

Filing Apportionment on the RCT-101

With the implementation of the Integrated Tax System, it is imperative that the apportionment sections on the RCT-101 be completed properly. For a foreign corporation with no activity in Pennsylvania (PA) and having no property, payroll or sales anywhere, Schedule A-1 and/or Schedule C-1 should be completed with zero numerators and one as the denominators. This is to insure that zero apportionment is automatically accepted by the Integrated Tax System.

Completing the apportionment as 0/0 or leaving the factors blank for property, payroll or sales will result in the apportionment automatically changing to 100%. This error will change the originally filed tax. The word "NONE" should never be used in an apportionment schedule or anywhere in the tax report.

We are providing guidance on how to complete the apportionment in different circumstances to help insure the proper processing of your return. This information is also available in the CT-1 PA Corporation Tax Booklet.

Eligible corporations electing to use **three-factor apportionment** should complete the RCT-105 or RCT-106 as applicable. The totals from the RCT-105 or RCT-106 should be transferred to Schedule A-1 and or Schedule C-1 on the RCT-101. All amounts differing from information on federal Form 1120, 1120S or 1065 must be reconciled.

Property Factor

The numerator is the average value of the taxpayer's real and tangible personal property, owned and used or rented and used, in Pennsylvania during the taxable period. The denominator is the average value of all the taxpayer's real and tangible personal property, owned and used or rented and used, during the taxable period.

A corporation's ownership interest in a partnership or other unincorporated entity (hereinafter referred to as a partnership) shall be included in the apportionment fraction as a direct interest of the corporation in the assets of the partnership. A portion of the partnership's real and personal property, owned and used or rented and used during the taxable period, to the extent of the taxpayer's interest in the partnership, shall be included in the numerator and denominator of the taxpayer's property factor. The owned and used property should be reflected on the Partner's Share of Property Owned by Partnerships line of Table 1, Page 2 of the Insert Sheet (RCT-106). Amounts applicable to an ownership interest in an LLC or business trust that is a partnership or disregarded entity for federal income tax purposes must be included only for PA Corporate Net Income Tax.

Payroll Factor

The numerator is the total amount paid in Pennsylvania during the tax period by the taxpayer for compensation, and the denominator is the total compensation paid everywhere during the tax period.

The partnership's payroll shall be included in the denominator of the taxpayer's payroll factor to the extent of the taxpayer's ownership interest in the partnership. The amount of such payroll attributable to Pennsylvania shall be included in the numerator of the payroll factor. These figures should be reflected on the Partner's Share of Payroll from partnerships line of Table 2, Page 2 of the Insert Sheet (RCT-106). Amounts applicable to an ownership interest in an LLC or business trust that is a partnership or disregarded entity for federal income tax purposes must be included only for PA Corporate Net Income Tax.

Sales Factor

The numerator is the total gross receipts of the taxpayer inside this state during the tax period, and the denominator is the total gross receipts of the taxpayer everywhere during the taxable period. Gross receipts are net of returns and allowances. Sales of tangible personal property are inside this state if the property is delivered or shipped to a purchaser within this state.

The partnership's gross receipts shall be included in the denominator of the taxpayer's sales factor to the extent of the taxpayer's ownership interest in the partnership. The amount of such gross receipts attributable to Pennsylvania shall be included in the numerator of the sales factor. These figures should be reflected on the Partner's Share of Sales from Partnerships line of Table 3, Page 2 of the Insert Sheet (RCT-106). Amounts applicable to an ownership interest in an LLC or business trust that is a partnership or disregarded entity for federal income tax purposes must be included only for PA Corporate Net Income Tax.

It should be noted that for tax periods beginning on or after January 1, 2013, all business income shall be apportioned to the state by multiplying the income by the sales factor only. This does not affect the apportionment formula used for the Capital Stock/Foreign Franchise Tax.

Reports where the taxpayer is calculating the liability using a method other than the standard calculation of the liability, including any position granted as the result of an appeal in a prior year cannot be filed through Mef (Modernized e-File). The RCT-101 and all required attachments, including the reason the report could not be electronically filed, must be mailed to PA Department of Revenue, Bureau of Corporation Taxes, P.O. Box 280704, Harrisburg, PA 17128-0704.