the following amounts, to the extent these amounts are allowed as deductions from taxable income under IRC Section 63: expenses; losses; and costs directly for, related to, or in connection with the acquisition, use, maintenance, management, ownership, sale, exchange, or any other disposition of intangible property. Also included in the term are royalties, patent fees, technical fees, copyright fees, licensing fees, and other substantially similar expenses and costs.
- **Interest expenses** means amounts allowed as deductions under IRC Section 163.

- **Makes a disclosure** means a taxpayer provides the following information about a transaction of a member of the same affiliated group or a foreign corporation involving an intangible expense and any directly related intangible interest expense: the recipient's name; the state of the recipient's commercial domicile; the amount paid to the recipient; a copy of federal Form 851 (Affiliation Schedule); and the information needed to determine the taxpayer's status under the allowed exceptions.
- **Recipient** means a member of the taxpayer's affiliated group who is paid income that corresponds to an intangible expense or any directly related intangible interest expense.
- **Unrelated party** means a person who is not a member of the same affiliated group.
- **Valid business purpose** means one or more transactions that have sufficient economic substance, other than the avoidance or reduction of taxes that, alone or in combination, constitute the primary motivation for a business activity or change the taxpayer's economic position in a meaningful way. A meaningful change in the taxpayer's economic position includes, but is not limited to:
  - An increase in market share;
  - Its entry into new business markets; or
  - Its compliance with a regulatory requirement of federal, state, or local government.

#### **Dividends Paid to Shareholders of a Captive Real Estate Investment Trust (3-digit code: 116)**

Add back the amount of any deduction for dividends paid to shareholders of a captive real estate investment trust (REIT). A captive REIT is defined as a corporation, a trust, or an association:

- That is considered a REIT under Section 856 of the Internal Revenue Code;
- That is not regularly traded on an established securities market;
- That is not organized in a country that has a tax treaty with the United States Treasury governing the tax treatment of these trusts; and
- In which more than 50 percent of the voting power or shares is owned or controlled by one entity.

#### **Net Bonus Depreciation Allowance (3-digit code: 104)**

Add or subtract an amount attributable to bonus depreciation. Do this if it's in excess of any regular depreciation allowed if you did not elect under IRC Section 168(k) to have it applied to property in the year the property was placed into service. If you own property, you might have been allowed to take additional first-year special depreciation for qualified property in the current taxable year or an earlier taxable year. If this is the case, you must add or subtract an amount that makes your AGI equal the amount computed without applying any bonus depreciation. (The first-year special depreciation for qualified property includes 50 percent bonus depreciation.) You must calculate the subsequent depreciation allowance on the state's stepped-up basis until you

dispose of the property. Enclose a statement or complete Schedule H to explain the adjustment you are making.

*Example:* You took the IRC Section 179 deduction on business equipment acquired during 2011. It cost \$200,000. The capital expensing deduction was \$100,000 with a remaining basis of \$100,000. You took an additional 50 percent bonus depreciation of \$50,000. This left a basis of \$50,000 for a five-year Modified Accelerated Cost Recovery System (MACRS) property (half-year convention) depreciation deduction of 20 percent. This deduction was therefore \$10,000. The total amount of the federal deduction was therefore \$160,000.

For state purposes, the bonus depreciation of \$50,000 was not allowed. So, it must be added back. The IRC Section 179 deduction was capped at \$25,000. So, the \$75,000 excess amount must be added back. These adjustments result in a stepped-up basis of \$175,000 for the state return. Use this amount to figure the allowable first-year MACRS property depreciation deduction of 20 percent for 2011. (It's \$35,000.) This was a total state deduction of \$25,000 more than what was already deducted under the general depreciation system (GDS). In later years, you can exclude the additional depreciation from the amounts to be added back. Or you can exclude it when you use excess IRC Section 179 deduction or bonus depreciation.

Commissioner's Directive #19 ([www.in.gov/dor/3617.htm](http://www.in.gov/dor/3617.htm)) explains this initial required modification on the allowance of depreciation for state tax purposes.

#### **Excess IRC Section 179 Deduction (3-digit code: 105)**

Add back your share of the IRC Section 179 adjustment claimed for federal tax purposes that exceeds the amount recognized for state tax purposes.

Indiana adopted the former expensing limit provided by The Jobs Creation and Workers Assistance Act of 2002. The state has since specified an expensing cap of \$25,000. This modification affects the basis of a property if a higher Section 179 limit was applied. The increase to a \$100,000 deduction and a beginning \$400,000 phase-out limitation was not allowed for purposes of calculating Indiana AGI. You must adjust the depreciation allowances in the year of purchase and later years to reflect the additional first-year depreciation deduction until you sell the property. The additional first-year depreciation deduction includes the special depreciation allowance for 50 percent bonus depreciation property.

The AGI of a corporation that placed any IRC Section 179 property in service in the current taxable year or an earlier year must equal the AGI that would have been computed if deductions had not been taken for the year in which the property was placed in service (as defined in IRC Section 179) in a total exceeding \$25,000. Thus, you must add or subtract an amount that makes these two figures equal.

Enclose a statement or complete Schedule H on page 4 of the return to explain the adjustment.

**Note:** If the net amount determined for the net bonus depreciation allowance or excess IRC Section 179 deduction is a negative figure because of a higher depreciation basis in subsequent years, use a minus sign to denote the negative amount. If the taxable income is a loss, this adjustment increases a loss when added back.

**U.S. Interest (3-digit code: 610)**

Deduct the interest or any proportionate share of interest from U.S. government obligations included on the federal income tax return, Form 1120, and Form 1065 (if a unitary relationship exists). However, this is not a total exclusion. You must first deduct all related expenses from the exempt dividend or interest income. These expenses are limited to the amount of income each obligation generates.

Refer to Income Tax Information Bulletin #19 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm) for a list of eligible items.

**Foreign Gross-Up (3-digit code: 119)**

Deduct the amount of foreign gross-up determined by computing the federal foreign tax credit on Form 1118. This should be reflected on federal Schedule C. **Note:** The federal foreign tax credit is not allowed for Indiana income tax purposes.

**Qualified Patents Income (3-digit code: 622)**

Deduct the amount of income from qualified patents included in federal taxable income. For tax years beginning after Dec. 31, 2008, this income is exempt from Indiana AGI. Get Income Tax Information Bulletin #104 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm) for more information.

**Deferral of Business Indebtedness Discharge and Reacquisition (3-digit code: 107)**

Add back the deduction for deferral of business indebtedness discharge and reacquisition. Enter an amount equal to the amount claimed as a deferral of income arising from business indebtedness discharged in connection with the reacquisition after Dec. 31, 2008, and before Jan. 1, 2011, of an applicable debt instrument (as provided in Section 108(i) of the IRC), for federal income tax purposes.

**Qualified Restaurant Property (3-digit code: 108)**

Add back the deduction for qualified restaurant property. Enter an amount equal to the amount claimed as a deduction for federal income tax purposes for qualified restaurant property. The property must have been placed in service during the taxable year and have been classified as 15-year property under Section 168(e)(3)(E)(v) of the IRC.

**Qualified Retail Improvement Property (3-digit code: 109)**

Add back the deduction for qualified retail improvement property. Enter an amount equal to the amount claimed as a deduction for federal income tax purposes for qualified retail improvement property. The property must have been placed in service during the taxable year and have been classified as 15-year property under Section 168(e)(3)(E)(ix) of the IRC.

**Qualified Disaster Assistance Property (3-digit code: 110)**

Add back the deduction for qualified disaster assistance property. Add or subtract an amount equal to the amount claimed as a deduction for the special allowance for qualified disaster assistance property under Section 168(n) of the IRC for federal income tax purposes.

**Qualified Refinery Property (3-digit code: 111)**

Add back the deduction for qualified refinery property. Enter an amount equal to the amount claimed as a deduction for expense costs for qualified refinery property under Section 179C of the IRC for federal income tax purposes.

**Qualified Film or Television Production (3-digit code: 112)**

Add back the deduction for qualified film or television production. Enter an amount equal to the amount claimed as a deduction for expense costs for qualified film or television production under Section 181 of the IRC for federal income tax purposes.

**Qualified Preferred Stock (3-digit code: 113)**

Add back the deduction for qualified preferred stock. Enter an amount equal to the amount claimed as a deduction for a loss from the sale or exchange of preferred stock that was treated as an ordinary loss under Section 301 of the Emergency Economic Stabilization Act of 2008 in the current taxable year or in an earlier taxable year. The stock must be preferred stock in one of the following:

- The Federal National Mortgage Association, established under the Federal National Mortgage Association Charter Act (12 U.S.C. 1716 et seq.); or
- The Federal Home Loan Mortgage Corporation, established under the Federal Home Loan Mortgage Corporation Act (12 U.S.C. 1451 et seq.).

**Addback for Qualified Environmental Remediation Costs (3-digit code: 121 for current tax year; use 321 for prior tax year)**

Add back the deduction for qualified environmental remediation costs. If you claimed a deduction for qualified environmental remediation costs under Section 198 of the IRC, enter an amount equal to the amount claimed as a deduction.

**Addback for Qualified Advanced Mine Safety Equipment (3-digit code: 126 for current tax year; use 326 for prior tax year)**

Add back the deduction for qualified advanced mine safety equipment. If you claimed a deduction for the expense of qualified advanced mine safety equipment under Section 179 of the IRC, enter an amount equal to the amount claimed as a deduction.

**Addback for Qualified Leasehold Improvement Property (3-digit code: 129 for current tax year; use 329 for prior tax year)**

Add back the deduction for qualified leasehold improvement property. If you excluded income because of qualified leasehold improvement property (as provided in Section 168(e)(3)(E)(iv) of the IRC) placed into service in the taxable year, add the amount claimed as a deduction.

**Addback for Motorsports Entertainment Complex (3-digit code: 130 for current tax year; use 330 for prior tax year)**

Add back the deduction for a motorsports entertainment complex. If you excluded income because of any motorsports entertainment complex (as provided in Section 168(e)(3)(C)(ii) of the IRC) placed into service in the taxable year, add the amount claimed as a deduction.

**Addback for Start-up Expenditure (3-digit code: 131 for current tax year; use 331 for prior tax year)**

Add back the deduction for start-up expenditure. If you claimed a deduction for interest start-up expenditures under Section 195 of the IRC, add the amount, if any, by which the deduction you claimed exceeds the amount you would have been entitled to deduct prior to the enactment of the Small Business Jobs Act of 2010 (P.L. 111-240).

**Addback for Trade or Business Deductions Based on Employment of Unauthorized Alien (3-digit code: 132)**

For taxable years beginning after June 30, 2011, add back the amount allowed under the IRC for wages, reimbursements, or other payments made for services provided in Indiana by a financial institution if the person was prohibited from being hired as an employee because the person was an unauthorized alien.

**Addback for Oil and Gas Wells Depletion (3-digit code: 134 for current tax year; use 334 for prior tax year)**

Section 613A(c)(6)(H)(ii) of the IRC was treated as though it was not amended. It pertains to the limitations on percentage depletion in the case of oil and gas wells. The federal amendment extends the suspension of the ability to deduct more than 100% of the net income from that property for marginal production (less than 15 barrels per day and heavy oil).

**Addback for Qualified Electric Utility Amortization (3-digit code: 135 for current tax year; use 335 for prior tax year)**

Section 451(i)(3) of the IRC was treated as though it was not amended. It pertains to the special rule for sales or dispositions to implement Federal Energy Regulatory Commission of state electric restructuring policy for qualified electric utilities. The federal amendment provides that the sale or other disposition of property used by a qualified electric utility to an independent transmission company will allow the electric utility to elect to recognize gain from the transaction ratably over an 8-year period beginning in the year of the sale if the amount realized from the sale is used to purchase exempt utility property within the applicable period. This amortization is disallowed for Indiana purposes for 2010 and 2011.

**Line 11 - Modified Adjusted Gross Income**

Enter the sum of income and modifications. Add/subtract lines 3 through 10. Use a minus sign to denote a negative amount.

## Other Adjustments

**Line 12 - Other Adjustments to Modified Adjusted Gross Income Deduction for Foreign Source Dividends**

IC 6-3-2-12 allows a deduction from AGI. It must be equal to the amount of the foreign source dividend included in the corporation's AGI for the tax year multiplied by one of the following percentages:

- 100 percent if the corporation including the foreign source dividend in its AGI owns stock. It must also possess at least 80 percent of the total combined voting power of all classes of stock of the foreign corporation from where the dividend is derived.
- 85 percent if the corporation including the foreign source dividend in its AGI owns stock. It must also possess at least 50 percent but less than 80 percent of the total combined voting power of all classes of stock of the foreign corporation from where the dividend is derived.
- 50 percent if the corporation including the foreign source dividend in its AGI owns stock. It must also possess less than 50 percent of the total combined voting power of all classes of stock of the foreign corporation from where the dividend is derived.

Complete the Foreign Source Dividends Worksheet on page 4 of the return.

You can deduct any excess non-unitary foreign dividend on Schedule F. The term **foreign source dividend** means a dividend from a foreign corporation. It includes any amount a taxpayer is required to include in its gross income for a tax year under Section 951 of the Internal Revenue Code (Subpart F, controlled foreign corporations). The Indiana foreign source dividend deduction is based on "foreign source dividends" after the federal special deductions. Do not include any amount treated as a dividend under Section 78 of the IRC. Refer to Indiana Income Tax Information Bulletin #78 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm) for more information.

**Deduction for Lottery Games Prize Money**

A portion of prize money received from purchasing a winning Indiana lottery game or ticket included in federal taxable income should be excluded. The proceeds of up to \$1,200 are deductible from each winning lottery game or ticket paid through Hoosier State Lottery Commission.

Use Schedule H (page 4 of the return) to include additional explanation of amounts entered on the return. Itemize each entry by schedule, line number, and amount. Subtotal each applicable entry.

**Caution:** Do not use line 12 to deduct out-of-state income. Instead, see the instructions for IT-20 Schedules E and F on page 37 and page 39.

**Line 13 - Subtotal of Income**

Add lines 11 and 12 and enter the balance. If you have property, payroll, or sales outside Indiana, refer to the instructions for IT-20 Schedules E and F. Schedule F and instructions on how to complete it can be found in the section "Specific Instructions for Completing IT-20 Schedule F" on page 39 of this booklet.

**Line 14 - Other Adjustments to Modified Adjusted Gross Income**

Enter the net nonbusiness income (loss) and tiered/ non-unitary partnership distribution from IT-20 Schedule F, column C, line 10. You must also enclose a completed IT-20 Schedule F.

**Line 15 - Taxable Business Income**

Subtract line 14 from line 13.

**Apportionment of Income for an Entity with Multistate Activities****Lines 16a through 16d - Apportionment Method Applied**

If applicable, enter the Indiana apportionment percent from the completed schedule. (Round to two decimal places, for example, 98.46%.) Check box 16a if using IT-20 Schedule E, line 8. Check box 16b if using Schedule E-7, Apportionment for Interstate Transportation. (This schedule is available separately on request.) Check box 16c if using another approved method. (You must enclose the appropriate schedule.) Do not enter 100% on this line.

Generally, when the property and payroll factors are each 100% in Indiana, the corporation is not subject to taxation by another state. Therefore, all sales are taxed by Indiana.

**Single Receipts Factor for Insurance Companies:** A domestic insurance company must use a one-factor apportionment formula when computing taxable AGI. Determine AGI derived from sources within Indiana by doing the following:

Divide the premiums and annuity considerations received during the taxable year for insurance upon property or risks in Indiana (box 1, IT-20 Schedule E), by the premiums and annuity considerations everywhere (box 2, IT-20 Schedule E), as reported in the Annual Statement filed with the Department of Insurance.

Do not complete line 8. Check box 16c on Form IT-20. Enclose a separate calculation statement and enter the result as an apportionment percentage on line 16d.

**Line 17 - Indiana Apportioned Business Income**

Multiply line 15 by the apportionment percentage on line 16d, if applicable. Otherwise, enter the amount from line 15.

**Addition of Allocated and Previously Apportioned Income to Indiana****Line 18 - Indiana Nonbusiness and Non-unitary Partnership Income**

Enter Indiana net nonbusiness income (loss) and Indiana tiered, non-unitary partnership income from Schedule F, column D, line 11.

**Line 19 - Indiana Adjusted Gross Income**

Enter the total of line 17 and line 18. Use Schedule IT-20NOL to determine whether you are allowed to carry an Indiana NOL deduction.

**Deduction from Indiana Adjusted Gross Income****Line 20 - Indiana Net Operating Loss Deduction**

Enter, as a positive figure, the combined amount of all your available Indiana NOL carryover deductions for this taxable year as calculated on Part 2, column 4 of Schedule IT-20NOL(s). You MUST enclose a current Schedule IT-20NOL, as effective on or after Jan. 1, 2004, with support for the entry from each loss year. Please review the revised Schedule IT-20NOL and instructions before entering an amount on line 20.

**Line 21 - Taxable Adjusted Gross Income**

Subtract line 20 from line 19. Enter the result here. If it is a positive figure, also enter this amount on line 22.

**Tax Calculation****Line 22 - Taxable Adjusted Gross Income, continued**

Enter the amount of AGI subject to tax from line 21.

**Line 23 - Adjusted Gross Income Tax**

Multiply the amount on line 22 by the corporate AGI tax rate of 8.5 percent if you do not otherwise qualify for a reduced rate of tax. Taxable income derived from a designated Indiana Military Base Enhancement Area (MBEA) is subject to tax at the rate of 5 percent.

If you qualify as an MBEA taxpayer under IC 6-3-2-1.5, complete Schedule M on page 26. Also check the alternate tax rate calculation box on line 23. Enter your total computed AGI tax. If you paid your insurance gross premium tax, enter zero (0).

**Line 24 - Sales/Use Tax**

IC 6-2.5-3-2 imposes a use tax on the use, storage, and consumption of tangible personal property in Indiana if:

- The property was purchased or rented in a retail transaction, wherever located; and
- Sales tax was not paid.

The use tax rate is 7 percent. If you have purchased taxable items from outside of Indiana, through the mail (for instance, by catalog or an offer through the mail), through radio or television advertising, and/or over the Internet, these purchases may be subject to Indiana sales and use tax if you did not pay sales tax at the time of purchase.

Examples of taxable items include:

- Magazine subscriptions;
- Office supplies;
- Electronic components; and
- Rental equipment.

Any property that is purchased free of tax, by use of an exemption certificate or from out of state, and converted to a nonexempt use by the business is also subject to the use tax.

Use tax is computed on an annual basis. It should be reported on this line if not previously reported on Form ST103. For more information regarding use tax, call (317) 232-0129.

Complete the worksheet on page 42 to figure your tax. If you paid sales tax to the state where the item was originally purchased, you can take a credit against your Indiana use tax for an amount up to 7 percent. Show this credit on the worksheet.

Carry the total calculated sales/use tax due to line 24 on the return. **Caution:** Do not report your totals from ST-103 on this worksheet or on Form IT-20.

### Nonrefundable Tax Liability Credits

Nonrefundable credits are limited to the amount of AGI tax. These credits, when combined, cannot be greater than the amount shown on Form IT-20 line 23. If the total of your credits is more than your AGI (line 23), you must adjust the entries by recalculating the credits to the amounts you can apply on lines 25b through 31b. You must also enclose the supporting schedule(s) and/or documentation requested for each credit claimed. See the following example.

**Example** - The line 25b college credit of \$1,000 plus the line 26b credit for research expense of \$25,000 equals \$26,000 total credit. Your line 23 AGI tax is \$16,000. Because your combined credits are \$10,000 more than your state tax liability, you must reduce the total amount of credits applied (in this case, the \$25,000 research credit) by enclosing an explanation showing your calculations. Some credits have provisions that allow you to carry forward the unused portion and apply it the following year.

#### Line 25 - College and University Contribution Credit

A corporate taxpayer might be able to compute a credit against its income tax liability if it made a charitable contribution to one of the following:

- A college located within Indiana;
- A university located within Indiana; or
- A corporation or foundation organized for the benefit of a post-secondary educational institution located within Indiana.

Compute this credit on Schedule CC-20 (page 4 of the return). Get Income Tax Information Bulletin #14 for a list of eligible institutions ([www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm)).

**Limitation for this credit:** A corporation is allowed a tax credit for contributions to qualified Indiana institutions equal to 50 percent of the amount of money or property contributed, limited to the lesser of:

- Ten percent of the corporation's AGI tax for the year when the gifts are made (computed without regard to any credits against the tax); or
- \$1,000.

To claim this credit, complete Schedule CC-20 on page 4 of Form IT-20. Or you can enclose College Credit, Schedule

CC-40 (enclosure sequence #8) with your return. Enter the amount of allowable credit on line 25b. For more information and to get Schedule CC-40, contact the Department at [www.in.gov/dor/3510.htm](http://www.in.gov/dor/3510.htm)

#### Line 26 - Indiana Research Expense Credit

Indiana has a research expense credit that is similar to the federal credit (Form 6765). This credit is for increasing research activities for qualifying expenses paid in carrying on a trade or business in Indiana. Compute the state credit by using Schedule IT-20REC. Claim this credit on line 26b of the return, and enclose Schedule IT-20REC with your return.

Go to [www.in.gov/dor/4179.htm](http://www.in.gov/dor/4179.htm) to get Schedule IT-20 REC. You can also contact the Department at [www.in.gov/dor](http://www.in.gov/dor) for more information.

#### Line 27 - Enterprise Zone Employment Expense Credit

This credit is based on qualified investments made within an Indiana enterprise zone. It is the lesser of 10 percent of qualifying wages or \$1,500 per qualified employee. It is limited to the amount of your tax liability on income derived from an enterprise zone. See "About Enterprise Zone Tax Credits" on page 46.

For more information, get Income Tax Information Bulletin #66 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm) and Indiana Schedule EZ, Parts 1, 2 and 3 at [www.in.gov/dor/3515.htm](http://www.in.gov/dor/3515.htm)

Also, contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN 46204. Or you can call them at (317) 232-8827 or visit their website at [www.in.gov/iedc](http://www.in.gov/iedc) for additional information.

Claim the enterprise zone employment expense tax credit on line 27b. Enclose Schedule EZ 2 with your return.

#### Line 28 - Enterprise Zone Loan Interest Credit

This credit is for up to 5 percent of the interest you receive from all qualified loans made during a tax year for use in an Indiana enterprise zone. See "About Enterprise Zone Tax Credits" on page 46.

For more information, get Income Tax Information Bulletin #66 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm) and Indiana Schedule LIC at [www.in.gov/dor/3515.htm](http://www.in.gov/dor/3515.htm)

Also, contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN 46204; call them at (317) 232-8827; or visit their website at [www.in.gov/iedc](http://www.in.gov/iedc) for additional information.

Claim the enterprise zone loan interest tax credit on line 28b, and enclose Schedule LIC with your return.

#### Lines 29 - 31 - Other Nonrefundable Credits

You might be eligible to claim other tax liability reduction credits. You can separately claim any other credit you qualify for on lines 29 - 31. Each of the following credits is assigned a three-digit

code. When claiming the credits on lines 29 –31, enter the name of each credit, its three-digit code, and the amount claimed. See the following examples and the list of About Other Tax Liability Credits on page 46. Also see Income Tax Information Bulletin #59 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm) for more information about Indiana tax credits.

**Examples** - Enter the following information on line 29 to claim a \$2,000 historic building rehabilitation credit. Claim a \$1,000 military base investment cost credit on line 30. Then claim a \$500 twenty-first century scholars program support fund credit on line 31:

**Line 29:** Historic Building Rehab

**Line 29a:** 8 1 9

**Line 29b:** \$2,000

**Line 30:** Military Base Invest. Cost

**Line 30a:** 8 2 6

**Line 30b:** \$1,000

**Line 31:** Twenty-First Cent. Scholars

**Line 31a:** 8 3 4

**Line 31b:** \$500

If you have more credits to claim, enter the information in the space to the left of line 32. Increase line 32 by the amount of your additional credit(s). Also enter a detailed explanation on Schedule H (page 4 of the return).

#### **Restriction for Certain Tax Credits - Limited to One per Project**

Within a certain group of credits, a taxpayer may not be granted more than one credit for the same project. You can choose the credit to be applied. However, you are not permitted to change the credit selected or redirect the investment for a different credit in subsequent years. See Commissioner's Directive #29 at [www.in.gov/dor/3617.htm](http://www.in.gov/dor/3617.htm) for more information.

Nine credits are included in this group:

- Alternative fuel vehicle manufacturer credit,
- Capital investment credit,
- Community revitalization enhancement district credit,
- Enterprise zone investment cost credit,
- Hoosier business investment credit,
- Industrial recovery credit,
- Military base investment cost credit;
- Military base recovery credit; and
- Venture capital investment credit.

Apply this restriction first when figuring your credits.

If you are claiming more than one credit, first use the credits that cannot be carried over and applied against your state AGI in another year. These credits include

- College and University Contribution Credit;
- Indiana College Choice 529 Savings Plan Credit;
- Prison Investment Credit;
- School Scholarship Credit;
- Teacher Summer Employment Credit; and
- Twenty-First Century Scholars Credit.

Next, use the credits that can be carried over for a limited number of years and applied against your state AGI. These credits include

- Alternative Fuel Vehicle Manufacturer Credit;
- Airport Development Zone Employment Expense Credit;
- Airport Development Zone Loan Interest Credit;
- Blended Biodiesel Credit;
- Capital Investment Credit;
- Enterprise Zone Employment Expense Credit;
- Enterprise Zone Loan Interest Credit;
- Headquarters Relocation Credit;
- Historic Building Rehabilitation Credit;
- Hoosier Business Investment Credit;
- Indiana's Research Expense Credit;
- Residential Historic Rehabilitation Credit;
- Venture Capital Investment Credit; and
- Voluntary Remediation Credit.

Finally, use the credits that can be carried over and applied against your state AGI in another year. These credits include

- Airport Development Zone Investment Cost Credit;
- Coal Combustion Product Credit;
- Coal Gasification Technology Investment Credit;
- Community Revitalization Enhancement District Credit;
- Employer Health Benefit Plan Credit;
- Enterprise Zone Investment Cost Credit;
- Ethanol Production Credit;
- Indiana Comprehensive Health Insurance Association Credit;
- Indiana Insurance Guaranty Association Credit;
- Individual Development Account Credit;
- Industrial Recovery Credit;
- Maternity Home Credit;
- Military Base Investment Cost Credit;
- Military Base Recovery Cost Credit;
- Riverboat Building Credit; and
- Small Employer Qualified Wellness Program Credit.

See the instructions for line 37 for refundable tax liability credits. For more information about Indiana tax credits, get Income Tax Information Bulletin #59 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm)

#### **Line 32 - Total Nonrefundable Tax Liability Credits**

Enter the total of the nonrefundable tax liability credits reported on lines 25b through 31b. Keep in mind all the restrictions and limitations. If you have more credits to claim, enter the information on the space to the left of line 32. Increase line 32 by the amount of your additional credit(s). Also enter a detailed explanation on Schedule H (page 4 of the return). Nonrefundable credits are limited to the amount of AGIT shown on line 23.

#### **Line 33 - Total Taxes Due**

Total the amount of taxes due: Subtract line 32 from the total of lines 23 and 24. The result may not be less than zero (0).

**Caution:** The total of all credits (line 32) is limited to the amount of tax liability (line 23) unless otherwise noted. If your claims exceed the tax liability, you must adjust the entries by recalculating the credits to the amounts you can apply on lines 25b through 31b.

Also see lines 36 and 37 regarding specific refundable state tax liability credits.

## **Credit for Estimated Tax and Other Payments**

### **Line 34 - Quarterly Estimated Credits**

Enter the total amount of the estimated quarterly income tax payments for the taxable year reported on Form IT-6 or via electronic funds transfer (EFT). Itemize each quarterly payment in the spaces provided.

### **Line 35 - Overpayment Credit**

Enter the amount of overpayment, if any, carried over to or made for this taxable year. Specify the ending tax year(s) of the overpayment.

### **Line 36 - Amount of Extension Payment**

Enter the amount previously paid with a valid extension of time to file the return.

### **Line 37 - Other Payment/EDGE Credit**

Claim the amount of your refundable tax liability credit allowed for this tax year. Enclose a complete explanation for any entry made on this line.

**Explanation of Refundable Tax Liability Credits** - The Economic Development for a Growing Economy (EDGE) credit for job retention is a state refundable tax liability credit. This credit is for businesses that conduct certain activities designed to foster job creation or retention in Indiana. The aggregate amount of credits awarded for projects to retain existing jobs in Indiana is capped at \$10 million per year.

Contact the Indiana Economic Development Corporation (IEDC), One North Capitol, Suite 700, Indianapolis, IN 46204, for eligibility requirements. You can also visit [www.in.gov/iedc](http://www.in.gov/iedc) for additional information.

Complete **line 37** if claiming this credit. You must enclose the approved credit agreement letter from the IEDC and a computation of the credit. Otherwise, this credit will not be allowed.

### **Line 38 - Media Production Credit**

On this line, claim the amount of your refundable tax liability credit for this year. Enclose a complete explanation for any entry made on this line.

This credit is for qualified media production expenditures. To claim this credit, you must have expenditures of at least \$100,000 for a feature-length film, including:

- A short feature;
- An independent or studio production;
- A documentary; or
- A television series, program, or feature.

The minimum qualified production expenditure for a digital media production, an audio recording, a music video, an advertising message broadcast on radio or television, or a media production concerning training or external marketing or communications is \$50,000.

Complete **line 38** if claiming this credit. Enclose the approved credit agreement letter from the IEDC and a computation of the credit with your return. Otherwise, this credit will not be allowed. **Note:** This credit expires after this year and will not be awarded for taxable years ending after Dec. 31, 2011.

Get Commissioner's Directive #36 at [www.in.gov/dor/3617.htm](http://www.in.gov/dor/3617.htm) for more information.

## **Total Payments and Credits**

Add the entries on lines 34 through 38.

## **Balance of Tax Due or Overpayment**

### **Line 40 - Balance of Tax Due**

Enter the net tax due (subtract line 39 from line 33).

### **Line 41 - Penalty for the Underpayment of Corporate Tax**

Enter the penalty for the underpayment of estimated corporate income tax from Schedule IT-2220. Enclose a completed copy of this schedule even if you meet an exception to the underpayment penalty. Corporations required to make quarterly estimated payments can use the annualized income installment method calculated in the manner provided by IRC Section 6655(e) as applied to the corporation's AGI tax liability. If using this method, please check the box on this line. Also enclose a copy of your calculations when filing your tax return. The Department will review each request on a case-by-case basis.

### **Line 42 - Interest Due Calculation**

If you make a payment after the original due date, you must include interest with your payment. Interest is calculated from the original due date until the date the payment is made. Contact the Department for the current interest rate by calling (317) 232-0129. You can also get Departmental Notice #3 at [www.in.gov/dor/3618.htm](http://www.in.gov/dor/3618.htm)

**Note:** An extension of time to file does not extend the time to pay any tax due. Tax due must be paid by the original due date. Interest and penalty are calculated on late payments from the due date of the payment.

### **Line 43 - Late Payment Calculation**

Enter the penalty amount that applies:

- A. If the return with payment is filed after the original due date, a penalty must be entered (line 40). The penalty is the greater of \$5 or 10 percent of the balance of tax due. The penalty for paying late is not imposed if all three of the following conditions are met:
  - A valid extension of time to file exists;
  - At least 90 percent of the tax liability was paid by the original due date; and
  - The remaining tax is paid by the extended due date.



- B. If the return showing no tax liability (lines 23 and 24) is filed late, the penalty for failure to file by the due date is \$10 per day that the return is past due, up to a maximum of \$250.

#### **Line 44 - Total Amount Owed**

If a payment is due, enter the net total tax plus any applicable penalties and interest on this line. Remit this amount. A separate payment must accompany each return filed.

#### **Line 45 - Overpayment**

If the corporation has overpaid its tax liability, enter the result of line 39 minus lines 33, 41, and 43.

If the return is timely filed, you can have a portion or all of the corporation's overpayment credited to the following year's estimated tax account. Complete line 47. Enter the portion to be refunded on line 46.

#### **Line 46 - Direct Refund**

Enter the amount of overpayment you are requesting as a direct refund.

#### **Line 47 - Portion of Overpayment to Carry Forward**

On line 47 enter the portion of the overpayment from line 45 to be credited to next year's estimated tax account. The total of lines 46 and 47 must equal the amount shown on line 45.

**Note:** If the overpayment is reduced because of an error on the return or an adjustment by the Department, the amount refunded (line 46) will be corrected before any changes are made to the amount on line 47. A refund may be applied to other liabilities as provided under IC 6-8.1-9-2(a) and 6-8.1-9.5.

### **Certification of Signatures and Authorization Section**

Be sure to sign, date, and print your name on the return. If a paid preparer completes your return, you can authorize the Department to discuss your tax return with the preparer by checking the authorization box above the signature line. An officer of the organization must enter his title and sign and date the tax return. Please enter your daytime telephone number so we can call you if we have any questions about your tax return. Also, enter your e-mail address if you want us to contact you via e-mail.

### **Personal Representative Information**

Typically, the Department contacts you if we have any questions or concerns about your tax return. If you want the Department to be able to discuss your tax return with someone else (e.g., the person who prepared it or a designated person), complete this area.

First, check the "Yes" box that follows the sentence "I authorize the Department to discuss my tax return with my personal representative."

Next, enter:

- The name of the individual you are designating as your personal representative;
- The individual's telephone number; and
- The individual's complete address.

If you complete this area, you are authorizing the Department to contact your personal representative, instead of you, about this tax return. After your return is filed, the Department will communicate primarily with your designated personal representative.

**Note:** You can decide at any time to revoke the authorization for the Department to be in contact with your personal representative. To do so, you must tell us in a signed statement. Include your name, your Social Security number, and the year of your tax return. Mail your statement to Indiana Department of Revenue, P.O. Box 40, Indianapolis, IN 46206-0040.

### **Paid Preparer Information**

Fill out this area if a paid preparer completed this tax return.

**Note:** You need to complete this area even if the paid preparer is the same individual designated as your personal representative.

## Specific Instructions for Completing IT-20 Schedule E

### Use of Apportionment Schedule:

Under the Adjusted Gross Income Tax Act, taxable income from a trade or business carried on within and outside Indiana was previously figured using a three-factor formula—property, payroll, and weighted sales factor. PL 162-2006 SECTIONS 25 and 56 amended IC 6-3-2-2(b), effective Jan. 1, 2007, to transition to a single-factor formula based on sales to apportion business income.

For 2011, Schedule E, Apportionment of Income for Indiana, has been revised to reflect the single-factor formula. For more information, get Income Tax Information Bulletin #12 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm)

**Note:** *Interstate transportation corporations should consult Schedule E-7 for details on apportionment of income. You can get this schedule at [www.in.gov/dor/4441.htm](http://www.in.gov/dor/4441.htm)*

### Part I - Apportionment of Adjusted Gross Income

**Sales/Receipts:** The sales factor is a fraction. The numerator is the total receipts of the taxpayer in Indiana during the tax year. The denominator is the total receipts of the taxpayer everywhere during the tax year.

The numerator of the receipts factor must include the following:

- All sales made in Indiana;
- All sales made from Indiana to the U.S. government; and
- All sales made from Indiana to a state not having jurisdiction to tax the activities of the seller.

Destination sales to locations outside Indiana by an Indiana seller that has activities in the state of destination, other than mere solicitation, are not included in the numerator of the sales factor regardless of whether the destination state levies a tax. The numerator contains intangible income attributed to Indiana, including interest from consumer and commercial loans, installment sales contracts, and credit and debit cards as prescribed under IC 6-3-2-2.2.

Total receipts include gross sales of real and tangible personal property less returns and allowances. Sales of tangible personal property are in Indiana if the property is delivered or shipped to a purchaser within Indiana regardless of the f.o.b. point or other conditions of sale or if the property is shipped from an office, a store, a warehouse, a factory, or another place of storage in Indiana, and the taxpayer is not subject to tax in the state of the purchaser.

Sales or receipts not specifically assigned above shall be assigned as follows:

- (1) Gross receipts from the sale, rental, or lease of real property are in Indiana if the real property is located in Indiana;

- (2) Gross receipts from the rental, lease, or licensing of the use of tangible personal property are in Indiana if the property is in Indiana. If property was both within and outside Indiana during the tax year, the gross receipts are considered in Indiana to the extent the property was used in Indiana;
- (3) Gross receipts from intangible personal property are in Indiana if the taxpayer has economic presence in Indiana and such property has not acquired business sites elsewhere.

Interest income and other receipts from loans or installment sales contracts that are primarily secured by or deal with real or tangible personal property are attributed to Indiana if the security or sale property is located in Indiana; consumer loans not secured by real or tangible personal property are attributed to Indiana if the loan is made to an Indiana resident; and commercial loans and installment obligations not secured by real or tangible personal property are attributed to Indiana if the proceeds of the loan are applied in Indiana.

Interest income, merchant discounts, travel and entertainment credit card receivables, and credit card holder's fees are attributed to the state where the card charges and fees are regularly billed.

Receipts from the performance of fiduciary and other services are attributed to the state where the benefits of the services are consumed. Receipts from the issuance of traveler's checks, money orders, or United States savings bonds are attributed to the state where those items are purchased.

Receipts in the form of dividends from investments are attributed to Indiana if the taxpayer's commercial domicile is in Indiana; and

- (4) Gross receipts from the performance of services are in Indiana if the services are performed in Indiana. If such services are performed partly within and partly outside Indiana, a portion of the gross receipts from performance of the services shall be attributed to Indiana based on the ratio the direct costs incurred in Indiana bear to the total direct costs of the services, unless the services are otherwise directly attributed to Indiana according to IC 6-3-2-2.2.

**Sales to the United States Government:** The United States government is the purchaser when it makes direct payment to the seller. A sale to the United States government of tangible personal property is in Indiana if it is shipped from an office, a store, a warehouse, or another place of storage in Indiana. See the previous rules for sales other than tangible personal property if such sales are made to the United States government.

**Other Gross Receipts:** On line 6, report other gross business receipts not included elsewhere and pro rata gross receipts from all unitary partnerships, excluding from the factors the portion of distributive share income derived from a previously apportioned partnership [45 IAC 3.1-1-153(b)].

**Total Receipts for 2011:** Complete all lines as indicated. Add all the receipts in Column A (lines 1A through 6A), and enter the total on line 7A. Also enter the total receipts everywhere on line 7B.

### Apportionment of Income for Indiana

Divide line 7A by line 7B. (Multiply by 100 to arrive at a percentage rounded to the nearest second decimal place.) This is your average Indiana apportionment percentage; carry it to the apportionment entry line on the return (line 16d on IT-20, line 4 on IT-20S, line 9 on IT-20NP, and line 4 on IT-65).

The Department will not accept returns filed for AGI tax purposes using the separate accounting method. IT-20 Schedule E must be used unless the Department has granted written permission. The term *everywhere* does not include sales of a foreign corporation in a place outside the United States. Refer to 45 IAC 3.1-1-153 for tax treatment of unitary corporate partners.

**Caution:** Corporations can petition the Department for permission to file under the combined unitary tax method. This petition must be submitted within 30 days following the close of the tax year. If approved, you must figure the apportionment for members of a combined group and file it to properly determine each entity's share of the combined group's Indiana AGI. Use the relative apportionment method as outlined in Tax Policy Directive #6, which is available online ([www.in.gov/dor/3661.htm](http://www.in.gov/dor/3661.htm)).

## Part II - Business/Other Income Questionnaire

Complete all applicable questions in this section. If income is apportioned, list:

- (a) All business locations where the corporation has operations;
- (b) The nature of the business activity at each location, including whether a location
- (c) Accepts orders in that state;
- (d) Is registered to do business in that state; or
- (e) Files income tax returns in other states;
- (f) Whether the property in the other states is leased; and
- (g) Whether the property in the other states is owned.

You must enclose the completed Schedule E, Apportionment of Income, with your return.

## Specific Instructions for Completing IT-20 Schedule PIC

Complete all information requested. Report transactions with any member(s) of the same affiliated group (50 percent ownership threshold) or foreign corporation(s) involving an intangible expense. Also report any directly related intangible

interest expense paid, accrued, or incurred within one or more members of the same affiliated group or one or more foreign corporations. Enclose additional sheets as necessary. **Explain on Schedule H (page 4 of the return) or by addendum each allowable deduction that meets an exception to the addback requirements for disclosures. These are included in the transactions listed for Part 2.** You must provide documentation that meets one or more of the allowable exceptions to support your deduction. If you're filing a consolidated federal return, you must enclose **Form 851 (Affiliations Schedule)**.

### Part 1 - Exceptions to the Add Back of the Deduction under IC 6-3-2-20(c)

Check the box if any of these conditions applies:

- The taxpayer and all intangible income recipients, for the purposes of the addback requirement for line 6b of the return, are included in the same consolidated or combined Indiana return;
- An agreement is on file with the Department allowing an alternative method of allocation or apportionment under the adjusted gross income tax statute; or
- The Department has determined, after the taxpayer's petition, that the adjustment of Part 3 (a) and (b) is unnecessary.

By checking a box, you declare that the corporation is not required to finish this schedule beyond completing Part 2 and enclosing federal Form 851 with the return.

### Part 2 - Related Transactions of Intangible Property

Provide the following information on all related transactions made with a recipient member of the same affiliated group or a foreign corporation involving an intangible expense and any directly related intangible interest expense.

Use additional sheets as necessary to complete this part:

- List the recipient's name and the federal identification number of each member of the same affiliated group or a foreign corporation regarding transactions involving an intangible expense and any directly related intangible interest expense;
- Indicate the recipient's state or country of commercial domicile;
- Indicate the relationship or exception status with the taxpayer and the type of intangible expense deducted; and
- List the total amount paid to each recipient. This should be listed as an item of income that corresponds to an intangible expense or any directly related intangible interest expense. Do this for all related transactions made with each member(s) of the same affiliated group or a foreign corporation(s).

Total the amounts paid to all recipients listed in Part 2, deducted from federal taxable income, as intangible expenses and directly related intangible interest expenses.

Enclose a copy of federal Form 851 (Affiliation Schedule) if filing a consolidated federal return. Also enclose any other information necessary to determine your status under the allowed exceptions listed in Part 3.

### Part 3 - Amount of Deduction to Add Back

You must enclose specific supporting documentation for any transaction that relates to one or more of the designated exceptions.

You must specify that it has a valid business purpose that substantially sustains the transactions. You can do this with a preponderance of evidence for the transactions listed in Part 2 and certified as excludable in Part 3(a). For the exceptions to the addback, the transaction causing the expenses must have been made:

- At a commercially reasonable rate; or
- At terms comparable to an arm's length transaction, if the expenses meet the arm's length standards of United States Treasury Regulation 1.482-1(b).

The expense might not be made at a commercially reasonable rate or at terms comparable to an arm's length transaction. In that case, the addback required must be made only to the extent necessary to cause the expense to be at a commercially reasonable rate or at terms comparable to an arm's length transaction.

- Intangible expenses or any directly related intangible interest expenses otherwise required in a taxable year for line 6b do not have to be added if one or more of the following apply to transactions made with a member of an affiliated group or a foreign corporation:
- The recipient regularly conducts transactions involving intangible property with one or more unrelated parties on terms substantially similar to those of the subject transaction.
- The payment was received from an unrelated party, and on behalf of that unrelated party, paid that amount to the recipient in an arm's length transaction.
- The recipient paid, accrued, or incurred a liability to an unrelated party during the taxable year for an equal or greater amount that was directly for, related to, or in connection with the same intangible property giving rise to the intangible expense.
- The items of income corresponding to the intangible expenses and any directly related intangible interest expenses were included within the recipient's income that is subject to tax in another state or a country other than the United States. That state or country must be the recipient's commercial domicile and must impose a net income tax, a franchise tax measured by income, or a value added tax.
- The recipient is engaged in substantial business activities from the acquisition, use, licensing, maintenance, management, ownership, sale, exchange, or any other disposition of intangible property, or other substantial business activities separate and apart from the business activities described above as evidenced by the maintenance of a permanent office space and an adequate number of full-time, experienced employees.

(a) **Total amount of exceptions:** Enter an amount equal to all the amounts that qualify under one or more of the above exceptions.

(b) **Net amount to add back:** Subtract 3(a) from Part 2 total. Enter the net amount, and then carry this amount to lines 4 - 10 of the return.

You must enclose specific supporting documentation for the transaction that relates to one or more of the designated exceptions.

## Specific Instructions for Completing IT-20 Schedule F

### Allocation of Nonbusiness Income and Indiana Non-unitary Partnership Income

The critical elements in determining whether income is "business income" or "nonbusiness income" are the transactions and activities that make up a particular trade or business. In general, all of the taxpayer's transactions and activities that are dependent on or contribute to the operations of the taxpayer's economic enterprise as a whole constitute the taxpayer's trade or business and are classified as business income.

With partnership income, the relationship between the corporate partner and the partnership controls the classification. If a unitary relationship exists, the corporate partner includes its share of the partnership's factors in the computation of business income apportioned to Indiana.

**Nonbusiness Income** is defined as all income not properly classified as business income. Some examples of nonbusiness income include (but are not limited to):

- Dividends from stock held for investment purposes only;
- Interest on a portfolio of interest-bearing securities held for investment purposes only; and
- Capital gains or losses from the sale of property held for investment purposes only.

**Note:** Partnership distributions included in federal taxable income derived from a partnership not having a unitary relationship with a corporate partner (taxpayer) are reported on line 9, column C. All non-unitary partnership distributions attributed to Indiana must be entered on line 9, column D for Indiana AGI. These include the apportioned share of the partnerships, state income taxes, and charitable contributions.

Likewise, any previously apportioned income, including distributions from tiered partnerships, is treated as allocated income and is reported on line 9, column C. This is not part of the tax base of apportioned business income.

The taxpayer's pro rata portion of such income and modifications that were previously attributed to Indiana are carried to line 9, column D. The total on line 9D is added to the corporation's nonbusiness income that is allocated to Indiana. It is also added to any other business income apportioned to Indiana. These totals determine the taxpayer's total taxable income.

**Line (1) Dividends** from nonbusiness sources are allocated to Indiana if the commercial domicile is in Indiana. If a unitary relationship exists (or existed) between the taxpayer and the payer of the dividend, the income is generally treated as business income. Factors to consider in determining whether a unitary relationship exists are:

- The degree of control;
- Centralized operating functions;
- The economic benefits provided by the affiliate;
- Intercompany transfers of personnel;
- Common trademarks and patents; and
- The total sales between affiliated corporations.

Net dividends from an FSC or a DISC (after federal Schedule C deduction) are treated as business income and must be apportioned.

**Line (2) Interest** from nonbusiness sources is allocated to Indiana if the commercial domicile is in Indiana. Generally, interest earned from long-term investments is considered nonbusiness income. **Note:** The day-to-day operations of a business require an appropriate amount of liquid working capital. Therefore, income from short-term investments of temporarily idle cash and other liquid assets is business income. This includes interest from:

- Savings accounts;
- Checking accounts;
- Certificates of deposit;
- Commercial paper; and
- Other such items.

**Line (3) Net capital gains or losses** from the sale of nonbusiness intangible personal property are allocated to Indiana.

Net capital gains or losses from the sale or exchange of nonbusiness tangible personal property are allocated to Indiana if:

- The property had a location in Indiana at the time of the sale; or
- The taxpayer's commercial domicile is in Indiana and the taxpayer is not taxable in the state where the property is located.

Include net capital gains or losses from the sale or exchange of all real property not used in the production of business income.

**Note: If the property sold was used previously by the business, the capital gain or loss from the transaction is business income.**

**Line (4) Rents and royalties** from real property (to the extent they constitute nonbusiness income) are allocated to Indiana if the real property is located in Indiana. Rents and royalties from nonbusiness tangible personal property are allocated to Indiana to the extent the property is used in Indiana.

The extent of utilization is determined by multiplying the rents and royalties by the following fraction: The numerator is the number of days of the property's physical location in Indiana during the rental or royalty periods in the tax year. The denominator is the number of days of the property's physical location everywhere during the rental or royalty periods in the tax year.

Such rents and royalties are taxed by Indiana if

- The taxpayer's commercial domicile is in Indiana; and
- The taxpayer is not organized under the laws of or taxable in the state in which the property is used.

**Line (5) Patents, copyrights, and royalties** from intangible property are allocated to Indiana:

- To the extent the taxpayer uses the patent, copyright, or royalty in Indiana; or
- To the extent the taxpayer uses the patent, copyright, or royalty in a state where the taxpayer is not taxable and the taxpayer's commercial domicile is in Indiana.

A patent is used in a state to the extent it is employed in production or other processing in the state or to the extent the patented product is produced in the state.

A copyright is used in a state to the extent printing or other publication originated in the state.

**Line (6) Other Nonbusiness Income:** Enter other nonbusiness income not included on lines (1) through (5) and line (9).

**Line (7) Total Nonbusiness Income:** Enter the gross amount subtotals from lines (1) through (6), column A.

**Line (8) Total Related Expenses:** Add the subtotals of all related nonbusiness expenses attributed to excluded income from lines (1) through (6), column B.

**Line (9) Distributive Share Income** from non-unitary partnerships and tiered partnerships: In column C, enter the total non-unitary partnership and tiered partnership income reported on the federal return. In column D, enter the modified apportioned Indiana income from Form IT-65 Schedule IN K-1. Also enter any portion of tiered partnership income attributed to Indiana in this column.

**Line (10) Total Net Nonbusiness Income (loss):** Add all the subtotals from column C. Enter the amount of column C on line 14 of Form IT-20.

**Line (11) Total Indiana Nonbusiness Income** and Indiana non-unitary partnership income: Add all the subtotals from column D. Enter the amount of column D on line 18 of Form IT-20.

## Instructions for Schedule IT-2220 for 2011

### Who Should File?

Schedule IT-2220 must be completed and enclosed with corporate Form IT-20, IT-20S, or IT-20NP anytime the corporation did not pay the required amount of AGI tax in any particular quarter. It also must be completed if the corporation meets an exception to the penalty for underpayment as provided for in Indiana Code 6-3-4-4.1.

### What Is the Required Amount?

The qualified estimated payments should equal 25 percent of the total income tax due for the year. To avoid the penalty, the quarterly estimate must equal at least 25 percent of the final income tax liability for the prior taxable year.

Corporations having annual income tax liabilities exceeding \$2,500 are subject to an underpayment penalty if:

- They fail to file estimated tax payments; or
- They fail to remit a sufficient amount on a quarterly basis.

Quarterly payments are due whenever the AGI tax liability exceeds \$2,500 for a taxable year.

**The Indiana Code does not provide corporations an exception to the penalty for underpayment of estimated taxes using either an annualized income or adjusted seasonal method.**

## **PART I - How to Figure Underpayment of Corporate Taxes**

This schedule must be used by Form IT-20, IT-20S, and IT-20NP filers to determine whether the minimum amount of tax was paid timely.

1. Enter the total Indiana AGI tax for your taxable year from Form IT-20, IT-20S, or IT-20NP.

2. Enter your total tax reduction (nonrefundable) credits (college credit, neighborhood assistance credit, etc.) reported on Form IT-20 or IT-20NP. **Do not** enter estimated tax payments, extension payments, or prior year's overpayment credit. The total of the tax reduction credits can never exceed the total tax on line 1.

3. Subtract line 2 from line 1. This is your current year's tax liability. If it is zero, STOP. You do not owe any underpayment penalty.

## **PART II - How to Figure Exception to Underpayment Penalty**

IC 6-3-4-4.1(e) prescribes two exceptions to the penalty for underpayment. If you are required to pay quarterly, you should include in your estimate either:

- At least 20 percent of the total income tax liability for the taxable year; or
- 25 percent of the final income tax liability for the previous tax year.

**Special Note for Final Short- or Fiscal-Year Filers:** If your previous year was for a period of less than 12 months, you might be able to meet the exception by demonstrating what the liability would have been if you had filed a 12-month return. For example, if your previous year was for 6 months, double the total tax for that year. Then enter 25 percent of this total. If last year's tax was zero, enter zero on line 9.

4. Enter the proportional amount of your prior year's final income tax liability. This should be calculated before applying estimated tax credits (total tax less nonrefundable credits and any withholding and other tax credits). It should also be relative to the number of months in the current taxable period. For a short-

period filer, the entry on line 4 should be equal to the prior year's income tax liability multiplied by a ratio of the months in the current taxable period.

5. Enter in columns (a) through (d) the quarterly installment due dates corresponding to the estimated income tax payments for your tax year. If filing on a calendar-year basis, the installment due dates for corporate income tax payments are April 20, June 20, Sept. 20, and Dec. 20 of the taxable year. Fiscal-year and short-year filers must remit by the 20th day of the fourth, sixth, ninth, and twelfth months of their taxable years. Short-period filers see the note following line 18's instructions.

6. Enter the amount of estimated income tax paid by the due date of the installment for each quarter. Payments made after the quarterly due date must be reported in the following quarter when paid. You can carry forward an overpayment credit from the previous year. If you're doing this, add that amount to the installment amount paid for the first available quarter to which the carryover credit is posted. Do not include any credits claimed on line 2. **STOP.** Complete lines 9 through 12 in each column before proceeding to the next column.

7. Enter the remaining overpayment, if any, from line 10 of the preceding quarter. This should be the amount adjusted after deducting any previous underpayment balance.

9. Divide line 4 by 4 or the number of quarters in the taxable period. The divisor cannot be less than one. Enter the result in each column. **NOTE:** Short-period filers must apply the instructions following line 18's instructions.

10. Subtract line 9 from line 8 for each column. If line 8 is less than line 9, use a minus sign to denote the resulting underpayment. If line 9 is equal to or greater than line 8, the difference is an overpayment. You have therefore met an exception to the penalty for the quarter. See the instructions for line 7.

**After you complete all four columns, if none of the quarters shows an underpayment, stop here and enclose this schedule with your return.** Otherwise, proceed to Part III to recalculate your actual underpayment.

## **PART III - How to Figure the Penalty**

The penalty for the underpayment of estimated taxes is assessed on a quarterly basis. It is based on the difference between the amount paid for each quarter and 25 percent of the final tax liability for the current year. **If any underpayment is shown on line 10, continue by completing lines 11 through 15 in each column. Then proceed to the next column.**

11. Enter the remaining overpayment, if any, from line 14 of the preceding quarter. This amount should have any previous underpayment balance deducted from it.

13. Enter the current year's quarterly tax due. Figure this by dividing line 3 in Part I by the number of quarters in the taxable period. The divisor cannot be less than 1. Enter the result in each column. See the note for short-period filers.

14. Subtract line 13 from line 12. If line 12 is less than line 13, enter the resulting underpayment and use a minus sign to denote the negative amount. If line 12 is greater than line 13, carry the difference as an overpayment to line 11 of the next column. Before doing this, though, deduct any remaining underpayments shown on line 14 of the preceding columns.

**15. Multiply the amount of underpayment on line 14 for each column by 10 percent if an exception to the penalty for the quarter was not met on line 10. Enter zero on line 15 if line 10 is zero or greater for the quarter.**

16. Add the amounts on line 15 for all quarters, and enter the result. This is your total underpayment penalty due. Carry this amount to the appropriate line on the front of Form IT-20, IT-20NP, or IT-20S.

**Short-Period Returns:** Lines 9 and 13 must be changed to correspond with your short-period estimated return. Do not enter 25 percent of line 3 or 6. Instead, divide lines 3 and 6 by 3 for returns consisting of three full quarterly periods. Divide lines 3 and 6 by 2 for returns consisting of two full quarterly periods. Use the entire amount from lines 3 and 6 for returns consisting of one, or less than one, quarterly period. For lines 7 through 17, complete only those columns corresponding with the number of full quarters being filed.

| <b>Sales/Use Tax Worksheet</b>   |  |                                   |
|--|--|-----------------------------------|
| List all purchases made during 2011 from out-of-state companies.   |  |                                   |
| <b>Column A</b><br>Description of personal property purchased from out-of-state retailer   | <b>Column B</b><br>Date of Purchase(s) | <b>Column C</b><br>Purchase Price |
| Magazine subscriptions:  |  |                                   |
| Mail order purchases:  |  |                                   |
| Internet purchases:  |  |                                   |
| Other purchases:   |  |                                   |
| 1. Total purchase price of property subject to the sales/use tax .....   | 1C                                     |                                   |
| 2. Sales/use tax: Multiply line 1 by .07 (7%) .....  | 2C                                     |                                   |
| 3. Sales tax previously paid on the above items (up to 7% per item) .....  | 3C                                     |                                   |
| 4. Total amount due: Subtract line 3 from line 2. Carry to Form IT-20, line 24. If the amount is negative, enter zero and put no entry on line 24 of the IT-20 ..... | 4C                                     |                                   |

## Instructions for Schedule IT-20NOL

### Indiana Net Operating Loss Deduction

Public Law 81-2004 amends IC 6-3-2-2.6 to provide a net operating loss (NOL) deduction from Indiana AGI after adding back any other NOL deductions taken pursuant to IRC Section 172. If a separately recalculated NOL remains, following state modification and federal carryback and carryforward guidelines, the Indiana NOL is deductible in full. The amount of the unused Indiana balance is available for the following year. **Note:** Effective January 1, 2012, the net operating loss carryback for corporations is eliminated (IC 6-3-2-2.6).

All loss years ending after Jan. 1, 2004, and preexisting NOLs carried over to a taxable year after this date must be recalculated by applying the amended provisions of this act.

Deductions for NOLs that were incurred in taxable years ending before Jan. 1, 2004, and carried back or forward and deducted in taxable years ending before Jan. 1, 2004, are calculated under the law in effect for the year the NOL was incurred.

### Who Should File Schedule IT-20NOL?

When claiming the loss deduction, corporate taxpayers and nonprofit organizations subject to the AGI tax and having an NOL must complete and enclose this schedule with any Indiana corporation tax return:

- IT-20;
- IT-20NP; or
- IT-20X.

Schedule IT-20NOL is not in itself a claim for refund, but an attachment to show how much of the Indiana NOL deduction is applied and available to carry over.

Corporations doing business as financial institutions may not use this schedule. Schedule FIT-20NOL must be completed.

Enclose the completed Schedule IT-20NOL, Part 1, with your loss year return.

Whenever an NOL deduction is claimed, enclose a separately completed and recomputed NOL schedule of each loss year. Use revised Schedule IT-20NOL, update Part 2 as needed, and enclose a copy with your return(s).

### Indiana Treatment of Net Operating Loss Deduction for Adjusted Gross Income Tax Purposes

PL 81-2004, effective Jan. 1, 2004, provides for an NOL deduction from total Indiana AGI. This deduction is equal to the amount of a federal NOL, computed under IRC Section 172. It must be for the taxable year, be derived from sources within Indiana, and be adjusted for modifications required under IC 6-3-1-3.5. Modifications include:

- The addback of property taxes (for tax periods 1998 and before);
- Income taxes;

- Charitable contributions;
- The deduction of interest on U.S. government obligations; and
- A deduction for foreign gross-up.

Other state deductions (i.e., foreign source dividends) from AGI may not be used to compute available NOL.

Use your combined amounts if you're filing a consolidated return. Affiliated groups or corporations involved in mergers must follow the same guidelines as provided by the Internal Revenue Code and rulings issued by the IRS with respect to their treatment of NOL deductions. More than one Schedule IT-20NOL might be required to comply with these guidelines.

### Carryover Years

Generally, to claim the Indiana NOL deduction, you must apply the same carryover treatment as used for federal purposes under IRC Section 172(b). **Note:** Effective January 1, 2012, the net operating loss carryback for corporations is eliminated (IC 6-3-2-2.6).

**For loss years beginning before August 6, 1997,** the NOL deduction remaining can be carried forward to the 15 tax years following the loss year. (See Part II instructions.) Certain losses can be carried up to 20 years, following federal provisions.

**Effective for tax years beginning after August 5, 1997,** excluding tax years ending in 2001 or 2002, federal legislation generally increased the carryforward period 20 years.

## PART 1 - Computation of Indiana Net Operating Loss

Enter the tax year ending date of the loss year.

**Line 1.** Enter the amount of federal taxable income (loss), excluding any NOL deduction as defined in IRC Section 63, 511, 801, or 832. This is comparable to the amount, as last determined, reportable on line 3 of 2003-2011 Form IT-20, or line 1 of Form IT-20NP (without specific deduction).

*Line references from prior years: use line 3 of Form IT-20, line 3 of Form IT-20SC, and line 6 of Form IT-20NP.*

If the amount was previously adjusted because of an audit or amended return, enclose an explanation of how the income figure was calculated.

**Note:** A domestic insurance company can compute and carry over an NOL incurred from a loss year in which it was not subject to Indiana AGI tax.

**Line 2.** You must apply any applicable modification for an NOL as calculated under provisions of IRC Section 172(d) that affect AGI. Some of the federal adjustments related to an NOL include but are not limited to:

- A corporation cannot increase its current-year NOL by carrybacks or carryovers from other years. Capital losses are limited to net capital gains.



- The dividends-received deductions for dividends received from domestic and foreign corporations are computed without regard to the aggregate limits (based on federal taxable income) that normally apply under IRC Section 246(b). This also applies to dividends received on certain preferred stock of a public utility.
- The deduction for dividends paid on certain preferred stock of public utilities can be figured without limiting it to the federal taxable income for the year under IRC Section 247(a)(1)(B).

### Adjusted Gross Income Modification for Loss Year

Enter figures from the loss year's return. Enter only the items included on lines 3 through 18, and use minus signs to denote negative amounts.

**Line 3.** Add back all state income taxes deductible on the federal return.

**Line 4.** Add back charitable contributions equal to the amount deducted on the federal return.

**Line 5.** Add back qualified domestic production activities deductions claimed under IRC Section 199 on the federal return. Also enter the addback amount from IT-20 Schedule PIC, Part 3(b), for intangible expenses and directly related intangible interest expenses used to reduce IRC Section 63 taxable income, effective July 1, 2006.

**Line 6.** Add back the amount of any deduction for dividends paid to shareholders of a captive real estate investment trust for taxable years beginning after Dec. 31, 2008.

**Line 7.** Add back or subtract an amount equal to the net bonus depreciation allowed under IRC Section 168(k) as reported for the taxable year. Also, add back an amount equal to the IRC Section 179 deduction taken for qualified property that exceeds the \$25,000 cap amount recognized for state purposes.

**Line 8.** Deduct the net interest that is exempt from state taxation and is included in federal taxable income.

**Line 9.** Deduct the foreign gross-up allowable under IRC Section 78 to the extent not eliminated on line 2.

**Line 10.** Deduct all income or loss classified as nonbusiness. Also deduct the previously apportioned or allocable partnership income that is included as part of federal AGI. The portion attributed to Indiana is added back on line 21. It is then used to arrive at the Indiana modified AGI or NOL. Other state adjustments from Indiana income, such as the foreign source dividends deduction (IC 6-3-2-12), cannot be used to create, increase, or decrease an Indiana NOL deduction.

**Line 11.** Deduct the amount of income from qualified patents included in federal taxable income. For tax years beginning after

Dec. 31, 2007, this income is exempt from Indiana AGI. Get Income Tax Information Bulletin #104 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm) for more information.

**Line 12.** Add back or subtract an amount equal to the amount claimed as a deferral of income arising from business indebtedness discharged in connection with the reacquisition after Dec. 31, 2008, and before Jan. 1, 2011, of an applicable debt instrument (as provided in Section 108(i) of the IRC), for federal income tax purposes.

**Line 13.** Add back or subtract an amount equal to the income attributed to bonus depreciation claimed as a deduction for federal income tax purposes for qualified restaurant property. The property must have been placed in service during the taxable year and have been classified as 15-year property under Section 168(e)(3)(E)(v) of the IRC.

**Line 14.** Add back or subtract the amount equal to the income attributed to bonus depreciation claimed as a deduction for federal income tax purposes for qualified retail improvement property. The property must have been placed in service during the taxable year and have been classified as 15-year property under Section 168(e)(3)(E)(ix) of the IRC.

**Line 15.** Add back or subtract an amount equal to the amount claimed as a deduction for the special allowance for qualified disaster assistance property under Section 168(n) of the IRC for federal income tax purposes.

**Line 16.** Add back or subtract an amount equal to the amount claimed as a deduction for expense costs for qualified refinery property under Section 179C of the IRC for federal income tax purposes.

**Line 17.** Add back or subtract an amount equal to the amount claimed as a deduction for expense costs for qualified film or television production under Section 181 of the IRC for federal income tax purposes.

**Line 18.** Add back or subtract the subtotal of all other addbacks. The other addbacks you should include on this line include the following:

- **Addback for Qualified Preferred Stock** – Add back or subtract an amount equal to the amount claimed as a deduction for a loss from the sale or exchange of preferred stock that was treated as an ordinary loss under Section 301 of the Emergency Economic Stabilization Act of 2008 in the current taxable year or in an earlier taxable year. The stock must be preferred stock in one of the following:
  - The Federal National Mortgage Association, established under the Federal National Mortgage Association Charter Act (12U.S.C. 1716 et seq.); or
  - The Federal Home Loan Mortgage Corporation, established under the Federal Home Loan Mortgage Corporation Act (12 U.S.C. 1451 et seq.).

- **Addback for Qualified Environmental Remediation Costs** – Add back the deduction for qualified environmental remediation costs. If you claimed a deduction for qualified environmental remediation costs under Section 198 of the IRC, enter an amount equal to the amount claimed as a deduction.
- **Addback for Qualified Advanced Mine Safety Equipment** – Add back the deduction for qualified advanced mine safety equipment. If you claimed a deduction for the expense of qualified advanced mine safety equipment under Section 179 of the IRC, enter an amount equal to the amount claimed as a deduction.
- **Addback for Qualified Leasehold Improvement Property** – Add back the deduction for qualified leasehold improvement property. If you excluded income because of qualified leasehold improvement property (as provided in Section 168(e)(3)(E)(iv) of the IRC) placed into service in the taxable year, add the amount claimed as a deduction.
- **Addback for Motorsports Entertainment Complex** – Add back the deduction for a motorsports entertainment complex. If you excluded income because of any motorsports entertainment complex (as provided in Section 168(e)(3)(C)(ii) of the IRC) placed into service in the taxable year, add the amount claimed as a deduction.
- **Addback for Start-up Expenditure** – Add back the deduction for start-up expenditure. If you claimed a deduction for interest start-up expenditures under Section 195 of the IRC, add the amount, if any, by which the deduction you claimed exceeds the amount you would have been entitled to deduct prior to the enactment of the Small Business Jobs Act of 2010 (P.L. 111-240).
- **Addback for trade or business deductions based on employment of an unauthorized alien** – For taxable years beginning after June 30, 2011, add back the amount allowed under the IRC for wages, reimbursements, or other payments made for services provided in Indiana by a financial institution if the person was prohibited from being hired as an employee because the person was an unauthorized alien. (3-digit code: 132)

If claiming any of these addbacks, please enclose an additional sheet detailing the amount(s) you're adding back.

**Line 19.** Enter the total modifications. Add/subtract lines 1 through 18.

**Line 20.** If the apportionment of income applies in the loss year, enter the Indiana apportionment percentage from line 16d of Form IT-20 or the appropriate line from the Indiana apportionment schedule used.

**Line 22.** Enter the amount from your completed IT-20 Schedule F, line 11D, Indiana nonbusiness income or loss and Indiana non-unitary partnership income or loss.

**Line 23.** If the result is a loss figure, this is the initial amount available as the Indiana NOL. Carry this amount to Part 2, Column (4) for the first period you are eligible to claim an NOL deduction. If the result is a positive amount, STOP. You do not have an Indiana NOL.

## **PART 2 - Computation of Indiana Net Operating Loss Deduction and Carryover**

Schedule IT-20NOL must be completed for each year a loss occurs. Copies of the schedule should be enclosed with returns for all years an NOL deduction is claimed. If more than one NOL from different loss years is available, a separate Schedule IT-20NOL must be completed for each NOL deduction applied.

**Note:** Any NOL carried forward and deducted in a taxable year beginning after Dec. 31, 2003, is reduced by the amount of the NOL previously deducted in an earlier year.

**Column (1)** - Fill in the range of tax years to which you're applying the NOL, according to the tax period ending date(s). If, in one or more of these years, a loss was incurred or the AGI was previously reduced to zero by another loss carryforward, the year should still be included.

**Column (2)** - Enter the Indiana AGI from the taxable year of the Indiana return as last determined. Use the net taxable income amount as previously adjusted because of an amendment. Or use the net taxable income amount as reduced by an NOL deduction carried over from another loss year. This should be the figure calculated before applying the unused NOL deduction from Part 1. However, if this taxable year is also a loss, enter zero (0). If the AGI was previously reduced by another NOL deduction, enclose a copy of Schedule IT-20NOL for the prior loss year. If it was previously adjusted from an audit or amended return, enclose an explanation with Schedule IT-20NOL detailing how the AGI was calculated.

**Column (3)** - Add back the Indiana portion of any other deductions taken from the computed AGI for the taxable year that is not a loss year. Other deductions appear as line 11 on Form IT-20. You must further calculate the actual amount deducted if income was subject to apportionment. Multiply the other deduction amount by the percent used on line 16d (or comparable line) of your return in the taxable year. Because this amount is a subtraction from the AGI, enter the figure as a positive amount.

**Column (4)** - If this is the first year to which the NOL deduction is applied, enter the deductible amount of NOL from Part 1, line 23. Otherwise, enter the remaining unused amount carried over from column (5) for the taxable year.

**Net Operating Loss Deduction** - For reporting purposes of the taxable year return, claim this full amount as a positive deduction on the following lines:

- Line 20 of 2011 Form IT-20;
- Line 11 of 2011 Form IT-20NP; or
- Line 2B of Indiana Amended Form IT-20X.

**Column (5)** - Add the amounts entered in columns (2), (3), and (4) for the taxable year. If any Indiana AGI remains (the NOL is used in full), continue by completing the rest of your return.

**Net Operating Loss Carryover** - If the result is a loss, enter the remaining unused NOL in column (4) for the next carryover year. This amount will be available to offset modified income reported in columns (2) and (3) of the following taxable year.

If you have any questions concerning Indiana's treatment of an NOL deduction, contact:

Indiana Department of Revenue  
Tax Administration  
100 North Senate Avenue  
Indianapolis, IN 46204  
(317) 232-0129

## About Other Tax Liability Credits

### About Airport Development Zone Credits

Certain areas within Indiana have been designated as airport development zones (ADZs). These zones are established to encourage investment and job growth in distressed urban areas. The Gary-Chicago ADZ was designated in July 1993. Currently, areas within Allen County are eligible to be designated as ADZs.

ADZ credits are based on the same tax benefits available to taxpayers doing business in Indiana enterprise zones. See the following section, "About Enterprise Zone Tax Credits."

*Following are the three available ADZ tax credits:*

### Airport Development Zone Employment Expense Credit **800**

This credit is based on qualified investments made within Indiana. It is the lesser of 10 percent of qualifying wages or \$1,500 per qualified employee, up to the amount of tax liability on income derived from the ADZ.

Get Indiana Schedule EZ Parts 1, 2, and 3 at [www.in.gov/dor/3515.htm](http://www.in.gov/dor/3515.htm) for more information on how to calculate this credit.

Enter **800** on lines 29a - 31a under Other Nonrefundable Credits if claiming this credit. Enclose a substitute Schedule EZ 1, 2, 3 for the ADZ.

### Airport Development Zone Investment Cost Credit **801**

This credit is based on qualified investments made within Indiana. It can be a maximum of 30 percent of the investment, depending on the following:

- The number of employees;
- The type of business; and
- The amount of investment in an ADZ.

Get Information Bulletin #66 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm) for more information on how to calculate this credit. Contact the Indiana Economic Development Corporation at One North Capitol, Suite 700, Indianapolis, IN 46204. You can also call them at (317) 232-8827 or visit their website at [www.in.gov/iedc](http://www.in.gov/iedc) for more information about this credit.

Enter **801** on lines 29a - 31a under Other Nonrefundable Credits if claiming this credit. Be sure to enclose supporting documentation.

### Airport Development Zone Loan Interest Credit **802**

This credit can be for up to 5 percent of the interest received from all qualified loans made during a tax year for use in an Indiana ADZ.

Get Indiana Schedule LIC at [www.in.gov/dor/3515.htm](http://www.in.gov/dor/3515.htm) for more information on how to calculate this credit.

Enter **802** on lines 29a - 31a under Other Nonrefundable Credits if claiming this credit. Also, enclose a substitute Schedule LIC for the ADZ.

### About Enterprise Zone Tax Credits

Certain areas within Indiana have been designated as enterprise zones. Enterprise zones are established to encourage investment and job growth in distressed urban areas.

For a list of enterprise zones and their contact information, go to [www.in.gov/dor/3621.htm](http://www.in.gov/dor/3621.htm)

You can find enterprise zone maps at [www.in.gov/dor/3622.htm](http://www.in.gov/dor/3622.htm)

For more information, get Income Tax Information Bulletin #66 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm)

For additional information, contact the Indiana Economic Development Corporation at One North Capitol, Suite 700, Indianapolis, IN 46204. You can also call them at (317) 232-8827 or visit their website at [www.in.gov/iedc/](http://www.in.gov/iedc/)

Following are the three available enterprise zone tax credits:

### **Enterprise Zone Employment Expense Credit 812**

This credit is based on qualified investments made within an Indiana enterprise zone. It is the lesser of 10 percent of qualifying wages or \$1,500 per qualified employee, up to the amount of tax liability on income derived from an enterprise zone. **Claim this credit on line 27 of the return.**

For more information on how to calculate this credit, get Indiana Schedule EZ Parts 1, 2, and 3 at [www.in.gov/dor/3515.htm](http://www.in.gov/dor/3515.htm)

Complete line 27b if claiming this credit. Also enclose Schedule EZ 2 with your return.

### **Enterprise Zone Investment Cost Credit 813**

Under IC 6-3.1-10-4, a limited liability company was entitled to an enterprise zone investment cost credit for a qualified investment made in a designated zone located in Vigo County, Indiana. The Terre Haute enterprise zone in Vigo County terminated on Dec. 31, 2005. Provisions of this credit allow for an indefinite carryforward of the unused excess credit.

**Note:** See the Restriction for Certain Tax Credits - Limited to One per Project on page 23.

Enter **813** on lines 29a - 31a under Other Nonrefundable Credits if claiming an unused carryover credit. Enclose supporting documentation for this credit.

### **Enterprise Zone Loan Interest Credit 814**

This credit can be for up to 5 percent of the interest received from all qualified loans made during a tax year for use in an Indiana enterprise zone. **Claim this credit on line 28 of the return.**

Get Information Bulletin #66 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm) for more information on how to calculate this credit. **Note:** Schedule LIC must be enclosed if claiming this credit; you can find it at [www.in.gov/dor/3515.htm](http://www.in.gov/dor/3515.htm)

Contact the Indiana Economic Development Corporation at One North Capitol, Suite 700, Indianapolis, IN 46204; call them at (317) 232-8827; or visit their website at [www.in.gov/iedc/](http://www.in.gov/iedc/) for additional information.

Complete line 28b if claiming this credit. Be sure to enclose Schedule LIC with your return.

### **Alternative Fuel Vehicle Manufacturer Credit 845**

A credit is available for up to 15 percent for qualified investments made within Indiana between Jan.1, 2007 and Dec. 31, 2012. This credit applies to expenditures for the manufacture or assembly of alternative fuel vehicles. An alternative fuel vehicle is any

passenger car or light truck with a gross vehicle weight of 8,500 pounds or less and that is designed to operate using one of the following:

- Biodiesel;
- Coal-derived liquid fuels;
- Denatured alcohol;
- E85;
- Electricity;
- Hydrogen;
- Liquefied petroleum gas;
- Methanol;
- Natural gas;
- Non-alcohol fuels derived from biological material;
- P-Series fuels; or
- Ultra-low sulfur diesel.

For more information on this credit, contact the Indiana Economic Development Corporation at One North Capitol, Suite 700, Indianapolis, IN 46204; call them at (317) 232-8827; or visit their website at [www.in.gov/iedc/](http://www.in.gov/iedc/)

Also get Income Tax Information Bulletin #103 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm)

**Note:** See the Restriction for Certain Tax Credits - Limited to One per Project on page 23.

Enter **845** on lines 29a - 31a under Other Nonrefundable Credits if claiming this credit. Enclose a certificate of verification from the IEDC for your allowable amount of credit. Also enclose a proof of investment with your return.

### **Blended Biodiesel Credits 803**

Credits are available for taxpayers who produce biodiesel and/or blended biodiesel at an Indiana facility. However, the facility must be certified by the IEDC. Credits also apply to dealers who sell blended biodiesel at retail.

An approved Form BD-100 must be enclosed to verify the claimed credit. For more information, contact the Indiana Economic Development Corporation, Biodiesel Credit Certification at One North Capitol, Suite 700, Indianapolis, IN 46204. You can also call them at (317) 232-8827 or visit their website at [www.in.gov/iedc/](http://www.in.gov/iedc/)

Also, get Income Tax Information Bulletin #91 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm) for more details.

Enter **803** on lines 29a - 31a under Other Nonrefundable Credits if claiming this credit. Be sure to enclose Form BD-100 with your return.

## **Capital Investment Credit 804**

This credit is available on certain qualified capital investments made in Shelby County. The IEDC certifies the amount of credit. The credit is equal to 14 percent of the qualified investment and is claimed over a seven-year period.

For information on the definitions, procedures, and qualifications for this credit, contact the Indiana Economic Development Corporation, Enterprise Zone Board at One North Capitol, Suite 700, Indianapolis, IN 46204. You can also visit their website at [www.in.gov/iedc/](http://www.in.gov/iedc/)

**Note:** See the Restriction for Certain Tax Credits - Limited to One per Project on page 23.

Enter **804** on lines 29a - 31a under Other Nonrefundable Credits if claiming this credit. You also must enclose proof of investment.

## **Coal Combustion Product Credit 805**

A manufacturer who uses coal combustion products (a byproduct resulting from the combustion of coal in an Indiana facility) for the manufacturing of recycled components and is a new business may be eligible for this credit. An existing business that manufactures recycled components and increases its acquisition of coal combustion products by 10 percent over the average amount obtained in the previous three years is also eligible for the credit.

**Note:** A taxpayer that obtains a property tax deduction for investment property purchased by the manufacturer of coal combustion products is not eligible for this credit.

For more information, contact the Indiana Department of Revenue, Coal Combustion Credit, Room N203, 100 N. Senate Avenue, Indianapolis, IN 46204, or call (317) 232-2339. You can also visit [www.in.gov/dor](http://www.in.gov/dor) for more information.

Enter **805** on lines 29a - 31a under Other Nonrefundable Credits if claiming this credit. Enclose your approved Form CCP-100 with your return.

## **Coal Gasification Technology Investment Credit 806**

A credit is available for a qualified investment in an integrated coal gasification power plant or fluidized bed combustion technology. It must serve Indiana gas utility and electric utility consumers to qualify. This can include an investment in a facility located in Indiana that converts coal into synthesis gas that can be used as a substitute for natural gas.

You must file an application for certification with the IEDC. If the credit is assigned, it must be approved by the utility regulatory commission and taken in 10 annual installments. The amount of credit for a coal gasification power plant is 10 percent of the first \$500 million invested and 5 percent for any amount over that. The amount of credit for a fluidized bed combustion technology is 7 percent of the first \$500 million invested and 3 percent for any amount over that.

For more information, visit the Indiana Economic Development Corporation's website at [www.in.gov/iedc/](http://www.in.gov/iedc/) or contact them at One North Capitol, Suite 700, Indianapolis, IN 46204. You can also get Income Tax Information Bulletin #99 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm)

Enter **806** on lines 29a - 31a under Other Nonrefundable Credits if claiming this credit. Enclose a copy of the utility regulatory commission's determination and the certificate of compliance issued by IEDC with your return.

## **College and University Contribution Credit 807**

A corporate taxpayer might be eligible for a credit if it made any charitable contributions to a college, university, or corporation or foundation organized for the benefit of a post-secondary educational institution located within Indiana. Compute this credit on Schedule CC-20 (page 4 of the return). **Claim this credit on line 25 of the return.** You must complete Schedule CC-20 or enclose College Credit Schedule CC-40 (enclosure sequence #8) with the return. You can get Schedule CC-40 at [www.in.gov/dor/3510.htm](http://www.in.gov/dor/3510.htm)

See Income Tax Information Bulletin #14 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm) for eligibility requirements.

Contact the Department at [www.in.gov/dor](http://www.in.gov/dor) for more information.

## **Community Revitalization Enhancement District Credit 808**

A state and local income tax liability credit is available for a qualified investment for the redevelopment or rehabilitation of property within a community revitalization enhancement district. The expenditure must be approved by the IEDC before it is made. The credit is equal to 25 percent of the qualified investment made by the taxpayer during the tax year. The Department has the authority to disallow any credit if the taxpayer:

- Ceases existing operations;
- Substantially reduces its operations within the district or elsewhere in Indiana; or
- Reduces other Indiana operations to relocate them into the district.

The taxpayer can assign the credit to a lessee who remains subject to the same requirements. The assignment must be in writing. Also, any consideration may not exceed the value of the part of the credit assigned. Both parties must report the assignment on their state income tax returns for the year of assignment.

Contact the Indiana Economic Development Corporation at One North Capitol, Suite 700, Indianapolis, IN 46204, or visit their website at [www.in.gov/iedc/](http://www.in.gov/iedc/) for more information about this credit.

**Note:** See the Restriction for Certain Tax Credits - Limited to One per Project on page 23.

Enter **808** on lines 29a - 31a under Other Nonrefundable Credits if claiming this credit. Enclose the certification from the IEDC.

## **Economic Development for a Growing Economy (EDGE)**

This credit is for businesses that conduct certain activities designed to foster job creation or job retention in Indiana. It is a refundable tax liability credit is claimed only on line 37 of the return. The aggregate amount of credits awarded for projects to retain existing jobs in Indiana is capped at \$10 million per year. **Claim this credit on line 37 of the return.**

Contact the Indiana Economic Development Corporation at One North Capitol, Suite 700, Indianapolis, IN 46204, for eligibility requirements. You can also visit [www.in.gov/iedc](http://www.in.gov/iedc) for additional information.

Go to the Credit for Estimated Tax and Other Payments section on the front of the return if claiming this credit, and see the instructions for line 37. You must enclose the approved credit agreement letter from the IEDC with your return. You must also include a computation of the credit. Otherwise, this credit will not be allowed.

## **Employer Health Benefit Plan Tax Credit 842**

A new credit is available to certain taxpayers who begin offering health insurance to their employees. An employer who did not provide health insurance to employees prior to Jan. 1, 2007, and makes health insurance available to its employees may be eligible for a credit. The amount of the credit is the lesser of \$2,500 or \$50 multiplied by the number of employees enrolled in the health benefit plan.

**Note:** Per IC 6-3.1-14-9, this credit will not be awarded for tax years that begin after Dec. 31, 2011. In addition, any credits previously awarded may not be carried forward during tax years 2012 and 2013. However, they can be carried forward during 2014 and 2015.

The taxpayer is required to make health insurance available to its employees for at least two years after the employer first offers the health benefit plan. Get Income Tax Information Bulletin #101 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm) for more information.

Enter **842** on lines 29a - 31a under Other Nonrefundable Credits if claiming this credit. Enclose proof of your continued eligibility for the credit with your return. Also include proof of the expenditures necessary to calculate the credit.

## **Energy Star Heating and Cooling Equipment Tax Credit 844**

This credit is no longer available. It may not be awarded to a taxpayer for taxable years beginning after Dec. 31, 2010.

For more information, get Income Tax Information Bulletin #100 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm)

## **Enterprise Zone Tax Credits and Benefits**

Refer to the instructions for lines 27 and 28 and the section "About Enterprise Zone Tax Credits" on page 46.

## **Ethanol Production Credit 815**

An Indiana facility with a capacity to produce 40 million gallons of grain ethanol per year may be eligible for a credit. If credit is granted, the facility may not be sold, assigned, conveyed, or otherwise transferred.

Effective for tax years beginning after Dec. 31, 2007, there is an additional tax credit for cellulosic ethanol production. Taxpayers who produce at least 20 million gallons of cellulosic ethanol in a taxable year can apply this credit. But they can apply it only against the state tax liability attributable to business activity taking place at the Indiana facility at which the cellulosic ethanol was produced.

File your application for Ethanol Credit Certification, State Form 52302, with the IEDC, Ethanol Credit Certification at One North Capitol, Suite 700, Indianapolis, IN 46204. You can also call them at (317) 232-8827 or visit their website at [www.in.gov/iedc/](http://www.in.gov/iedc/) for additional information. Proof of information for the credit calculation plus a copy of the Certificate of Qualified Facility issued by the Indiana Recycling and Energy Development Board must be enclosed with your return to verify this credit. Get Income Tax Information Bulletin #93 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm) for more information.

Enter **815** on lines 29a - 31a under Other Nonrefundable Credits if claiming this credit. Be sure to enclose a copy of the Certificate of Qualified Facility.

## **Headquarters Relocation Credit 818**

A business may be eligible for a credit if it:

- Has an annual worldwide revenue of \$100 million;
- Has at least 75 employees; and
- Relocates its corporate headquarters to Indiana.

The credit may be as much as 50 percent of the cost incurred in relocating the taxpayer's headquarters.

For more information (including limitations on the credit and the application process), get Income Tax Information Bulletin #97 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm)

Enter **818** on lines 29a - 31a under Other Nonrefundable Credits if claiming this credit. Enclose proof of your relocation costs as well as proof that you employ at least 75 employees in Indiana.

## **Historic Building Rehabilitation Credit 819**

A credit is available for the rehabilitation or preservation of historic property that:

- Is listed on the Indiana Register of Historic Sites and Structures;
- Is at least 50 years old; and
- Is income-producing.

The cost of certified rehabilitation or preservation expenses must exceed \$10,000. The credit is 20 percent of the qualified expenses. Any unused balance of the credit can be carried forward for up to 15 years.

For additional information, call the Department of Natural Resources at (317) 232-1646 or visit their website at [www.in.gov/dnr/historic](http://www.in.gov/dnr/historic)

Also get Income Tax Information Bulletin #87 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm)

Enter **8 1 9** on lines 29a - 31a under Other Nonrefundable Credits if claiming this credit. Enclose the certification from the Division of Historic Preservation and Archaeology with your return.

### **Hoosier Business Investment Credit 820**

This credit is for qualified investments, including the purchase of new telecommunications, production, manufacturing, fabrication, processing, refining, and finishing equipment directly related to expanding the workforce in Indiana. Qualified investments also include:

- Onsite infrastructure improvements;
- Construction costs;
- Retooling existing machinery and equipment; and
- Costs associated with special-purpose buildings and foundations.

It does not include property that can be readily moved out of Indiana.

This credit is administered by the IEDC at One North Capitol, Suite 700, Indianapolis, IN 46204. Visit their website at [www.in.gov/iedc](http://www.in.gov/iedc) or call them at (317) 234-4046 for additional information. Also, get Income Tax Information Bulletin #95 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm)

You are required to submit to the Department a copy of the certificate from the IEDC verifying the amount of tax credit for the taxable year.

**Note:** See the Restriction for Certain Tax Credits - Limited to One per Project on page 23.

Enter **8 2 0** on lines 29a - 31a under Other Nonrefundable Credits if claiming this credit. Also enclose certification from the IEDC with your return.

### **Indiana Comprehensive Health Insurance Association (ICHIA) 821**

IC 27-8-10-2.4 provides that for each tax year beginning after Dec. 31, 2006, an insurance company can annually claim a credit against AGI tax and premiums tax. This credit is equal to 10 percent of the amount of the assessments paid before Jan. 1, 2005, against which a tax credit has not been taken before Jan. 1, 2005.

To claim this credit, you must provide a signed copy of your completed State of Indiana Assessment Tax Credit Form to show the amount of paid assessments against which a tax credit has not been taken as of Dec. 31, 2004, which was filed with the ICHIA. If the maximum amount of credit exceeds the tax liability for the year, the unused portion of the credit year can be carried forward.

Enter **8 2 1** on lines 29a - 31a under Other Nonrefundable Credits if claiming this credit.

### **Indiana Insurance Guaranty Association Credit 817**

An insurance company might be eligible to claim a tax credit of up to 20 percent of an assessment paid to either the Indiana Insurance Guaranty Association or the Indiana Life and Health Insurance Guaranty Association (refer to IC 27-6-8-15 and IC 27-8-8-16).

Enter **8 1 7** on lines 29a - 31a under Other Nonrefundable Credits if claiming this credit. Enclose a supporting assessment and credit documentation with the return.

### **Indiana Research Expense Credit 822**

Indiana has a research expense credit similar to the federal credit (Form 6765) for increasing research activities for qualifying expenses paid in carrying on a trade or business in Indiana. Compute the credit using Schedule IT-20REC. **Claim this credit on line 26 of the return.**

Go to [www.in.gov/dor/4179.htm](http://www.in.gov/dor/4179.htm) to get Schedule IT-20REC. To claim this credit, you must complete the schedule and enter the amount of credit allowed on line 26b. Enclose Schedule IT-20REC with your return. For more information, contact the Department at [www.in.gov/dor](http://www.in.gov/dor)

### **Individual Development Account Credit 823**

A credit is available for contributions made to a community development corporation participating in an Individual Development Account (IDA) program. The IDA program is designed to assist qualifying low-income residents in accumulating savings and building personal finance skills. The organization must have an approved program number from the Indiana Housing and Community Development Authority (IHCDA) before a contribution qualifies for preapproval. The credit is equal to 50 percent of the contribution, which must not be less than \$100 and not more than \$50,000.

Applications for the credit are filed through the IHCDA by using Form IDA-10/20. An approval Form IDA-20 must be enclosed with your return if claiming this credit. To request additional information about the definitions, procedures, and qualifications for obtaining this credit, contact the Indiana Housing and Community Development Authority, 30 S. Meridian Street, Suite 1000, Indianapolis, IN 46204, (317) 232-7777.

Enter **8 2 3** on lines 29a - 31a under Other Nonrefundable Credits if claiming this credit. Be sure to enclose approval Form IDA-20.

## Industrial Recovery Credit

**824**

This credit is based on a taxpayer's qualified investment in a vacant industrial facility located in a designated industrial recovery site. The IEDC must approve the application for credit and the plan for rehabilitation. A lessee of property in an industrial recovery site may be assigned tax credits based on the owner's or developer's qualified investment within the designated industrial recovery site. **Note:** Per IC 6-3.1-11-1, the minimum age for a facility to be eligible for this credit has been reduced from 20 years to 15.

Get additional information regarding procedures for obtaining this credit from the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN 46204. You can also visit their website at [www.in.gov/iedc](http://www.in.gov/iedc) or call them at (317) 232-8827.

**Note:** See the Restriction for Certain Tax Credits - Limited to One per Project on page 23.

Enter **8 2 4** on lines 29a - 31a under Other Nonrefundable Credits if claiming this credit. Enclose an approval certification from the IEDC or a letter of assignment with your return.

## Maternity Home Credit

**825**

A credit is allowed for maternity home owners who provide a temporary residence to at least one unrelated pregnant woman for at least 60 consecutive days during her pregnancy. If more than one entity has an ownership interest in a maternity home, each can claim the credit in proportion to its ownership interest. The maternity home owner must file an application annually with the State Department of Health to be eligible to claim this credit.

**Note:** Per IC 6-3.1-14-9, this credit will not be awarded for tax years that begin after Dec. 31, 2011. In addition, any credits previously awarded may not be carried forward during tax years 2012 and 2013. However, they can be carried forward during 2014 and 2015.

To take the credit, you must enclose a copy of the approved application with your tax return. Contact the Maternal and Child Health Division at 2 N. Meridian Street, 3rd Floor, Indianapolis, IN 46204. Or you can call them at (317) 233-1253 to get an application and more information about this credit.

Enter **8 2 5** on lines 29a - 31a under Other Nonrefundable Credits if claiming this credit. Attach your approved maternity home application with your return.

## Military Base Investment Cost Credit

**826**

This credit is available to taxpayers who provide a qualified investment in one of the following:

- A business located in a current or former military base;
- A military base reuse area;
- An economic development area;
- A military base recovery site; or
- A military base enhancement area.

The amount of the credit depends on the type of business, the number of jobs created, and the amount of the investment.

A taxpayer making a qualified investment in a business located in a county where the Crane military base is located is also eligible for the military base investment cost tax credit. A military base enhancement area is extended to comprise portions of three counties (Greene, Lawrence, and Martin) that are outside of the certified technology park adjoining the Crane military base. The taxpayer's qualified investment must be in a business that meets one of the following criteria:

- The business must be a participant in the technology transfer program conducted by the qualified military base; or
- The business and the qualified military base must have a mutually beneficial relationship evidenced by a memorandum of understanding.

For more information about this credit, contact the IEDC, One North Capitol, Suite 700, Indianapolis, IN 46204. You can also call them at (317) 232-8827 or visit their website at [www.in.gov/iedc/](http://www.in.gov/iedc/)

To receive credit, you must submit to documentation of a qualified investment and certification of the percentage credit allowed by the IEDC.

**Note:** See the Restriction for Certain Tax Credits - Limited to One per Project on page 23.

Enter **8 2 6** on lines 29a - 31a under Other Nonrefundable Credits if claiming this credit. Also enclose the certification from the IEDC with your return.

## Military Base Recovery Credit

**827**

A taxpayer who is an owner or a developer of a military base recovery site might be eligible for a credit. A taxpayer is eligible if they invest in the rehabilitation of real property located in a military base recovery site according to a plan approved by the IEDC. The maximum credit is 25 percent of the cost of the rehabilitation of real property located in a designated military base recovery site based on the age of the building.

A claimant can also be a lessee of property in a military base recovery site and be assigned part of the tax credit based on a qualified investment within a military recovery site. The assignment must be in writing, and any consideration cannot exceed the value of the part of the credit assigned. Both parties must report the assignment on their state income tax returns for the year of assignment. The lessee can use the credit to offset its total state income tax liability, but any excess credit must be carried forward to the immediately following tax year(s).

For more information about this credit, contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN 46204. You can also call them at (317) 232-8827 or visit their website at [www.in.gov/iedc](http://www.in.gov/iedc/)



A taxpayer who would be entitled to this credit is not entitled to the credit if the taxpayer ceases or drastically reduces operations at the military base recovery site.

**Note:** See the Restriction for Certain Tax Credits - Limited to One per Project on page 23.

Enter **8 2 7** on lines 29a - 31a under Other Nonrefundable Credits if claiming this credit. Also enclose the approval certification from the IEDC or the letter of assignment with your return.

### **Neighborhood Assistance Credit 828**

If you made a contribution or engaged in activities to upgrade areas in Indiana, you might be able to claim a credit for this assistance. Contact the Indiana Housing and Community Development Authority, Neighborhood Assistance Program, 30 S. Meridian Street, Suite 1000, Indianapolis, IN 46204, for more information. Or you can call (317) 232-7777 within Indianapolis or (800) 872-0371 outside of Indianapolis.

You must enclose approval Form NC-20 with your return to claim this credit. For more information, get Form NC-10 at [www.in.gov/dor/3508.htm](http://www.in.gov/dor/3508.htm)

Enter **8 2 8** on lines 29a - 31a under Other Nonrefundable Credits if claiming this credit. Be sure to enclose approval Form NC-20.

### **New Employer Credit 850**

A credit is allowed for a corporation or pass-through entity if the business employs at least 10 new qualified employees and, after Dec. 31, 2009, the business:

- Relocates or locates its operations in Indiana;
- Incorporates in Indiana; or
- Expands its operations in Indiana.

This credit is equal to 10% of the wages paid to qualified employees. A qualified employee is one who is:

- A full-time employee first hired by a new Indiana business;
- A resident of Indiana; and
- Not more than a 5 percent shareholder, partner, member, or owner of the business as determined by the IEDC.

To qualify for the credit, the taxpayer must submit an application to the IEDC. Contact the IEDC, One North Capitol, Suite 700, Indianapolis, IN 46204, for additional information. You can also visit their website at [www.in.gov/iedc](http://www.in.gov/iedc)

For more information, see Income Tax Information Bulletin #106 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm)

Enter **8 5 0** on lines 29a - 31a under Other Nonrefundable Credits if claiming this credit.

### **Prison Investment Credit 829**

A credit is allowed for amounts invested in Indiana prisons to create jobs for prisoners. The amount is limited to 50 percent of

the investment in a qualified project approved by the Department of Corrections (DOC), plus 25 percent of the wages paid to inmates. Contact the Indiana Department of Correction, Office of the Commissioner, 302 W. Washington Street, Room E334, Indianapolis, IN 46204, for additional information. You can also visit their website at [www.in.gov/idoc](http://www.in.gov/idoc)

Enter **8 2 9** on lines 29a - 31a under Other Nonrefundable Credits if claiming this credit. Also enclose verification from the DOC with your return.

### **Riverboat Building Credit 832**

A state tax liability credit has been established for a taxpayer who builds or refurbishes a riverboat licensed to conduct legal gambling in Indiana. This credit is equal to 15 percent of the qualified investment. In addition, it can be carried forward to subsequent tax years. The IEDC must approve the costs of the qualified investment before the costs are incurred.

Contact the Indiana Economic Development Corporation, Development Finance Division, One North Capitol, Suite 700, Indianapolis, IN 46204. You can also call them at (317) 234-0616 or visit their website at [www.in.gov/iedc/](http://www.in.gov/iedc/) for additional information.

Enter **8 3 2** on lines 29a - 31a under Other Nonrefundable Credits if claiming this credit. Enclose certification from the IEDC, your credit assignment, and proof of your investment with your return.

### **School Scholarship Credit 849**

A credit is available for contributions to school scholarship programs. A taxpayer that makes a qualifying contribution to a scholarship granting organization (SGO) is entitled to a credit against their state tax liability in the taxable year in which the contribution is made. The amount of a taxpayer's credit is equal to 50% of the amount of the contribution made to the SGO for a school scholarship program.

To qualify for the credit, the taxpayer must:

- Make a contribution to a scholarship granting organization that is certified by the Department of Education under IC 20-51;
- Make the contribution directly to the SGO;
- Designate in writing to the SGO that the contribution is to be used solely for a school scholarship program or have written confirmation from the SGO that the contribution will be used solely for a school scholarship program.

Although there are no limits on the size of a qualifying contribution to an SGO, the entire tax credit program has a limit of \$5 million in credits per state fiscal year (July 1 – June 30). **Note:** This limit has increased—the previous limit was \$2.5 million.

You must enclose Schedule IN-SSC to claim this credit. For more information about this credit, see the instructions for Schedule IN-SSC at [www.in.gov/dor/4570.htm](http://www.in.gov/dor/4570.htm)

### **Small Employer Qualified Wellness Program Credit** **843**

A taxpayer who is a small employer is entitled to a tax credit for providing a qualified wellness program for its employees during the taxable year. This credit is equal to 50 percent of the costs incurred by the taxpayer during the taxable year. A small employer is defined as an employer that:

- Is actively engaged in business;
- Has at least two but not more than 100 eligible employees; and
- Has a majority of its workers working in Indiana.

The wellness program must be certified by the State Department of Health (DOH). This certificate must be enclosed with your tax return before the credit can be approved. The credit can be carried forward but cannot be carried back or refunded. For more information, visit the DOH's website at [www.IN.gov/isdh](http://www.IN.gov/isdh) and get Income Tax Information Bulletin #102 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm)

**Note:** Per IC 6-3.1-14-9, this credit will not be awarded for tax years that begin after Dec. 31, 2011. In addition, any credits previously awarded may not be carried forward during tax years 2012 and 2013. However, they can be carried forward during 2014 and 2015.

Enter **843** on lines 29a - 31a under Other Nonrefundable Credits if claiming this credit. Enclose the certificate you receive from the DOH with your return.

### **Teacher Summer Employment Credit** **833**

If you hire designated shortage-certified teachers during school summer vacation, you might be able to take a credit. The qualified positions must be certified by the Department of Education (DOE). This certificate must be enclosed with your tax return for the credit to be approved. **Note:** Per IC 6-3.1-2-8, this credit will not be awarded for tax years that begin after Dec. 31, 2011. **Note:** Per IC 6-3.1-2-8, this credit will not be awarded for tax years that begin after Dec. 31, 2011.

Contact the DOE at (317) 232-6676 or visit their website at [www.doe.state.in.us/legal](http://www.doe.state.in.us/legal) for more information.

Enter **833** on lines 29a - 31a under Other Nonrefundable Credits if claiming this credit. Also enclose the Qualified Position Certificate with your return.

### **Twenty-First Century Scholars Program Support Fund** **834**

A credit is allowed for contributions made to the Twenty-First Century Scholars Program Support Fund. The credit is equal to 50 percent of the contributions made during the year. However, it is limited to the lesser of 10 percent of the corporation's total AGI tax (as determined without regard to any credits against the tax) or \$1,000. Get detailed information about the scholarship program, registration, and administration by calling the Office of the Twenty-First Century Scholars Program at (317) 233-2100.

To claim this credit, you must complete and enclose Schedule TCSP-40. Get Schedule TCSP-40 at [www.in.gov/dor/3510.htm](http://www.in.gov/dor/3510.htm)

Enter **834** on lines 29a - 31a under Other Nonrefundable Credits if claiming this credit.

### **Venture Capital Investment Credit** **835**

A taxpayer who provides qualified investment capital to an Indiana business might be eligible for this credit. Currently, this credit is limited to investments that occur before Jan. 1, 2015. The carryforward provision is limited to five years. **Note:** Per IC 6-3.1-24-8, for calendar years beginning after Dec. 31, 2010, the maximum credit available to a qualified business is \$1 million (previously it was \$500,000).

Certification for this credit must be obtained from the Indiana Economic Development Corporation, Development Finance Office, VCI Credit Program, One North Capitol, Suite 700, Indianapolis, IN 46204. You can also visit their website at [www.in.gov/iedc](http://www.in.gov/iedc) or call them at (317) 232-8827.

**Note:** See the Restriction for Certain Tax Credits - Limited to One per Project on page 23.

Enter **835** on lines 29a - 31a under Other Nonrefundable Credits if claiming this credit. Enclose the following with your return:

- Certification from the IEDC;
- Your credit assignment; and
- Proof that investment capital was provided to the qualified business within two years of the certification of the investment plan.

### **Voluntary Remediation Credit** **836**

A voluntary remediation state tax credit is available for qualified investments involving the redevelopment of a brownfield and environmental remediation. The Indiana Department of Environmental Management and the Indiana Housing and Community Development Authority must determine and certify that the costs incurred in a voluntary remediation are qualified investments.

Carryover of prior unused credit can be carried back only one year or carried forward up to five years.

For additional information, contact the Indiana Department of Environmental Management, Indiana Government Center North, Room N1101, 100 N. Senate Avenue, Indianapolis, IN 46204. You can also visit their website at [www.in.gov/idem](http://www.in.gov/idem)

Enter **836** on lines 29a - 31a under Other Nonrefundable Credits if claiming this credit. Enclose proof of your certification and the amounts paid with your return.

## Special Reminders

1. A corporation electing to file as an S corporation must file on Form IT-20S.
2. A general corporation must file Form FIT-20, Indiana Financial Institution Income Tax Return, instead of Form IT-20 when 80 percent of its gross income is derived from activities that constitute the business of a financial institution. See Other Related Income Tax Filing Requirements of a Corporation on page 11.
3. If you have more than \$1,000 in gross retail receipts from the sale of utility services, you might be required to file Form URT-1 (Utility Receipts Tax Return), in addition to Form IT-20.
4. A corporation filing on a fiscal or short-year basis must enter its tax year beginning and ending dates on the return.
5. An NOL deduction must be recalculated by completing revised Schedule IT-20NOL (as effective Jan. 1, 2004, or after).
6. Nonbusiness income deductions must be supported by completing IT-20 Schedule F, Allocation of Non-business Income and Indiana Non-unitary Partnership Income.
7. The Penalty for Underpayment of Corporate Income Tax, Schedule IT-2220, must be completed and enclosed with your return to reflect the applicable penalty and/or exceptions.
8. If an extension of time to file exists, you must prepay at least 90 percent of the tax due by the original due date. Failure to do so will result in a 10 percent penalty on the amount paid after the original due date. Interest will be due on any payment made after the original due date. Indicate on question V1 whether you have on file a valid state extension of time, a federal Form 7004, or an electronic extension to file.
9. Corporations filing consolidated returns must enclose Schedule 8-D to list the affiliated Indiana group. In addition, a schedule that reflects the net federal taxable income, inter-company receipts, and Indiana modifications of each corporation must accompany the return to support the AGI calculation.
10. The Department requires that the appropriate lines be completed on the official forms. For example, do not refer to a separate schedule when computing the AGI tax. Rather, complete the return in full. Failure to do so causes delays in processing.
11. Enclose copies of pages 1 through 4 of the federal Corporation Income Tax Return, Schedule M-3, or pro forma form with your Indiana corporation income tax return. This requirement is made under the authority of IC 6-8.1-5-4(d).
12. If the name change box is checked, you must enclose with your return copies of your Amended Articles of Incorporation or Amended Certificate of Authority filed with the Indiana Secretary of State.
13. For final returns, check box J2 only if the corporation is dissolved, is liquidated, or withdrew from the state. **Also, you must timely file Form BC-100 to close out any state sales and withholding accounts.**

If you have any questions, contact Tax Administration by calling (317) 232-0129.