pennsylvania
DEPARTMENT OF REVENUE

BUREAU OF CORPORATION TAXES
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KEYSTONE OPPORTUNITY ZONE/ STRATEGIC DEVELOPMENT AREA INSTRUCTION BOOKLET

FOR CORPORATION TAXES

- CAPITAL STOCK
- FOREIGN FRANCHISE
- CORPORATE NET INCOME

CALCULATION OF TAX CREDIT
(CT-1, RCT-101)

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SCHEDULE RCT-101KOZ/KOEZ/KOIZ/SDA INSTRUCTIONS

To be completed by businesses subject to the capital stock/foreign franchise tax or corporate net income tax that are approved for tax benefits under the Keystone Opportunity Zone (KOZ), Keystone Opportunity Expansion Zone (KOEZ), Keystone Opportunity Improvement Zone (KOIZ) or Strategic Development Area (SDA) program.

Important: This schedule is not to be used by entities involved in the operation of a railroad, truck, bus or airline company; pipeline or natural gas company; or water transportation company.

Business taxpayers that qualify for KOZ, KOEZ, KOIZ or SDA benefits MUST first complete the PA Corporate Tax Report, RCT-101, without taking into account any KOZ, KOEZ, KOIZ or SDA benefits to which they might be entitled.

In order to calculate a tax credit to be applied against the permitted taxes, special schedule RCT-101 KOZ/KOEZ must be completed and submitted as part of form RCT-101.

A copy of the letter from the Department of Community and Economic Development approving the taxpayer for benefits from one of these programs for the current tax year must be filed with the RCT-101.

Taxpayers claiming benefits from any of these programs must check the "KOZ/EIP/SDA" Box on Page 1 of the RCT-101.

Important: Beginning Jan. 1, 2009, the calculation of the KOZ/KOEZ/KOIZ credit no longer includes the sales factor. The sales factor is still included in the calculation of the SDA credit.

Failure to provide these documents will result in a delay in the processing of the credit and may result in an assessment for underpayment of tax reported on the RCT-101.

COMPLETION OF THE FORM

Indicate the applicable program from which KOZ/KOEZ/KOIZ or SDA benefits are claimed.

Property Apportionment Factor

Within Subzone, Expansion Subzone or SDA — The average value of the taxpayer's real and tangible personal property owned and used in the subzone, expansion subzone or SDA plus eight times the rental rate for real and tangible personal property rented and used in the subzone, expansion subzone or SDA.

Within PA — The average value of taxpayer's real and tangible personal property owned and used in PA plus eight times the rental rate for real and tangible personal property rented and used in PA. If the taxpayer uses three-factor apportionment in calculating its capital stock/foreign franchise tax or corporate net income tax, this amount will be the property reported inside PA on Table 1 of the Tables Supporting Determination of Apportionment Percentage, form RCT-106.

Payroll Apportionment Factor

Within Subzone, Expansion Subzone or SDA — Total compensation paid in the subzone, expansion subzone or SDA. Compensation is paid in the subzone, expansion subzone or SDA if:

(A) The person's service is performed entirely within the subzone, expansion subzone or SDA;

(B) The person's service is performed within and outside the subzone, expansion subzone or SDA, but the service performed outside the subzone, expansion subzone or SDA is incidental to the person's service within the subzone, expansion subzone or SDA; or

(C) Some of the service is performed in the subzone, expansion subzone or SDA and the base of operations is in the subzone, expansion subzone or SDA. If there is no base of operations, compensation is paid in the subzone, expansion subzone or SDA if the place from which the service is directed or controlled is in the subzone, expansion subzone or SDA. If the place from which the service is directed or controlled is not in a location in which the employee's work is performed, compensation is paid in the subzone, expansion subzone or SDA if the employee's residence is within the subzone, expansion subzone or SDA.

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Within PA — All compensation paid in PA. If the taxpayer uses three-factor apportionment in calculating it's capital stock/foreign franchise tax or corporate net income tax, this amount will be the payroll reported inside PA on Table 2 of the Tables Supporting Determination of Apportionment Percentage, form RCT-106.

Taxpayers claiming the KOZ/KOEZ/KOIZ credit for tax periods beginning after Dec. 31, 2008, should stop here and go to the Calculation of the Credit.

Sales Apportionment Factor

To be completed by taxpayers approved for and claiming the SDA Credit.

Within SDA — Total sales in the SDA during the tax period.

Sales of tangible personal property are in the SDA if the property is delivered or shipped to a purchaser that takes possession within the SDA, regardless of the FOB point or other conditions of the sale. Sales, other than sales of tangible personal property, are in the SDA if:

(A) The income-producing activity is performed in the SDA; or

(B) The income-producing activity is performed within and outside the SDA, and a greater proportion of the income-producing activity is performed in the SDA than in any other location, based on costs of performance.

Within PA — All sales sourced to locations inside PA. This includes all sales destined to locations inside PA plus sales of goods picked-up by customers in the SDA, either in their own vehicles or by common carriers arranged for by the customers, and transported to locations outside the commonwealth. Since the sourcing of sales picked-up in the SDA and transported outside the commonwealth is different for the calculation of the credit than the rules for sourcing these sales in the calculation of the three-factor apportionment, this may not equal the sales reported inside PA on Table 3 of the Tables Supporting Determination of Apportionment Percentage, form RCT-106.

Calculation of the Credit Percentage — KOZ/KOEZ/KOIZ

For each apportionment factor, divide the amount within the subzone or expansion subzone by the property and payroll within PA. The results of each calculation are carried out six places to the right of the decimal. Total the property and payroll factors and divide by two. This is your Credit Percentage.

Calculation of the Credit Percentage — SDA

For each apportionment factor, divide the amount within the SDA by the property, payroll and sales within PA. The results of each calculation are carried out six places to the right of the decimal. Total the property, payroll and sales factors and divide by three. This is your Credit Percentage.

IMPORTANT: The factors are not weighted.

Multiply the self-assessed tax from the RCT-101 by the Credit Percentage. This is the credit amount. Enter this amount in the "Restricted Credit" Box for the applicable tax on Page 1 of RCT-101 (Step D, Column C). **The total credit may not exceed the tax liability for the period**.

EXAMPLE

	KOZ/KOEZ/KOIZ				SDA			
Property	Property In Zone	10			Property In SDA	10		
	PA Property	100	=	0.100000	PA Property	100	=	0.100000
Payroll	Payroll In Zone	20			Payroll In SDA	20		
	PA Payroll	100	=	0.200000	PA Payroll	100	=	0.200000
Sales	Not Applicable				Sales In SDA	5		
					PA Sales	100	=	0.050000
Total				0.300000				0.350000
Credit Percentage	0.300000 / 2		=	0.150000	0.350000 / 3		=	0.116667
Credit	Tax $1,000 X 0.150000		=	$ 150	Tax $1,000 X 0.116667		=	$ 117

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RCT-101KOZ (01-13)

PA DEPARTMENT OF REVENUE
BUREAU OF CORPORATION TAXES

START ➜ ☐ KOZ/KOEZ/KOIZ ☐ SDA

DO NOT USE THIS FORM IF THE CORPORATE TAXPAYER IS A TRANSPORTATION COMPANY, FINANCIAL INSTITUTION, MUTUAL THRIFT INSTITUTION, INSURANCE COMPANY, PIPELINE AND NATURAL GAS COMPANY, REGULATED INVESTMENT COMPANY OR A HOLDING COMPANY AS DEFINED IN ARTICLE VI OF THE TAX REFORM CODE.

The calculation of the tax credits must be in accordance with the attached instructions.

CORPORATION NAME _____

REVENUE ID _____ TAX YEAR BEGINNING (MMDDYYYY) _____ TAX YEAR ENDING (MMDDYYYY) _____

PROPERTY

Within Subzone, Expansion Subzone or SDA / Within PA = _____ = . ___ ___ ___ ___ ___ ___

PAYROLL

Within Subzone, Expansion Subzone or SDA / Within PA = _____ = . ___ ___ ___ ___ ___ ___

Taxpayers claiming the KOZ/KOEZ/KOIZ credit for tax periods beginning after Dec. 31, 2008, should stop here and go to the Calculation of the Credit.

SALES

To be completed by taxpayers approved for and claiming the SDA Credit.

Within SDA / Within PA = _____ = . ___ ___ ___ ___ ___ ___

TOTAL ___ . ___ ___ ___ ___ ___ ___

TOTAL ___ . ___ ___ ___ ___ ___ ___ ÷ ___ = CREDIT PERCENTAGE . ___ ___ ___ ___ ___ ___

Capital Stock/Foreign Franchise Tax	**Corporate Net Income Tax**
Self-Assessed Tax _____	Self-Assessed Tax _____
Credit Percentage X . ___ ___ ___ ___ ___ ___	Credit Percentage X . ___ ___ ___ ___ ___ ___
Conditional Tax Credit = _____	Conditional Tax Credit = _____

Carry the conditional tax credit to the first page of RCT-101, Step D, Column C for each respective tax. **The total credit may not exceed the tax liability for the period.**

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