

INSTRUCTIONS FOR 2008 PA-20S/PA-65 SCHEDULE OC/T OTHER CREDITS (OC)/ GAMBLING AND LOTTERY WINNINGS (T)

PA-20S/PA-65 Schedule OC

What's New This Year?

Three new tax credits have been added:

- PA Strategic Development Area (SDA) Jobs Creation Tax Credit has been added as Line 10.
- PA Educational Improvement Tax Credit has been added as Line 11.
- PA Alternative Energy Production Tax Credit has been added as Line 12.

Line 10 from the 2007 tax year has become Line 13 as the total of PA other credits. This change includes adding Lines 1 through 12.

General Instructions

The entity must submit the required supporting document for each credit claimed as reported on PA-20S/PA-65 Schedule OC.

The pass through credits is an irrevocable election and must be used by the partner or shareholder in the year the credit is passed through to them. If an amended returned is filed, the entity cannot amend the election of credits passed through.

Credits do not have to be used by the entity or passed through to the entity's partners or shareholders in the year that they are issued. The entity can carry forward the credit to the following year(s) or until the carry forward provisions of the credit lapse.

A partner in a partnership or PA S corporation shareholder must enter their share of each credit from their PA-20S/PA-65 Schedule RK-1 or NRK-1. Submit the required supporting document for each credit claimed.

Pass Through Credits

Partnerships, PA S corporations, and Limited Liability Companies may pass through the Research and Development Tax Credit (R&D), Film Production Tax Credit (Film), Neighborhood Assistance Tax Credit (NATC), Resource Enhancement and Protection Tax Credit (REAP), Alternative Energy Production Tax Credit (AEP), and Educational Improvement Tax Credit (EITC) to its partners, shareholders, or members. The credit must first be applied to the entity's corporate tax liability, if any, for the year in which the credit is granted prior to being passed through to its partners, shareholders, or members. If the entity has a tax liability for the tax year in which the contribution was made, the credit must first be applied to that liability. The portion of the credit that exceeds the liability may be carried forward unless the entity elects to pass through the credit to its partners, shareholders, or members. For the partners, shareholders, or members, the credit may be applied up to the full amount of their liability.

If an entity does not use all approved tax credits, it may elect in writing, according to procedures below, to transfer all or a portion of the credit to partners, shareholders, or members in proportion to the share of the entity's distributive income to which the partner, shareholder, or member is entitled. A partner, shareholder, or member of a pass through entity to whom a credit is transferred under this section shall immediately claim the credit in the taxable year in which the transfer is made, not the year of the original contribution. The partner, shareholder, or member may not carry forward, carry back, obtain a refund of, sell, or assign the credit.

EXAMPLE: If a calendar corporate filer makes a contribution on 10/15/07 the credit is first applied to their corporate liability for the 2007 tax year. That report is first due 4/15/08. If a request to pass through excess credit is received later in the year (Dec. 2008), the pass through recipient can use the credit for their 2008 taxes, due 4/15/09.

A request to pass through the available credits listed above must be returned to:

COMMONWEALTH OF PENNSYLVANIA
PA DEPARTMENT OF REVENUE
BUREAU OF CORPORATION TAXES
ACCOUNTING DIVISION
DEPT 280701
HARRISBURG PA 17128-0701

Include a list of the partners, shareholders, or members and the amount of credit to be passed through to each on the business's letterhead and signed by an authorized representative.

For each specific credit's carry forward rules, applications, guidelines, and developments refer to the description and web site shown for each credit.

PA Employment Incentive Payments Credit (EIP)

The PA Department of Labor and Industry (L&I) will administer the award of the credits. Eligibility is based on the hiring of eligible public welfare recipients and/or individuals receiving or has received rehabilitation services through a state rehabilitation service program or the Veterans' Administration. The taxpayer receives certification for this credit from L&I. The certification received from L&I for each employee hired and the PA Schedule W must be submitted with the tax return. The EIP credit is limited to 90 percent of the taxpayer's PA tax liability after any other credits are subtracted. A joint return cannot be filed if one of the taxpayers is eligible for the credit. This credit can be carried over for 10 years.

The certification request form is on the L&I Web site at www.dli.state.pa.us. Click the *Downloadable Forms* link. Click the *Business Financial Incentives/Resources* link. Click the *PA Employment Incentive Payment Tax Credit* link.

PA Jobs Creation Tax Credit (JCTC)

The PA Department of Community and Economic Development (DCED) will administer the award of the credits. The employer receives certification for this credit from DCED. Eligibility is based on employers creating 25 or more jobs or increasing employment by 20 percent within three years from a negotiated start date. The amount of credit for each job is \$1000. This credit can be rescinded if the job is not maintained for five years.

The entity decides if the credit will be applied towards corporation tax or personal income tax. The credit can be used to offset 100 percent of the entity's tax liabilities for CNI tax or capital stock/foreign franchise tax; or for shareholders or members, capital stock/foreign franchise tax, gross premiums tax, gross receipts tax, bank and trust business shares tax, mutual thrift institution tax, title insurance business

shares tax; or personal income tax for partners, shareholders, or members. The individual credit is based on the percentage of ownership. Credits cannot be used against employer withholding taxes.

The claim form must be submitted to:

COMMONWEALTH OF PENNSYLVANIA
PA DEPARTMENT OF REVENUE
BUREAU OF CORPORATION TAXES
ACCOUNTING DIVISION
DEPT 280701
HARRISBURG PA 17128-0701

If this certification form is not received, the credit will not be given. The credit must be claimed by the taxpayer within 5 years of the effective date.

The application and guidelines are on the DCED Web site at www.newpa.com. Click *Find Incentives & Apply for Funding*. Click the *Funding & Program Finder* link. Click the *Job Creation Tax Credits* link.

PA Research and Development Credit (R&D)

The PA Department of Revenue, Bureau of Corporation Taxes will administer the award of the credits. The employer will receive an award notification. This credit can be rescinded. The credit must first be applied to the entity's corporate tax liability, if any, for the year in which the credit is awarded before it can be passed through to its partners, shareholders, or members. The credit can be used to offset tax liabilities for CNI tax or capital stock/foreign franchise tax or personal income tax of partners, shareholders, or members. The individual credit is based on the percentage of ownership. Credits cannot be used against employer withholding taxes. Any carryover credit is good for 15 years.

The application and guidelines are on the Department of Revenue Web site. Click the Forms and Publications link. Click *REV-545* under *Corporation Tax*.

PA Film Production Tax Credit (Film)

The PA Department of Community and Economic Development (DCED) will administer the award of the credits. DCED will certify the amount of the credit to the PA Department of Revenue. The credit is given to those individuals or companies that produce a feature film, a television film, a television talk or game show series, a television commercial, a television pilot or each episode of a television series intended as programming for a national audience.

The credit must first be applied to the entity's corporate tax liability, if any, for the year in which the credit is awarded before it can be passed through to its partners, shareholders, or members. The credit can be used to offset tax liabilities for CNI tax or capital stock/foreign franchise tax or personal income tax of partners, shareholders, or members. The individual credit is based on the percentage of ownership. Credits cannot be used against employer withholding taxes.

The application and guidelines are on the DCED Web site at www.newpa.com. Click *Find Incentives & Apply for Funding*. Click the *Funding & Program Finder* link. Click the *Film Tax Credit Program* link.

PA Organ and Bone Marrow Donor Tax Credit

The PA Department of Revenue, Bureau of Corporation Taxes will administer the award of the credits. The credit against personal income tax may be passed through to partners, shareholders, members, or beneficiaries of an estate or trust. The individual credit is based on the percentage of ownership. Credits cannot be used against employer withholding taxes.

Act 65 of 2006 permits a business entity to take a credit against personal income tax, corporate net income tax, capital stock/foreign franchise tax, bank shares tax, title insurance company shares tax, insurance premium tax or mutual thrift institutions tax for a leave of absence granted to employees for the specific purposes of organ or bone marrow donation. The amount of the credit is equal to the employee compensation paid during the leave of absence, the cost of temporary replacement help and any miscellaneous expenses authorized by regulation incurred with the leave of absence period.

The application and guidelines are on the Department of Revenue Web site. Click the Forms and Publications link. Click *REV-984* and *REV-984-I* under Corporation Tax.

PA Keystone Innovation Zone Credit (KIZ)

The PA Department of Community and Economic Development (DCED) will administer the award of the credits. The credit must first be applied to the entity's corporate tax liability, if any, for the year in which the credit is awarded before it can be passed through to its partners, shareholders, or members. The credit can be used to offset tax liabilities for CNI tax, capital stock tax/foreign franchise tax or personal income tax of partners, shareholders, or members. The individual credit is based on the percentage of ownership. Credits cannot be used against employer withholding taxes.

The application and guidelines are on the DCED Web site at www.newpa.com. Click *Find Incentives & Apply for Funding*. Click the *Funding & Program Finder* link. Click the *Keystone Innovation Zone (KIZ)* link.

PA Resource Enhancement and Protection Tax Credit (REAP)

The program is administered by the State Conservation Commission (SCC) and the tax credits will be granted by the PA Department of Revenue (Revenue). The SCC will provide notification to Revenue that the eligible applicant has completed a project which meets the criteria for a REAP tax credit, and the amount of tax credit for the eligible applicant. After Revenue conducts a compliance check to determine if the applicant has filed all required state tax reports and returns for all applicable tax years, and paid all balances of state taxes due, Revenue will issue a notice of award of a tax credit to the eligible applicant.

The credit must first be applied to the entity's corporate tax liability, if any, for the year in which the credit is awarded before it can be passed through to its partners, shareholders, or members. The credit can be used to offset tax liabilities for CNI tax, capital stock tax/foreign franchise tax, bank and trust company shares tax, title insurance companies shares tax, insurance premiums tax, mutual thrift institution tax or personal income tax of partners, shareholders, or members. The individual credit is based on the percentage of ownership. Credits cannot be used against employer withholding taxes.

For projects to be eligible for the tax credit, farms, farmers, and sponsors must apply to the State Conservation Commission (SCC). The SCC is a PA Department of Agriculture and Department of Environmental Protection oversight commission that has a primary function of providing oversight and support to the state's 66 county conservation districts for the implementation of conservation programs in an efficient and responsible manner. REAP tax credits can be used by the farmer for up to fifteen years, and are transferable and can be sold to other taxpayers.

The application and guidelines are on the SCC Web site at www.agriculture.state.pa.us/agriculture/cwp/view.asp?a=3&q=127144. Click the *Resource Enhancement and Protection Program (REAP)* link.

PA Neighborhood Assistance Tax Credit (NATC)

The PA Department of Community and Economic Development (DCED) will administer the award of the credits. There are four components to this program: the Neighborhood Assistance Program (NAP) Tax Credit, the Neighborhood Partnership Program (NPP), the Enterprise Zone (EZP) Tax Credit, and the Special Program Priorities (SPP). The taxpayer receives certification for this credit from DCED. The credit must first be applied to the entity's corporate tax liability, if any, for the year in which the credit is awarded before it can be passed through to its partners, shareholders, or members. The credit can be

used to offset tax liabilities for CNI tax, capital stock tax/foreign franchise tax, bank and trust company shares tax, title insurance companies shares tax, insurance premiums tax, mutual thrift institution tax or personal income tax of partners, shareholders, or members. The individual credit is based on the percentage of ownership. Credits cannot be used against employer withholding taxes.

The application and guidelines are on the DCED Web site at www.newpa.com. Click *Find Incentives & Apply for Funding*. Click the *Funding & Program Finder* link. Click the *Neighborhood Assistance Program (NAP)* link.

PA Strategic Development Area (SDA) Jobs Creation Tax Credit

The PA Department of Community and Economic Development (DCED) will administer the award of the credits. The taxpayer receives certification for this credit from DCED. This tax credit created strategic development areas in the Commonwealth of Pennsylvania. Income earned in these areas is exempt from tax in a similar fashion as income earned in a Keystone Opportunity Zone. Job credits are also available for businesses to maintain and create new jobs in these areas as well. Credit is available for tax years beginning on or after Jan. 1, 2008.

The entity decides if the credit will be applied towards corporation tax or personal income tax. The credit can be used to offset 100 percent of the entity's tax liabilities for CNI tax or capital stock/foreign franchise tax; or for shareholders or members, capital stock/foreign franchise tax, gross premiums tax, gross receipts tax, bank and trust business shares tax, mutual thrift institution tax, title insurance business shares tax; or personal income tax of partners, shareholders, or members. The individual credit is based on the percentage of ownership. Credits cannot be used against employer withholding taxes.

The application and guidelines are on the DCED Web site at www.newpa.com. Click *Find Incentives & Apply for Funding*. Click the *Funding & Program Finder* link.

PA Educational Improvement Tax Credit (EITC)

The PA Department of Community and Economic Development (DCED) will administer the award of the credits. The taxpayer receives certification for this credit from DCED.

Act 2008-61 of 2008 has been amended. Applicable retroactively to July 1, 2008, the Pennsylvania corporate income tax credit for contributions made to scholarship and educational improvement organizations has been amended to allow pass through entities to receive the credit. Additionally, the maximum credit amounts have been increased. Pass through entities may begin applying for the credit on the first business day following July 7, 2008.

The credit must first be applied to the entity's corporate tax liability, if any, for the year in which the credit is awarded before it can be passed through to its partners, shareholders, or members. The credit can be used to offset tax liabilities for CNI tax, capital stock tax/foreign franchise tax, bank and trust company shares tax, title insurance companies shares tax, insurance premiums tax, mutual thrift institution tax or personal income tax of partners, shareholders, or members. The individual credit is based on the percentage of ownership. Credits cannot be used against employer withholding taxes.

The application and guidelines are on the DCED Web site at www.newpa.com. Click *Find Incentives & Apply for Funding*. Click the *Funding & Program Finder* link. Click the *Educational Improvement Tax Credit Program (EITC)* link.

PA Alternative Energy Production Tax Credit (AEP)

The PA Department of Environmental Protection (DEP) will administer the award of the credits. An alternative energy production tax credit is available for tax year 2008 for costs incurred in the development and construction of an alternative energy production project in Pennsylvania with a useful life of at least four years. Qualifying pass through entities must apply for the 2008 credit by Sept. 15,

2009. Unused credits may be carried forward for five years or sold or assigned. Refunds and carry backs are not allowed.

The credit must first be applied to the entity's corporate tax liability, if any, for the year in which the credit is awarded before it can be passed through to its partners, shareholders, or members. The credit can be used to offset tax liabilities for CNI tax, capital stock tax/foreign franchise tax of shareholders or members; or personal income tax of partners, shareholders, or members. The individual credit is based on the percentage of ownership. Credits cannot be used against employer withholding taxes.

DEP will use their Web site to make announcements. To "watch" developments and directions regarding certain aspects of the energy legislation and specifically Alternative Energy Production Grants/Rebate go to the DEP Web site at <http://www.depweb.state.pa.us>. Click *Energy Independence*.

Specific Instructions for PA-20S/PA-65 Schedule OC

1. PA Employment Incentive Payments Credit

If you employ welfare recipients and/or individuals receiving or has received rehabilitation services through a state rehabilitation service program or the Veterans' Administration, you may be eligible for this credit. Enter the amount of credit from the PA Department of Labor & Industry certification sent to you. Submit a completed PA Schedule W with all supporting required documents.

2. PA Jobs Creation Tax Credit

Enter the amount of credit that the PA Department of Community and Economic Development approved on the certification sent to you.

3. PA Research and Development Tax Credit

Enter the amount from the PA Department of Revenue certification sent to you.

4. PA Film Production Tax Credit

Enter the amount of credit from the PA Department of Revenue or PA Department of Community and Economic Development certification sent to you.

5. Out-of-State Credits - PA Resident S Corporations Only

Certain S corporations are not taxed as S corporations (taxed as a C corporation) in other states or countries. Therefore, the entity must account for payments made to other states or countries in order to claim the correct resident credit. Please note that a C corporation return must be submitted.



NOTE: Do not include out-of-state credit calculated according to PA-40 Schedule G-L instructions. Out-of-state credit calculated according to PA-40 Schedule G-L instructions should be reported on the PA-20S/PA-65 Information Return, Part V, Line 13b.

6. PA Organ and Bone Marrow Donor Tax Credit

Enter the amount of credit from the PA Department of Revenue certification sent to you.

7. PA Keystone Innovation Zone (KIZ) Tax Credit

Enter the amount of credit from the PA Department of Community and Economic Development certification sent to you.

8. PA Resource Enhancement and Protection (REAP) Tax Credit

Enter the amount of credit from the PA Department of Revenue certification sent to you.

9. PA Neighborhood Assistance Tax Credit (NATC)

Enter the amount of credit from the PA Department of Community and Economic Development certification sent to you.

10. PA Strategic Development Area (SDA) Jobs Creation Tax Credit

Enter the amount of credit from the PA Department of Community and Economic Development certification sent to you.

11. PA Educational Improvement Tax Credit (EITC)

Enter the amount of credit from the PA Department of Community and Economic Development certification sent to you.

12. PA Alternative Energy Production Tax Credit

Enter the amount of credit from the PA Department of Environmental Protection certificate sent to you.

13. Total Allowable Credits

Add Lines 1 through 12. Enter the total here and on Line 13a, Part V of the PA-20S/PA-65 Information Return.

PA-20S/PA-65 Schedule T

General Instructions

Use PA-20S/PA-65 Schedule T to report gambling and lottery winnings.

PA Source Winnings - In column (a), report all taxable gambling and lottery winnings from sources within PA.

Total Winnings - In column (b), report all taxable gambling and lottery winnings from all sources, whether receiving a Federal Form W-2G or not.