RCT-132/143KOZ (01-13)

pennsylvania
DEPARTMENT OF REVENUE

BUREAU OF CORPORATION TAXES
PO BOX 280705
HARRISBURG PA 17128-0705

KEYSTONE OPPORTUNITY ZONE/ KEYSTONE OPPORTUNITY EXPANSION ZONE INSTRUCTION BOOKLET

FOR CORPORATION TAXES

- FINANCIAL INSTITUTIONS SHARES TAX
- MUTUAL THRIFT INSTITUTIONS TAX

EXEMPTION SCHEDULE PREPARATION FOR TAX REPORTING
(RCT-132/143)

PA KOZ
KEYSTONE OPPORTUNITY ZONE

SCHEDULE RCT132/143 KOZ/KOEZ INSTRUCTIONS

Taxpayers authorized for the subzone or expansion subzone status must first complete the Shares Tax & Loans Tax Report, form RCT-132, or the Mutual Thrift Institutions Net Income Tax Report, form RCT-143, without regard to KOZ/KOEZ influence.

To calculate a tax credit against the applicable taxes, special schedule RCT132/143 KOZ/KOEZ must also be completed and submitted as part of the regular tax report RCT-132 or 143. Upon verification and settlement of the RCT-132 or 143 the KOZ/KOEZ credit amount(s) will be calculated and posted to the account.

A copy of the authorization letter granting KOZ/KOEZ status must be attached to the KOZ/KOEZ schedule, RCT132/143 KOZ/KOEZ.

Taxpayers filing for the KOZ/KOEZ credit should mail the RCT 132 or 143 with KOZ/KOEZ schedule included to:

PA DEPARTMENT OF REVENUE
PO BOX 280704
HARRISBURG PENNSYLVANIA 17128-0704

STATUTORY INSTRUCTIONS SUBZONE OR EXPANSION SUBZONE

Section 517. Bank and trust company shares tax and mutual thrift institutions tax.

(a) **Credits**. For tax years that begin on or after Jan. 1, 2001, an institution that is a qualified business under this act may claim credit against the tax imposed by Article VII, VII-A or XV of the Tax Reform Code of 1971, for tax liability attributable to business activity conducted within the subzone or expansion subzone in the taxable year. The business activity must be conducted directly by an institution in the subzone or expansion subzone in order for the institution to claim the tax credit.

(b) **Tax liability determination**. The institution's tax liability attributable to business activity conducted within a subzone or expansion subzone shall be determined by multiplying the taxable amount of its shares or net income that is attributable to business activity conducted within the subzone or expansion subzone by the rate of tax imposed under Article VII, VII-A or XV of the Tax Reform Code of 1971 for the taxable year.

(c) **Determination of attributable tax liability**. Tax liability attributable to business activity conducted within a subzone or expansion subzone shall be computed, construed, administered and enforced in conformity with Article VII, VII-A or XV of the Tax Reform Code of 1971 and with specific reference to the following:

(1) If the entire business of the taxpayer in this commonwealth is transacted wholly within the subzone or expansion subzone, the taxable shares or net income attributable to business activity within a subzone or expansion subzone shall consist of the Pennsylvania shares or net income as determined under Article VII, VII-A or XV of the Tax Reform Code of 1971.

(2) If the entire business of the taxpayer in this commonwealth is not transacted wholly within the subzone or expansion subzone, the taxable shares or net income of a taxpayer in a subzone or expansion subzone shall be determined upon such portion of the Pennsylvania taxable shares or net income of such taxpayer attributable to business activity conducted within the subzone or expansion subzone and apportioned in accordance with subsection (d).

(d) **Income apportionment**. – All taxable shares or net income of an institution that is a qualified business shall be apportioned to the subzone or expansion subzone by multiplying the Pennsylvania taxable shares or net income by a fraction, the numerator of which is the payroll factor plus the receipts factor plus the deposits factor, and the denominator of which is 3.

(1) The payroll factor is a fraction, the numerator of which is the total wages paid in a subzone or expansion subzone during the tax period by the taxpayer, and the denominator of which is the total wages paid in this commonwealth during the tax period. Wages are paid in a subzone or expansion subzone if they are paid to an employee having a regular presence in the subzone or expansion subzone.

(2) The receipts factor is a fraction, the numerator of which is total receipts of the taxpayer in a subzone or expansion subzone during the tax period, and the denominator of which is the total receipts located in this commonwealth. Receipts do not include principal repayments on loans or credit, travel and entertainment cards. Receipts from the sale or disposition of intangible and tangible property include only the net gain received from the sale or disposition. The location of receipts shall be determined as follows:

(i) Receipts from loans primarily secured by real property are located in a subzone or expansion subzone if the predominant portion of the real property is located in the subzone or expansion subzone and the application and negotiation or administrative responsibility occurs at a qualified business.

(ii) Receipts from loans not primarily secured by real property are located in a subzone or expansion subzone if the obligor, in the case of an individual, resides in a subzone or expansion subzone or, in the case of a corporation, if the corporation's commercial domicile is located in a subzone or expansion subzone, and the application and negotiation or administrative responsibility occurs at a qualified business.

(iii) Receipts from performance of services are located in a subzone or expansion subzone if the services are performed in the subzone or expansion subzone. If services are performed partly within the subzone or expansion subzone and partly outside the subzone or expansion subzone, the subzone or expansion subzone receipts shall be the ratio that the time spent in performing the services in the subzone or expansion subzone bears to the total time spent in performing the services in this commonwealth. Time spent in performing services in the subzone or expansion subzone is the time spent by employees having a regular presence in the subzone or expansion subzone in performing the services.

(iv) Receipts from lease transactions are located in a subzone or expansion subzone if the leased property is located in the subzone or expansion subzone.

(v) Receipts from interest or service charges, excluding merchant discounts, from credit, travel and entertainment card receivables and credit card holders' fees are located in a subzone or expansion subzone if the credit card holder, in the case of an individual, resides in a subzone or expansion subzone or, in the case of a corporation, if the corporation's commercial domicile is located in a subzone or expansion subzone.

(vi) Receipts from interest, dividends and net gains from the sale or disposition of intangibles, exclusive of those receipts described elsewhere in this paragraph, are located in a subzone or expansion subzone if the institution maintains a qualified business that treats such intangibles as assets on its books or records.

(vii) Receipts from fees or charges from the issuance of traveler's checks and money orders are located in a subzone or expansion subzone if the traveler's checks or money orders are issued in the subzone or expansion subzone.

(viii) Receipts from sales of tangible property are located in a subzone or expansion subzone if the property is delivered or shipped to a purchaser located in a subzone or expansion subzone, regardless of the free on board point or other conditions of the sale.

(ix) Receipts from the issuance of title insurance shall be sourced to a KOZ/KOEZ when property that is insured is located in a KOZ/KOEZ.

(x) Receipts not specifically treated under this paragraph are located in a subzone or expansion subzone if the greatest portion of the income-producing activities are performed in the subzone or expansion subzone, based on costs of performance.

(3) The deposits factor is a fraction, the numerator of which is the average value of deposits located in a subzone or expansion subzone during the taxable year, and the denominator of which is the average value of the total deposits in this commonwealth during the taxable year. The average value of deposits is to be computed on a quarterly basis. Deposits are located in the subzone or expansion subzone if the institution maintains a qualified business that properly treats the deposits as a liability on its books or records. A deposit is considered to be properly treated as a liability on the books or records of a qualified business if:

(i) the deposit account was opened or transferred to the qualified business by or at the direction of the depositor, regardless of where subsequent deposits or withdrawals are made;

(ii) the employees regularly connected with the qualified business are primarily responsible for servicing the depositor's general banking and other financial needs; and

(iii) at least one of the following factors occurs at the qualified business:

(A) The deposit was solicited by an employee regularly connected with the qualified business, regardless of where the deposit was actually solicited.

(B) The terms governing the deposit were negotiated by employees regularly connected with the qualified business, regardless of where the negotiations were actually conducted.

(C) The essential records relating to the deposit are physically located at the qualified business and the deposit is serviced at the qualified business.

(e) **Calculation**. A taxpayer shall calculate its commonwealth taxable shares or net income in conformity with Article VII, VII-A or XV of the Tax Reform Code of 1971 with no adjustments or subtractions for subzone or expansion subzone taxable shares or net income.

(f) **Credit**. The credit allowed under this section shall not exceed 50 percent of the shares or net income tax liability of the taxpayer for the tax year.

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KEYSTONE OPPORTUNITY ZONE/ KEYSTONE OPPORTUNITY EXPANSION ZONE

TAXPAYER NAME _____ REVENUE ID _____

Detailed Apportionment Schedule (SEE INSTRUCTIONS) Tax Year End _____

Financial Institutions Shares Tax/Mutual Thrift Institutions Tax:

PAYROLL FACTOR

		KOZ/KOEZ PAYROLL		TOTAL PA PAYROLL
Wages, salaries, commissions and other compensation to employees	A	_____	B	_____

RECEIPTS FACTOR

		KOZ/KOEZ RECEIPTS		TOTAL PA RECEIPTS
Receipts From Loans:				
Secured by real property		_____		_____
Not secured by real property		_____		_____
Receipts From Performance of Services		_____		_____
Receipts From Lease Transactions		_____		_____
Receipts From Credit Card Transactions		_____		_____
Receipts From the Sale of Intangible Property		_____		_____
Receipts From Issuance of Travelers Checks and Money Orders		_____		_____
Receipts From the Sale of Tangible Property		_____		_____
Receipts From Issuance of Title Insurance		_____		_____
Other Receipts		_____		_____
Total Receipts	A	_____	B	_____

DEPOSITS FACTOR

		KOZ/KOEZ DEPOSITS		TOTAL PA DEPOSITS
1st Quarter		_____		_____
2nd Quarter		_____		_____
3rd Quarter		_____		_____
4th Quarter		_____		_____
Total Deposits		_____		_____
Average Value	A	_____	B	_____

For each factor above, carry the totals (A & B) to the respective factor and corresponding (A & B) on the next page.

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KEYSTONE OPPORTUNITY ZONE/ KEYSTONE OPPORTUNITY EXPANSION ZONE

TAXPAYER NAME _____ REVENUE ID _____

TAX CREDIT WORKSHEET TAX YEAR END _____

Financial Institutions Shares Tax/Mutual Thrift Institutions Tax:

PAYROLL FACTOR

$$\frac{\text{KOZ/KOEZ PAYROLL}}{\text{TOTAL PA PAYROLL}} = \frac{A}{B} = ._____$$

RECEIPTS FACTOR

$$\frac{\text{KOZ/KOEZ RECEIPTS}}{\text{TOTAL PA RECEIPTS}} = \frac{A}{B} = ._____$$

DEPOSITS FACTOR

$$\frac{\text{KOZ/KOEZ DEPOSITS}}{\text{TOTAL PA DEPOSITS}} = \frac{A}{B} = ._____$$

TOTAL ___ . _____

TOTAL ___ . _____ ÷ 3 = KOZ/KOEZ Apportionment . _____

Self-Assessed Tax _____

KOZ/KOEZ Apportionment X . _____
[not to exceed 50 percent (0.500000)]

KOZ/KOEZ Conditional Credit.* = _____

* On the first page of RCT-132 or RCT-143, mark the KOZ/EIP drop-down box with a "Y" and record the conditional credit on Line 4, Total Restricted Tax Credits. The final credit will be the KOZ/KOEZ-exempt percentage multiplied by the shares or net income tax as finally reported, determined or re-determined, but not to exceed 50 percent (0.50) of the shares or net income tax liability of the taxpayer for the tax year.