



Utah
2008

**S Corporation
Franchise or
Income Tax**

Form TC-20S

Tax Return and Instructions

Utah State Tax Commission • 210 North 1950 West • Salt Lake City, UT 84134
www.tax.utah.gov

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Online Services



Visit our website for detailed tax information and all Utah State tax forms/instructions.

tax.utah.gov

Utah accepts electronic filing for C Corporations and S Corporations.

tax.utah.gov/corporate/eleccorp.html

Pay tax due and make payments online with a credit card or e-check.



paymentexpress.utah.gov

References

UC: Utah Code

IRC: Internal Revenue Code

Need forms?

Print online at **tax.utah.gov/forms**, or call 801-297-6700 or 1-800-662-4335, ext. 6700

Need more information?

Telephone 801-297-2200 or 1-800-662-4335

Webpage **tax.utah.gov**

E-Verify for Employers

Employers can help prevent identity theft by verifying the social security numbers of job applicants. E-Verify is a free service of the U.S. Department of Homeland Security that verifies employment eligibility through the Internet. Employers can use E-Verify at **www.dhs.gov/E-Verify**.

File TC-20 if Corporation filed federal form 1120

File TC-20S if S Corporation filed federal form 1120S

File TC-20MC if Corporation filed federal forms 1120-H, 1120-RIC, 1120-REIT, 990-T or 8023

If you need an accommodation under the Americans with Disabilities Act, contact the Tax Commission at 801-297-3811 or Telecommunications Device for the Deaf (TDD) 801-297-2020. Please allow three working days for a response.

TC-20S General Instructions and Information

What's New

- **New Corporation Forms:** Utah's 2008 corporation forms have been redesigned in order that the return may be scanned on our high-speed automated scanners. While the forms themselves may look different, most of the information is still the same as on previous year returns.
- **Research Credits:** The nonrefundable tax credits for increasing research activities in Utah and for investment in machinery and equipment used to conduct research have been changed and now allow the credit in the year of the research expenditures. See pages 13 and 14 for more details.
- **Reminder—Apportionment Sales Factor May Be Double-Weighted:** Effective for tax years beginning after 2005, an election may be made to double weight the sales factor on Schedule J for apportionment of business income. The election, if made, is irrevocable and remains in effect for five years. See specific instructions for Schedule J beginning on page 10.

Electronic Filing for Corporation Returns

Utah corporation returns may be filed electronically under a joint program between the Internal Revenue Service and the Utah State Tax Commission, called the Fed/State 1120 Program.

The program is similar to the federal/state individual electronic filing program in which both federal and state information is submitted at the same time. The IRS extracts its federal data and forwards the state data to the Tax Commission. No papers are required to be mailed to the agencies when filing electronically.

Initially, both C corporations and S corporations may file electronically. Other corporation returns will be added in the future.

Many software vendors are offering electronic corporation return filing. Check with your software provider to see if they support this program.

To learn more about filing your corporation return electronically, go to tax.utah.gov/corporate/eleccorp.html.

Corporation Identification Numbers

The Utah State Tax Commission uses the Federal Employer Identification Number (EIN) as the corporation's identification number with the state. The Utah Department of Commerce also issues a registration number upon incorporation or qualification in Utah. Enter both the EIN and Utah Incorporation/Qualification number in the fields provided. These numbers are used for proper identification of the corporate tax return and any correspondence.

Corporation Changes

Corporation changes (e.g., name change, physical and/or mailing address changes, merger or ceasing to do business in Utah) must be reported in writing to both:

Division of Corporations
Department of Commerce
160 E 300 S
PO Box 146705
Salt Lake City, UT 84114-6705

and

Master File Maintenance
Utah State Tax Commission
210 N 1950 W
Salt Lake City, UT 84134-3310

Dissolution or Withdrawal

Corporations that cease to do business in Utah must either dissolve or withdraw the corporation.

Corporations incorporated in Utah must file Articles of Dissolution with the Department of Commerce. In addition, Utah corporations should obtain a Certificate of Tax Clearance from the Tax Commission prior to dissolution.

Corporations incorporated outside of Utah (foreign corporations) MUST obtain a Certificate of Tax Clearance from the Tax Commission before withdrawing from Utah. Foreign corporations must file an Application for Withdrawal with the Department of Commerce.

To request a Certificate of Tax Clearance, complete form TC-2001 and submit it to the attention of the Customer Service Call Unit at the Tax Commission address above. The form can be found on our website at tax.utah.gov/forms.

To close related tax accounts (sales, withholding, etc.), send a letter with the account number(s) and the last date of business to the attention of Master File Maintenance at the Tax Commission address above.

Rounding Off to Whole-dollar Amounts

Round off cents to the nearest whole dollar. Round down if cents are under 50 cents; round up if cents are 50 cents and above. **Do not enter cents anywhere on the return.**

Liability for Filing and Paying Returns

Tax Forms

The Tax Commission does not mail returns for filing corporate taxes to corporations registered with the state. If the corporation does not use software that provides the forms, you may obtain Utah forms by downloading copies from the Tax Commission website at tax.utah.gov/forms or by calling the Forms Hotline at 801-297-6700 or 1-800-662-4335, ext. 6700.

NOTE: Review Supporting Federal Information later in these General Instructions to identify what federal information is required with the Utah return.

Franchise Tax

Every C corporation incorporated in Utah (domestic), qualified in Utah (foreign), or doing business in Utah, whether qualified or not, must file a corporate franchise tax return. C corporation returns are filed on form TC-20. There is a minimum tax (privilege tax) of \$100 on every corporation that files form TC-20, regardless of whether or not the corporation exercises its right to do business.

S Corporation

Every S corporation (as defined in IRC Section 1361 (a)) that has filed a proper and timely election under IRC Section 1362(a) must file form TC-20S, so long as the federal election remains in effect. The minimum tax does not apply to S corporations.

Income Tax

The only corporations required to file under the income tax provisions are those that derive income from Utah sources, but are not qualified to do business in Utah and have no regular and established place of business in Utah, either owned or rented, and do not maintain an inventory or have employees located at a place of business in Utah. For example, a foreign corporation with goods maintained in a public warehouse in Utah, or a trucking company operated in or through Utah by a foreign corporation not qualified to do business in Utah, is subject to the income tax rather than franchise tax. Corporate income tax filers use form TC-20.

A \$100 minimum tax applies to the corporate income tax.

Taxable Year

The taxable year for Utah corporation franchise or income tax purposes must match the taxable year used for federal income tax purposes. When the taxable year changes for federal purposes, the taxable year must be adjusted accordingly for Utah corporation franchise or income tax purposes. Refer to Filing Return When Period Changed below. If the taxable year is not a calendar year, enter the beginning and ending dates of the taxable year at the top of form TC-20S where indicated in the "mm/dd/yyyy" format.

Filing Return When Period Changed

When changes are made to the taxable year, as indicated under Taxable Year above, a short-period return is required. The short-period return must cover the period of less than 12 months between the prior taxable year-end and the new taxable year. The tax rates as provided in UC §59-7-104 and §59-7-201 apply to short period returns.

Where to File

Send the completed return and any payment to:

Utah State Tax Commission
210 N 1950 W
Salt Lake City, UT 84134-0300

Due Date

A return must be filed on or before the 15th day of the fourth month following the close of the taxable year. If the due date falls on a Saturday, Sunday or legal holiday, the due date becomes the next business day.

Filing Extension

Corporations are automatically allowed an extension of up to six months to file a return without filing an extension form. **This is an extension of time to file the return - NOT an extension of time to pay taxes.** To avoid penalty, the prepayment requirements must be met on or before the original return due date and all returns must be filed within the six-month extension period.

What to Attach and What to Keep

Include the following with your Utah TC-20S. Also, keep copies of these with your tax records.

- **Utah S Corporation Return Schedules:** Attach Utah schedules A, H, J, M, and/or N, if applicable.
- **Federal Return:** Attach a complete copy of your federal S corporation return (plus Schedule M-3, if applicable) and the Schedule K-1 for each shareholder.

Do not send a copy of your credit schedules, worksheets, or other documentation with your Utah return. Keep these, along with any supporting documentation, in your files. **You may be asked to furnish this information later to verify entries on your Utah return.**

Penalties

Utah law (UC §59-1-401) provides penalties for failure to file tax returns by the due date, failure to pay tax due on time, failure to make sufficient prepayment on extension returns, and failure to file information returns or supporting schedules. Details of these penalties, along with a list of additional penalties, can be found at tax.utah.gov/billing/penaltyinterest.html and in Pub 58, *Utah Interest and Penalties*, available at tax.utah.gov/forms.

Interest (in addition to penalties due)

Interest will be assessed on any underpayment from the original due date until any outstanding liability is paid in full. The interest rate for most taxes and fees administered by the Tax Commission for the 2009 calendar year is **5 percent**.

Pub 58, which contains applicable interest rates, is available on the Internet at tax.utah.gov/forms or by calling or writing the Tax Commission.

Suspension for Failure to Pay Tax Due

Utah law provides for suspension of a corporation's right to do business in Utah if it fails to pay taxes due before 5:00 p.m. on the last day of the 11th month after the due date.

If a corporation owes tax and is unable to pay all of the amount owed, the corporation may complete form TC-804B, *Payment Agreement Request*, available online at tax.utah.gov/forms.

First Time Filers

A copy of the IRS letter of authorization, *Notice of Acceptance as an S Corporation*, must be attached to the S Corporation Franchise or Income Tax Return, TC-20S, when filing for the first time. Also, enter an "X" in the box and enter the qualification date on the TC-20S where requested on line 1.

Supporting Federal Information

Federal form 1120-S, as filed with the IRS, should be attached to the Utah S Corporation Franchise or Income Tax return, TC-20S. In addition, Federal Schedules K-1 must be attached for each shareholder.

TC-20S Instructions for Return

Corporation Name and Address

Enter the corporate name, address and telephone number, including area code. If the address has changed, check the physical address and/or mailing address box. To make additional changes, see Corporation Changes in the General Instructions.

If the address is in a foreign country, enter the mailing address where indicated. Enter the foreign city, state/province and postal code in the city field. Enter only the foreign country name in the field titled "foreign country."

EIN and Utah Incorporation/Qualification Number

Enter the federal Employer Identification Number (EIN) and Utah Incorporation/Qualification Number issued by the Department of Commerce in the appropriate fields.

Filing Period

If the return is being filed for a period other than the calendar year ending Dec. 31, 2008, enter the beginning and ending tax period dates at the top, where indicated. Enter both the beginning and ending tax period dates in the following format: mm/dd/yyyy.

Qualified Subchapter S Subsidiary

An S corporation that owns one or more qualified subchapter S subsidiaries, as defined in IRC Section 1361(b)(3)(B), must:

- Include each subsidiary's assets, liabilities and items of income, loss and deductions as assets, liabilities and items of income, loss and deductions of the S

corporation parent for Utah corporation franchise tax purposes. The qualified subchapter S subsidiary shall not be treated as a separate corporation.

- Take into account the activities of the qualified subchapter S subsidiaries in determining whether the S corporation parent is doing business in Utah. For purpose of this determination, all of the subsidiary's activities will be attributed to the parent.
- Attach TC-20S, Schedule M identifying the qualified subchapter S subsidiaries incorporated, qualified, or doing business in Utah.

Amended Returns

To amend a previously filed return, use the tax form and instructions for the year you are amending. You can obtain prior year forms and instructions at tax.utah.gov/forms.

An amended state return should be filed promptly if:

- An error is discovered on your Utah or federal return after it has been filed; or
- Your federal return is audited or adjusted by the IRS and the audit or adjustment affects your Utah return. You must report such changes or corrected net income within 90 days of the IRS's final determination.

To qualify for a refund or credit, an amended return must be filed within three years following the date the original return was filed. A return filed before the due date is considered filed on the due date.

To amend a previously filed return, enter on page 1 of the Utah return on the line titled "IF AMENDED RETURN" a code number that best corresponds to your "REASON FOR AMENDING." See codes below.

Reasons-for-Amending Codes

- 1 You filed an amended return with the IRS (attach a copy of your amended federal return).
- 2 You made an error on your Utah return (attach an explanation of the adjustments made).
- 3 Federal audit adjustments that resulted in changes in federal taxable income were issued and became final (attach a copy of the IRS adjustment).
- 4 Other (attach explanation to return).

Complete the return, entering the figures as corrected. Enter other amounts as shown on the original return. If you received a refund on your original return, subtract the previous refund (exclude refund interest) from the amount of any tax paid with the original return and/or subsequent payment of the tax prior to filing the amended return. Enter the net amount on Schedule A, line 17. A net refund should be entered as a negative amount.

Do not submit a copy of your original return with the amended return.

Line 7 – Tax Due

If line 5 is larger than line 6, subtract line 6 from line 5.

Line 8 – Penalties and Interest

Enter the total penalties and interest.

Line 9 – Pay This Amount

Add line 7 and line 8. Make check or money order payable to the Utah State Tax Commission. Do not mail cash. The Tax Commission assumes no liability for loss of cash placed in the mail.

Line 10 – Overpayment

If line 6 is larger than line 5, subtract line 5 from line 6.

Line 11 – Amount of Overpayment to be Applied to Next Taxable Year

All or part of any overpayment shown on line 10 may be applied as an advance payment for the next tax year. Enter amount to be applied (may not exceed the overpayment on line 10).

Line 12 – Refund

Subtract line 11 from line 10. This is the amount to be refunded to you.

Federal Form 8866

If you filed federal Form 8866, *Reportable Transaction Disclosure Statement*, with the Internal Revenue Service, enter an "X" at the top of your TC-20S, as indicated.

Line-by-Line Instructions

Line 1 – S Corporation Information

Enter an "X" if this is the first return filed as an S corporation, and enter the effective date shown on the IRS approval letter.

Line 2(a) – Number of Shares

Enter the number of resident, nonresident IRC 501 exempt, and nonresident taxable shares issued by the corporation.

Line 2(b) – Percentage of Shares

Enter the percentage of resident, nonresident IRC 501 exempt, and nonresident taxable shares issued by the corporation.

Line 3 – Corporations Conducting Business in Utah

Enter an "X" on the line if the S corporation conducted any business in Utah during the taxable year.

Line 4 – Qualified Subchapter S Subsidiary Election

Enter an "X" on the line if this S corporation has elected to treat any subsidiary as a Qualified Subchapter S Subsidiary who did business, incorporated or was qualified in Utah and is listed on Schedule M.

Line 5 – Total Tax

Enter the amount from Schedule A, page 1, line 14.

Line 6 – Total Refundable Credits and Prepayments

Enter the amount from Schedule A, page 2, line 18.

Signature and Date Lines

Sign and date the return. A refund will not be granted unless the return is signed and dated.

Paid Preparer Authorization

If the corporation wants to allow the Tax Commission to discuss their 2008 return with the paid preparer who signed it, enter an "X" in the box on the right side of the signature area of the return where indicated.

This authorization applies only to the individual whose signature appears in the Paid Preparer Section of the return. It does not apply to the firm, if any, shown in that section. If you enter an "X" in the box, the corporation is authorizing the Tax Commission to call the paid preparer to answer any questions that may arise during the processing of the return. The paid preparer is also authorized to:

- Give the Tax Commission any information that is missing from the return,
- Call the Tax Commission for information about the processing of the return or the status of any refund or payment(s), and
- Respond to certain Tax Commission notices about math errors, offsets, and return preparation.

The corporation is not authorizing the preparer to receive any refund, bind the entity to anything (including any additional tax liability), or otherwise represent the entity before the Tax Commission. If the entity wants to expand the preparer's authorization, complete and submit to the Tax Commission form TC-737, *Power of Attorney and Declaration of Representative*. Form TC-737 is available on our website at tax.utah.gov/forms.

The authorization will automatically end no later than the due date (without regard to extensions) for filing

the entity's 2009 tax return. If you wish to revoke the authorization before it ends, submit your request in writing to the Utah State Tax Commission, attention Taxpayer Services, 210 N 1950 W, SLC, UT 84134.

Paid Preparer

The paid preparer must enter his or her name, address, and social security number or PTIN in the section below the corporate officer's signature on the return.

Preparer Penalties

The person who prepares, presents, procures, advises, aids, assists or counsels another on a return, affidavit, claim or similar document administered by the Tax Commission, and who knows or has reason to believe it may understate a tax, fee or charge is subject to both

a civil penalty (\$500 per document) and criminal penalties (second degree felony with a fine from \$1,500 to \$25,000). See Utah Code Sections 59-1-401(9) and (10) for specific details.

Supplemental Information to be Supplied by All S Corporations

All S corporations must complete this information located on the back of the TC-20S.

Instructions for Schedule A – Computation of Utah Net Taxable Income and Tax

Line 1 – Federal Income (Loss)

Enter the amount of income or loss as taken from federal form 1120S, Schedule K, line 18 (R865-6F-35).

Line 2 – Gain (Loss) on Section 179 Expense Deduction

Enter the gain or loss on the sale, exchange or other disposition of property for which a section 179 expense deduction has been passed through to shareholders.

Line 3 – Charitable Contributions

Add charitable contributions deducted on federal form 1120S, Schedule K, line 12a.

Line 4 – Foreign Taxes

Add foreign taxes deducted on federal form 1120S, Schedule K, line 14l.

Line 5 – Net Income

Line 5a – Total Income before Non-business Income

Add lines 1 through 4.

Line 5b – Nonresident Income

Enter the result of multiplying line 5a by the percentage of nonresident taxable shares on line 2(b) of form TC-20S, S Corporation Franchise or Income Tax return.

Line 6 – Nonbusiness Income Allocation

Add line 6a and line 6b.

Line 6a – Utah Nonbusiness Income Allocated to Utah

Enter the Utah nonbusiness income allocated to Utah from Schedule H, line 13, then multiply by the percentage of nonresident taxable shares on line 2(b) of S Corporation Franchise or Income Tax return, form TC-20S.

Line 6b – Non-Utah Nonbusiness Income Allocated Outside Utah

Enter the non-Utah nonbusiness income allocated outside Utah from Schedule H, line 26, then multiply by the percentage of nonresident taxable shares on line 2(b) of S Corporation Franchise or Income Tax return, form TC-20S.

Line 7 – Net Income Subject to Apportionment

Subtract line 6 from line 5b.

Line 8 – Apportionment Fraction

Enter 1.000000, or the fraction (decimal) from Schedule J line 8 or line 12, if applicable.

Line 9 – Net Income Apportioned to Utah

Multiply the amount on line 7 by the decimal on line 8.

Line 10 – Taxable Income (Loss)

Add line 6a and line 9.

Nonresident shareholders should transfer their pro rata share of Utah taxable income to their Utah Individual income tax return.

Losses are passed through to the individual shareholders and are not available for carryforward or carryback.

Line 11 – Tax Rate

The tax rate is .05 (5%).

Line 12 – Calculation of Tax

Add lines 12a and 12b.

Line 12a – Tax Calculation

Multiply the Utah Taxable Income on line 10 by the tax rate on line 11.

Line 12b – Utah Tax on Built-in and Other Gains

In accordance with the provisions of UC §59-7-701, gains or income subject to the federal corporation tax are also subject to the Utah S Corporation Franchise or Income Tax. The most common transactions that occur under federal provisions include built-in gains, capital gains, federal recapture amounts of prior year's investment credits, LIFO recapture amounts, and any other similar type transaction. These gains or income should be apportioned (see Schedule J) and multiplied by the tax rate of 5 percent. Attach a schedule to form TC-20S that provides the necessary details of gains or income being reported.

Line 13 – Utah Use Tax

Use tax is required on all taxable items purchased for storage, use or consumption in Utah, if Utah sales and use tax was not paid at the time of purchase. Purchases include amounts paid or charged for taxable purchases made on the Internet or through catalogs.

Credit is allowed for sales or use tax paid to another state, but not to a foreign country. If the tax rate in the other state is lower than Utah's rate, the person or consumer must pay the difference. If the tax rate in the other state is greater than Utah's rate, no sales or use tax credit or refund is allowed. If sales taxes were paid to more than one state, complete a worksheet for each state. Enter the sum of the use tax from each worksheet on line 13.

Sales and use tax rates vary throughout Utah. Use the chart in the next column to find the tax rate for the Utah location where the merchandise was delivered, stored, used or consumed. If the city is not listed, use the county tax rate.

The sales tax rate on grocery food purchased through the Internet or by mail order is 2 percent less than the regular sales tax rate. In order to qualify for this reduced rate, the grocery food must be for substances sold for ingestion or chewing by humans and consumed for taste or nutritional value. The reduced rate does not apply to alcoholic beverages or tobacco. For more information, see Tax Commission Pub 25, available online at tax.utah.gov/forms.

Enter use tax of \$400 or less. If the amount exceeds \$400, the purchaser is required to obtain a sales and use tax license and to pay the use tax on a Utah Sales and Use Tax Return.

Line 14 – Total Tax

Add line 12 and line 13. Carry this amount to TC-20S, page 1, line 5.

Line 15 – Refundable Credits

Add lines 15a through 15d.

If you claim any of the following refundable credits, write the **code and amount** of each refundable credit you are claiming on lines 15a through 15d. Enter the sum of all refundable credits on line 15. An explanation of each refundable credit is listed below.

Codes to use for lines 15a through 15d

- 39** Renewable Commercial Energy Systems Tax Credit
- 40** Targeted Business Tax Credit
- 46** Mineral Production Withholding Tax Credit
- 47** Agricultural Off-highway Gas/Undyed Diesel Fuel Tax Credit
- 48** Farm Operation Hand Tools Credit

Use Tax Rate Chart (Effective Dec. 31, 2008)		
.0590	Beaver County	.0680 Salt Lake County
.0690	Beaver City	.0830 Alta
.0590	Box Elder County	.0590 San Juan County
.0645	Brigham City, Perry, Willard	.0625 Blanding
.0690	Snowville	.0590 Sanpete County
.0625	Cache County	.0620 Ephraim, Gunnison, Mt. Pleasant
.0650	Cache Valley Transit, Hyde Park, Lewiston, Millville	.0590 Sevier County
.0655	Hyrum, Logan, N.Logan, Providence, Richmond, River Heights, Smithfield, Nibley	.0600 Aurora, Redmond
.0590	Carbon County	.0620 Richfield
.0630	Price	.0630 Salina
.0620	Wellington	.0600 Summit County
.0690	Daggett County	.0740 Park City
.0645	Davis County	.0630 Snyderville Basin Transit
.0655	Bountiful, Centerville	.0590 Tooele County
.0590	Duchesne County	.0620 Erda, Grantsville, Lakepoint, Lincoln, Stansbury Park
.0630	Roosevelt	.0630 Tooele City
.0590	Emery County	.0640 Uintah County
.0770	Green River	.0665 Naples
.0690	Garfield County	.0670 Vernal
.0790	Boulder, Panguitch, Tropic	.0620 Utah County
.0800	Bryce Canyon	.0645 Alpine, American Fork, Cedar Hills, Highland, Lehi, Lindon, Mapleton, Payson, Pleasant Grove, Provo, Provo Canyon, Salem, Spanish Fork, Springville
.0590	Grand County	.0655 Orem
.0780	Moab	.0590 Wasatch County
.0590	Iron County	.0620 Heber
.0600	Cedar City	.0700 Independence
.0780	Brian Head	.0730 Midway, Park City East
.0590	Juab County	.0590 Washington County
.0620	Nephi	.0620 Hurricane, Ivins, La Verkin, St. George, Santa Clara, Washington City
.0690	Kane County	.0750 Springdale
.0790	Kanab, Orderville	.0590 Wayne County
.0590	Millard County	.0680 Weber County
.0590	Morgan County	
.0590	Piute County	
.0590	Rich County	
.0690	Garden City	

Worksheet for Computing Utah Use Tax	
(Retain this worksheet for your records)	
1. Total amount of purchases subject to use tax.....\$	_____
2. Use tax rate (decimal from chart)	x _____
3. Multiply line 1 by line 2.....\$	_____
4. Amount of purchases for grocery food included on line 1	\$ _____
5. Multiply line 4 by .02	\$ _____
6. Subtract line 5 from line 3	\$ _____
7. Credit for sales tax paid to another state	\$ _____
8. Use tax due (subtract line 7 from line 6) Enter ZERO if less than zero	\$ _____

(39) Renewable Commercial Energy Systems Tax Credit (UC §59-10-1106)

Form TC-40E, *Renewable Residential and Commercial Energy Systems Tax Credits*, must be obtained from the Utah Geological Survey with their certification stamp, verifying the credit has been approved and showing the amount of the approved credit. Do not send form TC-40E with your return. Keep the form and all related documents with your records.

This credit is for reasonable costs, including installation, of a commercial energy system that is an active solar system, a direct-use geothermal system, a geothermal heat-pump system, a hydroenergy system, or a passive solar system. Credit is also allowed for a commercial system that uses wind, geothermal electricity, or biomass equipment.

For more information, contact:

Utah Geological Survey (UGS)
1594 W North Temple
Box 146100
Salt Lake City, UT 84114-6100
801-537-3300
geology.utah.gov/sep/incentives/index.htm

(40) Targeted Business Income Tax Credit (UC §63M-1-504)

A business may not claim the targeted business income tax credit in a year the business has claimed either the enterprise zone credit (nonrefundable credit, code 07) or recycling market development zone credit (nonrefundable credit, code 10).

A refundable credit is available to businesses providing a community investment project as defined in UC §63-38f-501 through §63-38f-503. Obtain a certified copy of form TC-40TB, *Targeted Business Income Tax Credit*. Keep this form and all related documents with your records.

To obtain form TC-40TB, certification, and for additional information, contact:

Governor's Office of Economic Development
324 S State St., Suite 500
Salt Lake City, UT 84111
801-538-8775
goed.utah.gov/incentives/enterprise_zones
email: lprrall@utah.gov

(46) Mineral Production Withholding Tax Credit (UC §59-6-102(3))

Enter the total of the mineral production tax withheld as shown on forms TC-675R or Federal Schedule K-1(s) for 2008. For a fiscal year corporation, the credit is claimed on the corporate return required to be filed during the year following the December closing period of the form TC-675R.

Attach copies of form TC-675R or federal Schedule(s) K-1 to the return to receive proper credit.

(47) Agricultural Off-Highway Gas/Undyed Diesel Fuel Tax Credit (UC §59-13-202)

There is no form for this credit. Keep all related documents with your records.

The credit is 24.5 cents per gallon only for motor fuel and undyed diesel fuel purchased in Utah to operate stationary farm engines and self-propelled farm machinery used solely for commercial nonhighway agricultural use that was taxed at the time of purchase.

Activities that **DO NOT** qualify for this credit include, but are not limited to, the following: golf courses, horse racing, boat operations, highway seeding, vehicles registered for highway use, hobbies, and farming for personal use.

Credit calculation:

Gallons _____ x .245 = Credit _____

(48) Farm Operation Hand Tools Credit (UC §59-7-614.1)

There is no form for this credit. Keep all related documents (receipts, invoices, documents showing amount of sales or use tax paid) with your records.

The refundable credit is allowed for sales and use tax paid on hand tools purchased and used or consumed primarily and directly in a farming operation in Utah. The credit applies only if the purchase price of a tool is more than \$250.

Line 16 – Prepayments from Schedule E

A refundable credit is allowed for advance payments made as quarterly estimated tax payments, prepayments and extension payments (form TC-559). Include any overpayments from a prior year that were applied to this year. Use Schedule E to compute the total prepayment.

Line 17 – Amended Returns Only

This line is only used for amended returns. Enter the amount of tax paid with the original return and/or subsequent payments made prior to filing this amended return less any previous refunds (exclude refund interest). A net refund should be entered as a negative amount.

Line 18 – Total Refundable Credits and Prepayments

Add lines 15 through 17. Carry this amount to TC-20S, page 1, line 6.

Instructions for Schedule E – Prepayments of Any Type

Line 1

Enter the total amount of all refunds applied from the prior year to the current year's liability.

Line 2

List the date, check number and amount of extension prepayment.

Line 3

List the date, check number and amount of all prepayments made for the filing period. Enter the total amount on line 3. Attach additional pages, if necessary.

Line 4

Add lines 1, 2 and 3. Enter the total on this line and on Schedule A, line 16.

Instructions for Schedule H – Nonbusiness Income Net of Expenses

Determine nonbusiness income allocated to Utah and outside Utah by completing this schedule. All income that arises from the conduct of the trade or business operations of a corporation is business income.

Nonbusiness income means all income other than business income and will be narrowly construed. Intangible income must be properly classified and based upon factual evidence. The burden of proof is on the corporation to justify the manner in which the income is claimed on the return.

Interest income is business income where the intangible with respect to which the interest was received arises out of or was created in the regular course of the taxpayer's trade or business operations. (Tax Commission Rule R865-6F-8(1)(c)(iii))

Dividends are business income where the stock, with respect to which the dividends are received, arises out of or was acquired in the regular course of the taxpayer's trade or business operations. Because of the regularity with which most corporate taxpayers engage in investment activities, income arising from the ownership, sale or other disposition of investments is presumptively business income. (Tax Commission Rule R865-6F-8(1)(c)(iv))

Gain or loss from the sale, exchange or other disposition of real or tangible or intangible personal property constitutes business income if the property, while owned by the taxpayer, was used in the taxpayer's trade or business. (Tax Commission Rule R865-6F-8(1)(c)(ii))

Rental income from real and tangible property is business income if the property, with respect to which the rental income was received, is used in the taxpayer's trade or business or includable in the property factor. (Tax Commission Rule R865-6F-8(1)(c)(i))

If the corporation is claiming only Utah nonbusiness income, lines 1a through 13 must be completed. If the corporation is claiming only non-Utah nonbusiness income, lines 14a through 26 must be completed. If the corporation is claiming both Utah and non-Utah nonbusiness income, lines 1a through 26 must be completed. Use additional pages, if necessary, to provide complete information, including a description of the business purpose for making the investment, the transactions creating the non-business income, and the use of revenues generated by the non-business investment.

Utah Nonbusiness Income

Lines 1a-1d – Utah Nonbusiness Income

Complete each column with the information required and enter the gross Utah nonbusiness income from each class of income being specifically allocated. Use additional pages, if necessary, to provide complete information about additional sources of nonbusiness income.

Line 2 – Total Utah Nonbusiness Income

Add lines 1a through 1d.

Lines 3a-3d – Direct Related Expenses

Describe and enter amounts of direct expenses on the same letter line as the corresponding Utah nonbusiness income is listed on lines 1a through 1d. Direct related expenses include wages, interest, depreciation, etc. (UC §59-7-101(19))

Line 4 – Total Direct Related Expenses

Enter the sum of direct related expenses by adding lines 3a through 3d.

Line 5 – Utah Nonbusiness Income Net of Direct Related Expenses

Subtract line 4 from line 2.

Line 6 – Beginning-of-Year Assets

Enter the total beginning-of-year value of assets used to produce Utah nonbusiness income in column A. Enter the beginning-of-year value of the corporation's total assets in column B. All assets, including Utah assets, should be included in column B.

Line 7 – End-of-Year Assets

Enter the end-of-year value of assets used to produce Utah nonbusiness income in column A. Enter the end-of-year value of the corporation's total assets in column B. All assets, including Utah assets, should be included in column B.

Line 8 – Sum of Beginning and Ending Asset Values

Add lines 6 and 7 for each respective column.

Line 9 – Average Asset Values

Divide line 8 by 2 for each column.

Line 10 – Utah Nonbusiness Asset Ratio

Line 9 column A divided by line 9 column B.

Line 11 – Interest Expense

Enter the total amount of interest deducted in computing Utah taxable income.

Line 12 – Indirect Related Expenses for Utah Nonbusiness Income

Multiply line 10 by line 11.

Line 13 – Total Utah Nonbusiness Income Net of Expenses

Subtract line 12 from line 5. Enter amount here and on Schedule A, page 1, line 6a.

Non-Utah Nonbusiness Income

Lines 14a-14d – Non-Utah Nonbusiness Income

Complete each column with the information required and enter the gross non-Utah nonbusiness income from each class of income being specifically allocated. Use additional pages, if necessary, to provide complete information about additional sources of non-Utah nonbusiness income.

Line 15 – Total Non-Utah Nonbusiness Income

Add lines 14a through 14d.

Lines 16a-16d – Direct Related Expenses

Describe and enter amounts of direct expenses on the same letter line as the corresponding non-Utah nonbusiness income listed on lines 14a through 14d. Direct related expenses include wages, interest, depreciation, etc. (UC §59-7-101(19))

Line 17 – Total Direct Related Expenses

Enter the sum of direct related expenses by adding lines 16a through 16d.

Line 18 – Non-Utah Nonbusiness Income Net of Direct Related Expenses

Subtract line 17 from line 15.

Line 19 – Beginning-of-Year Assets

Enter the total beginning-of-year value of assets used to produce non-Utah nonbusiness income in column A. Enter the beginning-of-year value of the corporation's total assets in column B. All assets, including Utah assets, should be included in column B.

Line 20 – End-of-Year Assets

Enter the end-of-year value of assets used to produce non-Utah nonbusiness income in column A. Enter the end-of-year value of the corporation's total assets in column B. All assets, including Utah assets, should be included in column B.

Line 21 – Sum of Beginning and Ending Asset Values

Add lines 19 and 20 for each respective column.

Line 22 – Average Asset Values

Divide line 21 by 2 for each column.

Line 23 – Non-Utah Nonbusiness Asset Ratio

Line 22 column A divided by line 22 column B.

Line 24 – Interest Expense

Enter the total amount of interest deducted in computing Utah taxable income.

Line 25 – Indirect Related Expenses for Non-Utah Nonbusiness Income

Multiply line 23 by line 24.

Line 26 – Total Non-Utah Nonbusiness Income Net of Expenses

Subtract line 25 from line 18. Enter amount here and on Schedule A, page 1, line 6b.

Instructions for Schedule J – Apportionment Schedule

Determine the apportionment fraction (decimal) by completing this schedule. The factors express a ratio for tangible property in Utah, for wages and salaries in Utah, and for sales in Utah. These factors are added together and divided by the number of factors present (typically 3) to arrive at the Utah apportionment fraction calculated to **six decimals**. This fraction is to be applied to the apportionable income (or loss) on Schedule A to arrive at the amount of income (or loss) apportioned to Utah. In cases where one or more of the factors is omitted due to peculiar aspects of the business operations, divide by the number of factors present.

For taxable years beginning after 2005, an election may be made to double weight the sales factor in the apportionment calculation. The election, once made, is irrevocable and must be used for five taxable years. The election is made by entering an “X” in the box on line 9 and completing lines 10 through 12 on Schedule J.

Income or loss from partnership or joint venture interests must be included in income and apportioned to Utah through application of the three-factor formula consisting of property, payroll and sales.

For apportionment purposes, the portion of partnership or joint venture property, payroll and sales to be included in the corporation’s property, payroll and sales factors must be computed on the basis of the corporation’s ownership interest in the partnership or joint venture.

Briefly describe the nature and location(s) of your Utah business activities in the space provided at the top of this schedule.

Lines 1a - 1f – Property Factor

Show the average cost value during the taxable year of real and tangible personal property used in the business within Utah (including leased property) in column A and overall (including Utah) in column B.

Property owned by the corporation is valued at its original cost. Property rented by the corporation is valued at eight times the net annual rental rate. Net annual rental rate is the annual rental rate paid by the corporation less the annual rate received by the corporation from subrentals.

The average value of property must be determined by averaging the cost values at the beginning and end of the tax period. However, monthly values may be used or required if monthly averaging more clearly reflects the average value of the corporation’s property.

A supporting schedule should be attached whenever monthly averaging is used.

Enter totals of lines 1a through 1e in their respective columns on line 1f.

Line 2 – Property Factor Calculation

Determine the property factor (decimal) by dividing line 1f column A by line 1f column B.

Line 3 – Payroll Factor

Wages, salaries, commissions and other includable compensation paid to employees for personal services must be included in the Utah factor to the extent the services, for which the compensation was paid, were rendered in Utah.

Compensation is paid in Utah if:

1. The individual’s service is performed entirely within Utah;
2. The individual’s service is performed both within and outside Utah, but the service performed outside Utah is incidental to the individual’s service within Utah; or
3. Some of the service is performed in Utah and:
 - a. The base of operations or, if there is no base of operations the place where the service is directed or controlled, is within Utah, or
 - b. The base of operations or the place where the service is directed or controlled is not in any state where some part of the service is performed, but the individual’s residence is in Utah.

Amounts reportable for employment security purposes may ordinarily be used to determine the wage factor.

Overall wages, including Utah, are listed in column B.

Line 4 – Payroll Factor Calculation

Determine the payroll factor (decimal) by dividing line 3a column A by line 3a column B.

Lines 5a - 5h – Sales Factor

The sales factor is the fraction the sales or charges for services within Utah for the taxable year bear to the overall sales for the taxable year. Gross receipts from the performance of services are in Utah to the extent the services are performed in Utah.

Sales of tangible personal property are in Utah if the property is delivered or shipped to a purchaser within Utah regardless of the F.O.B. point or other conditions of the sale, or if the property is shipped from an office, store, warehouse, factory or other place of storage in Utah and: (1) the purchaser is the United States Government, or (2) the corporation is not taxable in the state of the purchaser.

Overall sales, including Utah, are listed in column B.

Nexus definition: The jurisdictional link that must be present before a state may tax a corporation upon its activities within a state’s borders.

NOTE: Exception to the above method for securities brokerage businesses can be found in UC §59-7-319(3).

Enter totals of lines 5a through 5g in their respective columns on line 5h.

Line 6 – Sales Factor Calculation

Determine the sales factor (decimal) by dividing line 5h column A by line 5h column B.

Equally-Weighted Three Factor Formula

If you are not electing the double-weighted sales factor (see lines 9 through 12 below), complete lines 7 and 8. If you are electing the double-weighted sales factor, leave lines 7 and 8 blank.

Line 7 – Total Factors

Enter the sum of the factors from lines 2, 4 and 6.

Line 8 – Apportionment Fraction

Calculate the apportionment fraction to six decimals by dividing line 7 by the number of factors used (typically 3 – property, payroll and sales). If one or more of the factors are not present (i.e., there is a zero in the denominator on lines 1f, 3a or 5h in column B), divide by the number of factors present. If the numerator is zero, but a denominator is present, include that factor in the number of factors present. Enter the apportionment fraction (decimal) here and on Schedule A, line 8, if not electing the double-weighted sales factor below.

Double-Weighted Sales Factor Election

You may elect to give double-weight to the sales factor in the apportionment calculation. The double-weighted sales factor election is irrevocable and must be used for five years. If you elect this calculation, enter an “X” in the box on line 9 and complete lines 10 through 12.

Line 9 – Making the Election

Enter an “X” in the box on line 9 if you elect to double-weight the sales factor.

Line 10 – Double Sales Factor

Multiply the sales factor (decimal) from line 6 above by 2. This will result in the sales factor being considered twice in the calculation.

Line 11 – Total Factors

Enter the sum of the factors from lines 2, 4 and 10.

Line 12 – Elected Apportionment Fraction

Calculate the elected, double-weighted sales factor apportionment fraction to six decimals by dividing line 11 by the number of factors used (typically 4 – property, payroll and two times the sales factor). If one or more of the factors are not present (i.e., there is a zero in the denominator on lines 1f or 3a in column B), divide by the number of factors present (allowing two factors for sales). If the numerator is zero, but a denominator is present, include that factor in the number of factors present. Enter the apportionment fraction (decimal) here and on Schedule A, line 8.

Specialized Apportionment Laws and Rules

Specialized apportionment procedures apply for:

- Trucking Companies (R865-6F-19)
- Railroads (R865-6F-29)
- Publishing Companies (R865-6F-31)
- Financial Institutions (R865-6F-32)
- Telecommunication (R865-6F-33)
- Registered Securities or Commodities or Broker or Dealer (R865-6F-36)
- Airlines (UC §§59-7-312 through 319)
- Sale of Management, Distribution or Administration Services to or on Behalf of a Regulated Investment Company (UC §59-7-319(2))

Instructions for Schedule M – Qualified Subchapter S Subsidiaries

An S corporation that has made a Qualified Subchapter S Subsidiary (QSSS) election under IRC 1361(b) must complete Schedule M if any subsidiaries for which such election was made are incorporated, qualified or doing business in Utah. Federal schedules are not acceptable as substitutes.

Use of any other form as a substitute for Schedule M is only acceptable with prior approval from the Tax Commission. Refer to Pub 99, *Guidelines for Substitute and Copied Utah Tax Forms*.

List only corporations incorporated, qualified or doing business in Utah. Corporations not listed on Schedule M will not be considered to have met the Utah filing requirements.

Instructions for Schedule N – Remittance and Credit Information

The S corporation must pay or withhold tax on behalf of each nonresident shareholder, except nonresident shareholders who are exempt from the tax under Section 501 of the Internal Revenue Code.

A nonresident's share of taxable income is based on the ratio of stock held by the nonresident to the total outstanding stock on the last day of the corporate filing period, unless there was a change in ownership during the filing period. If there was a change in nonresident shareholders or in the relative interest in stock the shareholders owned, each shareholder's percentage of ownership is prorated by the number of days the stock was owned during the filing period.

Nonresident S corporation shareholders are entitled to a credit for the amount of tax paid by the S corporation on their behalf. To claim the credit, the shareholder must file a Utah income tax return for the taxable year. A nonresident shareholder who has no other Utah source income may elect to forego the credit and not to file a Utah income tax return. However, nonresident shareholders with income or loss from other Utah sources must file a Utah income tax return. A nonresident shareholder who is eligible for Utah tax credits, in addition to the apportioned tax withheld, may claim those credits by filing a Utah income tax return.

Note to Tax Preparer: It is recommended that the amount of Utah income tax paid on behalf of each shareholder be included on their federal Schedule K-1.

Part 1 – Utah Income Tax Paid on Behalf of Nonresident Shareholders

S corporations having nonresident shareholders must complete Part 1 of Schedule N showing the amount of Utah income tax paid on behalf of each nonresident shareholder. Use additional forms TC-20S, Schedule N, Part 1 if needed,

Part 2 – Nonrefundable Tax Credits

S corporations that have earned nonrefundable credits are required to complete Part 2 of Schedule N showing each shareholder, shareholder social security (SSN) or employer identification number (EIN), and the total for each credit. Use additional forms TC-20S, Schedule N, Part 2 if needed.

Codes to use for nonrefundable credits

- 02 Qualified Sheltered Workshop Cash Contribution Credit
- 05 Clean Fuel Vehicle Tax Credit
- 06 Historic Preservation Tax Credit
- 07 Enterprise Zone Tax Credit
- 08 Low Income Housing Tax Credit
- 10 Recycling Market Development Zone Tax Credit
- 12 Tax Credit for Research Activities in Utah

- 13 Tax Credit for Machinery and Equipment Used to Conduct Research
- 21 Renewable Residential Energy Systems Tax Credit

(02) Qualified Sheltered Workshop Cash Contribution Credit (UC §59-10-1004)

There is no form for this credit. Keep all related documents with your records. The shareholder must list the qualified workshop on the individual income tax return (form TC-40A) to claim the credit.

Cash contributions made within the tax year to a qualified nonprofit rehabilitation sheltered workshop facility operating in Utah for persons with disabilities are eligible for a credit against Utah income taxes. Check with the workshop to make sure they have a current Day Training Provider License or Day Support Provider Certificate issued by the Department of Human Services. The credit is equal to 50 percent of the total cash contributions, and may not exceed \$200 for each Utah Individual Income Tax Return. If the contribution was included in the deduction on Federal form 1120S, Schedule K, line 12a, that amount must be added back to income (Utah Schedule A, line 3) before the credit may be claimed.

For more information, contact:

Contract Administrator
Division of Services for People with Disabilities
120 N 200 W #411
SLC, UT 84103
801-538-4200
www.hsdspd.utah.gov

(05) Clean Fuel Vehicle Tax Credit (UC §59-10-1009)

Complete form TC-40V, *Clean Fuel Vehicle Tax Credit* with the Division of Air Quality approval stamp verifying the credit has been approved. Do not send form TC-40V with your return. Keep the form and all related documents with your records.

To qualify you must have:

- Purchased a vehicle which is registered in Utah, for which this credit has not been taken, that was manufactured to use propane, natural gas or electricity, or
- Purchased and installed equipment to convert a vehicle registered in Utah to use propane, natural gas or electricity.

To obtain form TC-40V, approval, and for more information, contact:

Division of Air Quality
150 N 1950 W
SLC, UT 84116
801-536-4000
www.airquality.utah.gov/Planning/Mobile/Clean_Fuel_Tax_Credit.htm

**(06) Historic Preservation Tax Credit
(UC §59-10-1006)**

Complete form TC-40H, *Historic Preservation Tax Credit* with the State Historic Preservation Office certification verifying the credit has been approved. Do not send form TC-40H with your return. Keep the form and all related documents with your records.

The credit is for costs incurred in connection with qualified rehabilitation of any certified historic residential building. Unused credits may be carried forward five years as a credit against Utah tax due.

To obtain form TC-40H, certification, and for more information, contact:

State Historic Preservation Office
300 Rio Grande
SLC, UT 84101
801-533-3503
history.utah.gov/historic_preservation

(07) Enterprise Zone Tax Credit (UC §63M-1-413)

An individual or business may not claim the enterprise zone credit or carry it forward into a year the individual or business has claimed either the recycling market development zone credit (nonrefundable credit, code 10) or the targeted business income tax credit (refundable credit, Schedule A, line 16, code 40).

There is no form for this credit. Keep all related documents with your records.

The Enterprise Zone Credit is available for certain businesses that hire new full-time employees, rehabilitate buildings, or meet certain other requirements in a designated zone. Indian tribes may apply for enterprise zone designation within an Indian reservation.

Any credit amount exceeding the tax owed may be carried forward for three consecutive years.

If enterprise zone credits are being taken based on your ownership in a partnership or S corporation, you must allocate the credits calculated based on your respective percentage of ownership.

For more information, contact:

Governor's Office of Economic Development
324 S State St, Suite 500
SLC, UT 84111
801-538-8775
goed.utah.gov/incentives/enterprize_zones

**(08) Low-Income Housing Tax Credit
(UC §59-10-1010)**

Individuals sharing in the credit must obtain form TC-40TCAC, *Utah Low-Income Housing Tax Credit Allocation Certification* and complete form TC-40LI, *Summary of Utah Low-Income Housing Tax Credit*. If you are carrying this credit forward or backward, you must also complete form TC-40LIC, *Utah Low-Income Housing Tax Credit Carryback and/or Carryforward*. Do not send these forms with your return. Keep the forms and all related documents with your records.

The building project owner must complete and attach form TC-40LIS, *Credit Share Summary of Low-Income Housing Project* to the return.

This credit is an amount, determined by the Utah Housing Corporation, for owners of a low-income housing project who have received an allocation of the federal low-income housing tax credit. When this credit is applicable, the project owner will provide form TC-40TCAC (issued by the Utah Housing Corporation) to the taxpayer. Unused credits may be carried back three years or carried forward five years.

For more information, contact:

Utah Housing Corporation
2479 S Lake Park Blvd
West Valley City, UT 84120
801-902-8200
www.utahhousingcorp.org

(10) Recycling Market Development Zone Tax Credit (UC §59-10-1007)

An individual or business may not claim the recycling market development zone credit or carry it forward into a year the individual or business has claimed either the enterprise zone tax credit (nonrefundable credit, code 07) or the targeted business income tax credit (Schedule A, line 16, code 40).

Complete form TC-40R, *Recycling Market Development Zone Tax Credit* with the Governor's Office of Economic Development certification verifying the credit has been approved. Do not send form TC-40R with your return. Keep the form and all related documents with your records.

The credit is available to individuals and businesses operating in a designated recycling market development zone.

To obtain form TC-40R, certification, and for more information, contact:

Governor's Office of Economic Development
324 S State St, Suite 500
SLC, UT 84111
801-538-8804
goed.utah.gov/incentives/recycling_zones
email: lprrall@utah.gov

**(12) Tax Credit for Research Activities in Utah
(UC §59-10-1012)**

There is no form for this credit. Keep all related documents with your records.

The credit is equal to:

1. 5 percent of the corporation's qualified expenses for the taxable year incurred for increasing research activities in Utah above a base amount,
2. 5 percent of certain payments made during the taxable year to a qualified organization increasing basic research in Utah above a base amount, and
3. 5 percent of the corporation's qualified research expenses for the taxable year beginning in 2008.

Any credit under 1 or 2 above exceeding the tax owed may be carried forward for the next 14 taxable years

as a credit against Utah tax due. Any credit under 3 above may not be carried forward.

2007 Credit: This credit formerly could be claimed in the taxable year immediately following the year for which the corporation qualified for the credit. Consequently, those who had qualified research expenses in 2007 may deduct that credit in 2008, along with any 2008 credit, as explained above.

(13) Tax Credit for Machinery and Equipment Used to Conduct Research (UC §59-10-1013)

There is no form for this credit. Keep all related documents with your records.

The credit is equal to:

1. 6 percent of the purchase price of machinery, equipment, or both used primarily to conduct qualified research in Utah for not less than 12 consecutive months, and
2. 6 percent of the purchase price of machinery, equipment, or both donated to a qualified organization and used primarily to conduct basic research in Utah for not less than 12 consecutive months.

Any credit exceeding the tax owed may be carried forward for the next 14 taxable years as a credit against Utah tax due.

If machinery and equipment for which this credit was claimed are used for less than 12 consecutive months to primarily conduct qualified research, the credit claimed is not allowed. File an amended return for the year the credit was claimed, removing the credit from the return and paying any increase in tax. See amended return instructions on page 3.

2007 Credit: This credit formerly could be claimed in the taxable year immediately following the year for which the corporation qualified for the credit. Consequently, those who had qualified research expenses in 2007 may deduct that credit in 2008, along with any 2008 credit, as explained above.

(21) Renewable Residential Energy Systems Tax Credit (UC §59-10-1014)

Form TC-40E, *Renewable Residential and Commercial Energy Systems Tax Credits*, must be obtained from the Utah Geological Survey with their certification stamp, verifying the credit has been approved and showing the amount of the approved credit. Do not send form TC-40E with your return. Keep the form and all related documents with your records.

This credit is for reasonable costs, including installation, of a residential energy system that supplies energy required for a residential unit in Utah. If the residence is sold to another, who is not a business entity, before the claim for the tax credit is made, the taxpayer may irrevocably transfer to the new owner the right to the tax credit. Additional residential energy systems or parts may be claimed in subsequent years as long as the total amount claimed does not exceed \$2,000 per residential unit. The principal portion of lease payments for a residential energy system may qualify for the credit, if the lessor irrevocably elects not to claim the credit.

Credit in excess of the taxpayer's liability may be carried forward to the four succeeding years.

For more information, contact:

Utah Geological Survey (UGS)
1594 W North Temple
Suite 3110, Box 146100
SLC, UT 84114-6100
801-538-5428
geology.utah.gov/sep/incentives/index.htm

Common Return Errors

1. **Utah sales factor on Schedule J** – Out-of-state corporations qualified in Utah, but not doing business in Utah, are required to file a corporate return paying the minimum tax. However, sales into Utah are not required to be included in the gross receipts numerator. Conversely, corporations making sales from Utah into a state where they are qualified but not doing business are required to include such sales in the Utah gross receipts numerator as throwback sales.
2. **Dissolution or withdrawal** – Corporations no longer in business or no longer doing business in Utah are required to legally dissolve or withdraw the corporation. See instructions on page 1.



Please compile your return in the following order:

1. Utah form TC-20S
2. Utah Schedules A through N (if required) in alphabetical order
3. Federal extension form, if applicable
4. A copy of the Federal form 1120S, including Schedule K-1
5. Other supporting documentation