



**COMMONWEALTH OF PENNSYLVANIA
CAPITAL STOCK TAX MANUFACTURING
EXEMPTION SCHEDULE**

Account ID

For use by Domestic Corporations, Limited Partnerships, Joint-Stock Associations, and Foreign Corporations with all activity in Pennsylvania who are engaged in manufacturing, processing, or research and development in Pennsylvania and claiming exemption under the provisions of the Act of March 4, 1971. P.L. 6 (Act No. 2), as amended.

For Calendar Year _____ or Fiscal Year Beginning _____ Ending _____

(Business Name)

PREPARATION INSTRUCTIONS FOR EXEMPTION SCHEDULE

This schedule is to be completed by electing corporations actually engaged, within Pennsylvania, in (1) producing a manufactured article, (2) any processing operation within Pennsylvania enumerated on Page 3, or (3) research and development. Foreign Corporations engaged in producing manufactured articles in Pennsylvania or foreign companies organized for and engaged in certain processing operations or research and development should use this form if their entire business activity is conducted in Pennsylvania. If the activities of a Foreign Corporation are multi-state, Schedule RCT-105 or RCT-102 may be used.

Full compliance with these instructions and submission of all required data by the person responsible for the preparation of this schedule will eliminate needless inquiry and accelerate settlement by this Department. See Page 3 of this schedule regarding a description of the corporation's activities. This description must be completed each year.

Whenever the term manufacturing is used in this schedule, it will include the terms Processing and Research and Development as defined (Page 3). The manufacturing exemption is limited to assets actually employed in manufacturing within Pennsylvania and does not apply to Corporate Net Income Tax. An explanation should be submitted of the basis employed if actual values are ascribed to assets.

Cash, securities, accounts receivable, etc., not necessary as working capital for the conduct of manufacturing activities in Pennsylvania are not exempt (except as provided on Page 2A, Column B).

Any asset, tangible or intangible, used both in producing a manufactured article within Pennsylvania and in a nonmanufacturing activity in Pennsylvania must be reported on Page 2B, Column E.

A rider must be attached reflecting the details if any assets and liabilities have been combined in a net figure on the balance sheet.

- COLUMN A-1** — Net Book Value of the assets of the Company at the beginning of the period.
- COLUMN A-2** — Net Book Value of the assets of the company at the end of the period.
- COLUMN A-3** — Average Net Book Value of the assets of the company.
- COLUMN B** — This column represents average value of the exemption claimed for tangible and intangible assets as reflected on the Insert Sheet-RCT-106. Assets listed in Column B must not be listed in Columns C, D, E, or H on Page 2B.
- COLUMN C** — This column must include the average value of all tangible assets located in Pennsylvania which are not used in Pennsylvania manufacturing activities. It must also include the average value of all intangible assets except those necessary as working capital for a Pennsylvania manufacturing activity and not claimed as an exemption in Column B.
- COLUMN D** — This column must include average value of tangible assets actually and exclusively employed in manufacturing within Pennsylvania. It must also include the average value of intangible assets actually and exclusively held as working capital for a Pennsylvania manufacturing activity, unless already claimed in Column B.
- COLUMN E** — This column must include the average value of all assets, tangible or intangible, which are used in a Pennsylvania manufacturing activity and in a Pennsylvania nonmanufacturing activity not listed in Columns B, C, or D.
- COLUMNS F and G** — In order for an exemption to be allowable in Column G for that portion of Column E which is used in a Pennsylvania manufacturing activity, the taxpayer must submit a detailed schedule showing the method and computation employed and an explanation substantiating the method used. The balance of Column E used in Pennsylvania nonmanufacturing activities must appear in Column F.
- COLUMN H** — This column should reflect the total average taxable assets of Columns C and F.

THIS SCHEDULE MUST BE COMPLETED IN DETAIL AND SUBMITTED AS PART OF THE COMBINED PENNSYLVANIA CORPORATE TAX REPORT (FORM RCT-101) AND STAPLED TO THE LAST PAGE OF THE RCT-101.

PROCESSING EXEMPTION

The term processing shall mean and shall be limited to the following activities when engaged in as a business enterprise:

- (1) The filtering or heating of honey, the cooking or freezing of fruits, vegetables, mushrooms, fish, seafood, meats or poultry, when the person engaged in such business packages such property in sealed containers for wholesale distribution.
- (1.1) The processing of fruits or vegetables by cleaning, cutting, coring, peeling or chopping and treating to preserve, sterilize or purify and substantially extend the useful shelf life of the fruits or vegetables, when the person engaged in such activity packages such property in sealed containers for wholesale distribution.
- (2) The scouring, carbonizing, cording, combing, throwing, twisting, or winding of natural or synthetic fibers or the spinning, bleaching, dyeing, printing or finishing of yarns or fabrics when such activities are performed prior to sale to the ultimate consumer.
- (3) The electroplating, galvanizing, enameling, anodizing, coloring, finishing, impregnating or heat treating of metals or plastics for sale or in the process of manufacturing.
- (3.1) The blanking, shearing, leveling, slitting or burning of metals for sale to or use by a manufacturer or processor.
- (4) The rolling, drawing or extruding of ferrous and nonferrous metals.
- (5) The fabrication for sale of ornamental or structural metal or metal stairs, staircases, gratings, fire escapes or railings (not including fabrication work done at the construction site).
- (6) The preparation of animal feed or poultry feed for sale.
- (7) The production, processing and bottling of nonalcoholic beverages for wholesale distribution.
- (8) The slaughtering and dressing of animals for meat to be sold or to be used in preparing meat products for sale and the preparation of meat products including lard, tallow, grease, cooking and inedible oils for wholesale distribution.
- (9) The operation of a sawmill or planing mill for the production of lumber or lumber products for sale.
- (10) The milling for sale of flour or meal from grains.
- (10.1) The aging, stripping, conditioning, crushing and blending of tobacco leaves for use as cigar filler or as components of smokeless tobacco products for sale to manufacturers of tobacco products.
- (11) The publishing of books, newspapers, magazines, or other periodicals, printing, and broadcasting radio and television programs by licensed commercial or educational stations.
- (12) The processing of used lubricating oils.
- (13) The blending, rectification or production by distillation or otherwise of alcohol or alcoholic liquors, except the distillation of alcohol from by-products of wine-making for sole purpose of fortifying wine.
- (14) The salvaging, recycling or reclaiming used materials to be recycled into a manufacturing process.
- (15) The development or substantial modification of computer programs or software for sale to unrelated persons for their direct and independent use.
- (16) The cleaning and roasting and the blending, grinding or packaging for sale of coffee from green coffee beans or the production of coffee extract.
- (17) The refining, blasting, exploring, mining and quarrying for or otherwise extracting limestone, sand, gravel or slag from the earth or from waste or stock piles or from pits or banks and the cleaning, crushing, grinding, pulverizing, sizing or screening of limestone, sand, gravel or slag, including blast furnace slag.

RESEARCH AND DEVELOPMENT EXEMPTION

“Research and Development” shall mean activities relating to the discovery of new, and the refinement of known, substances, products, processes, theories and ideas, but shall not include activities directed primarily to the accumulation or analysis of commercial, financial or mercantile data.

DESCRIPTION OF BUSINESS ACTIVITY (MUST BE COMPLETED EACH YEAR)

The PA Department of Revenue requires that a description of the corporation’s activities be furnished in sufficient detail to enable the taxing officials to make determination of the validity of the claim for the manufacturing exemption. Space for this detailed description of activities is provided below.

(Any supporting data such as photographs, brochures, pamphlets or catalogues which may describe this activity should accompany this schedule.)