

# City of Philadelphia – Department of Revenue

## 2014 School Income Tax

### Instructions for S Corporation Shareholders

#### ***For S Corporation Shareholders who reported their pro-rata share of S Corporation net income on their 2007 through 2013 School Income Tax Returns***

For Tax Years 2014 and thereafter, the School Income Tax (“SIT”) will be imposed on **distributions** from S Corporations. This change does not impact Tax Years 2007 through 2013. For tax years 2007 through 2013, the tax base for shareholders of an S Corporation was and will remain the pro-rata share of the S Corporation net income. For Tax Year 2014 and thereafter, previously taxed S Corporation pro-rata net income will not be subject to tax again upon distribution. To avoid tax filers from paying on the same income twice (i.e. tax paid on pro-rata shares of net income in 2013 and then again on actual distribution in 2014), there is a Regulatory Exclusion Allowance when current year (i.e. 2014) distributions exceed the pro-rata share of income for that year. Use the S Corporation Shareholder Worksheet to calculate the allowable exclusion from tax for previously reported pro-rata income from S Corporations.

Please refer to the amended SIT Regulations Sections 202 and 203 (effective for Tax Year 2014 and thereafter) that can be found on our website at

<http://www.phila.gov/Revenue/Regulations/Sit%20Regulations-%20Section%20202%20and%20203%20-%20S%20Corporation%20Amendments.pdf>

#### **Part A – Calculation of the Regulatory Exclusion Base / Carry forward Schedule**

- Only S Corporation Shareholders who reported their pro-rata share of S Corporation net income on their 2007 through 2013 School Income Tax Returns may complete this worksheet.
- If for any tax year (i.e. 2007 through 2013) there is a loss, report zero (“0”) in Column 1 *Reported Pro-Rata Income from S Corporations* for that year.
- If the previously reported Pro-rata income **Totals** from Column 1 *Reported Pro-Rata Income from S Corporations* (for tax years 2007 through 2013 inclusive) exceed the distributions of income **Totals** from Column 2 *Distributions* for the same period, the shareholder is entitled to a Regulatory Exclusion Base (i.e. Column 3 *Exclusion Base*).
- If the previously reported Pro-rata income **Totals** from Column 1 *Reported Pro-Rata Income from S Corporations* (for tax years 2007 through 2013 inclusive) are less than or

equal to the distributions of income **Totals** from Column 2 *Distributions* for the same period, the shareholder is **not** entitled to a Regulatory Exclusion Base.

- If an individual is a shareholder in multiple S Corporations, the net income from one can offset the loss from another and be reported on a combined basis on this worksheet. However, the overall combined S Corporation pro-rata net income cannot be less than zero (“0”). Total income distributions from all S Corporations can be combined and reported as well. Please attach a schedule of the names of all S Corporations and their Federal EINs.

### **Part B – Calculation of the Exclusion Available / Net Taxable Distributions Schedule**

- If the pro-rata net income for 2014 equals or exceeds the distribution of income in 2014 (i.e. Line 3 of Part B is less than or equal to zero), report all income distributions from Line 1 Part B of this worksheet on to Line 3 of the 2014 School Income Tax Return and do **not** complete the rest of this schedule.
- If the distribution of net income exceeds the pro-rata share of net income for 2014, (i.e. Line 3 of Part B is greater than zero), go to Line 4 of this worksheet to calculate the Regulatory Exclusion that can be taken for tax year 2014.
- The Regulatory Exclusion Base available to be used for Tax Year 2014 is limited to the lower of the Excess Distributions for Tax Year 2014 (Line 3 of Part B) and the Regulatory Exclusion Base Available (Line 4 of Part B).
- If an individual is a shareholder in multiple S Corporations, the net income from one can offset the loss from another and be reported on a combined basis on this worksheet. However, the overall combined S Corporation pro-rata net income cannot be less than zero (“0”). Total income distributions from all S Corporations can be combined and reported as well.
- Technical Questions: Any questions related to preparing this worksheet can be referred to [revenuetaxadvisors@phila.gov](mailto:revenuetaxadvisors@phila.gov).
- Mailing Instructions: Please include this worksheet with the 2014 School Income Tax Return and mail to:

City of Philadelphia – Department of Revenue

P.O. Box 389

Philadelphia, PA 19105-0389



# 2014 School Income Tax

## S Corporation Shareholder Worksheet to Calculate Regulatory Exclusion

(To be used by S Corporation Shareholders who reported their pro rata share of income from an S Corporation for Tax Years 2007 through 2013.)

Taxpayer Name \_\_\_\_\_

Social Security Number \_\_\_\_\_

S Corporation Name \_\_\_\_\_

Employer ID Number \_\_\_\_\_

### Part A - Calculation of the Regulatory Exclusion Base

| SIT Year | Reported Pro Rata Income From S Corporation | Distributions | Exclusion Base (Column 1 minus Column 2) |
|----------|---|---------------|--|
| 2007     |   |               |  |
| 2008     |   |               |  |
| 2009     |   |               |  |
| 2010     |   |               |  |
| 2011     |   |               |  |
| 2012     |   |               |  |
| 2013     |   |               |  |
| Total    |   |               |  |

*Note: If the Total of the Exclusion Base in Column 3 is zero (0) or less there is no Regulatory Exclusion. If for any year Column 1 is a loss, enter zero ("0").*

### Part B - Calculation of Regulatory Exclusion for 2014 / Net Taxable Distributions

Line 1. Distributions from AAA (from 2014 Federal 1120S Schedule K-1 - Line 16D)

Line 2. Pro rata S Corporation Income from 2014 Federal 1120S (If a loss enter zero).

Line 3. Difference (Line 1 - Line 2)

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|  |
|  |

*\* If Excess Distributions (Line 3 greater than 0) go to Line 4 to calculate the exclusion that can be taken.*

*\*\*If Line 3 is less than or equal to 0 (i.e. negative number), report the distributions from Line 1 on to Line 3 of the 2014 School Income Tax return and do not complete the rest of this Worksheet.*

Line 4. Exclusion Base Available (Total from Part A Column 3 - 2007 thru 2013)  
(Not applicable for Tax Year 2013 and prior)

Line 5. 2014 Exclusion Allowed (Lower of Line 3 or Line 4)

Line 6. Net Taxable Distributions (Line 1 - Line 5)

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\*\*\*Report the Net Taxable Distributions from Line 6 on the 2014 School Income Tax return Line 3.

Line 7. Remaining Exclusion Base for 2015 SIT (Line 4 - Line 5)

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**Under the penalties of perjury, as set forth in 18 PA C.C. §§ 4902-4903 as amended, I swear that I have reviewed this worksheet and to the best of my knowledge and belief, they are true and complete.**

Taxpayer Signature : \_\_\_\_\_ Date: \_\_\_\_\_ Phone No. \_\_\_\_\_

Spouse's Signature : \_\_\_\_\_ Date: \_\_\_\_\_ Phone No. \_\_\_\_\_

Preparer Signature : \_\_\_\_\_ Date: \_\_\_\_\_ Phone No. \_\_\_\_\_