

PA SCHEDULE M
Reconciliation of Federal Taxable
Income to PA Taxable Income
 (09-05) (I)
 PA-20S/PA-65 Schedule M

0507010023

2005

OFFICIAL USE ONLY

Name as shown on PA-20S/PA-65 Information Return

Federal Identification Number

PA Sales Tax License Number

PA Schedule M, Part A. Classifying Federal Income (Loss) for PA Personal Income Tax Purposes

Classify, without adjustment for PA PIT rules, the federal income (loss) from the Schedule K of Federal Form 1120S or from Federal Form 1065. The entity must allocate or apportion the amounts from the federal categories to the reportable PA PIT classes. The total of the specific federal line items should equal the total of the federal schedule.

| Federal Form | | Classified for Pennsylvania Personal Income Tax purposes | | | | |
|---|------------------------------------|--|---|---|---|---|
| Form 1120S, Schedule K line description Form 1065, Schedule K line description | (a) Federal Income (loss) | (b) PA Business Income (loss) | (c) Interest Income (loss) PA Schedule A | (d) Dividend Income (loss) PA Schedule B | (e) Gain (loss) From Sales PA Schedule D | (f) Rent & Royalty Income (loss) PA Schedule E |
| 1. Ordinary income (loss) from trade or business activities | | | | | | |
| 2. Net income (loss) from rental real estate activities | | | | | | |
| 3. Net income (loss) from other rental activities | | | | | | |
| 4. Interest income | | | | | | |
| 5. Dividends | | | | | | |
| 6. Royalty income | | | | | | |
| 7. Net short-term capital gain (loss) | | | | | | |
| 8. Net long-term capital gain (loss) | | | | | | |
| 9. Net gain/loss from Disposal of Federal Section 179 Property | | | | | | |
| 10. PA S corporations ONLY Net section 1231 gain (loss) from Form 4797 for Form 1120S | | | | | | |
| 11. PA S corporations ONLY Other income from Federal Form 1120S | | | | | | |
| 12. Partnership ONLY Net section 1231 gain (loss) from Form 4797 for Form 1065 | | | | | | |
| 13. Partnerships ONLY Other income (loss) | | | | | | |
| 14. Total PA Income (loss) by classification. Total the amounts in each column. | | | | | | |
| 15. Partnerships ONLY (See Note 1) Guaranteed Payments for capital included above | | Reported On Schedule M, Part B | | | | Reported On Schedule M, Part B |
| 16. Partnerships ONLY Total Guaranteed Payments to partners from Form 1065 included above | | Reported On Schedule M, Part B | | | | Reported On Schedule M, Part B |
| 17. Adjusted PA Income (loss) by classification. Add lines 14 and 15, and subtract line 16 | Do Not Total Column A | | | | | |

Note 1: Guaranteed payments for capital from PA business income and rental income are adjusted on PA Schedule M, Section E, Line D, Boxes 7 and 8.

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SIDE 1

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0507110021

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EIN

PA Schedule M, Part B. Determining PA Reportable Income or Loss by Classification

The entity may need to prepare a PA Schedule M, Part B, for each PA income class if it must make adjustments to properly determine its reportable classified income for its PA-20S/PA-65 Information return. This specific list of adjustments primarily applies to income from a business or farm, and rental/royalty income.

PA Allocated
Income (loss)

Total Income (loss)
Total Business Income (loss)
Before Apportionment

Section A. Federal Classified income (Loss). Income class from Part A, Column: ()
Enter the initial of the column—B or F only.

| | | | | | |
|----|--|--|----|--|--|
| 1. | | | 2. | | |
|----|--|--|----|--|--|

Section B. Itemize income adjustments that increase PA reportable income (reduce the loss).

- a. Deferred income relating to advance payments for goods and services
- b. Difference in gain (loss) for each business sale of property where the proceeds were reinvested in the same line of business
- c. Gain from business like-kind exchanges, see PA PIT Guide for instructions
- d. Gain (loss) on involuntary conversions – IRC section 1033
- e. Income from cancellation of debt that PA treats differently from federal rules
- f. Increases in income in the year of change resulting from spread in the year of change associated with IRC section 481(a) adjustment
- g. Income from obligations of other states and organizations that is not exempt for PA purposes
- h. Other taxable income for PA purposes that the entity does not report for federal purposes (submit statement)

| | | | | | |
|-----|--|--|-----|--|--|
| 1. | | | 2. | | |
| 3. | | | 4. | | |
| 5. | | | 6. | | |
| 7. | | | 8. | | |
| 9. | | | 10. | | |
| 11. | | | 12. | | |
| 13. | | | 14. | | |
| 15. | | | 16. | | |
| 17. | | | 18. | | |

B. Total

Section C. Itemize income adjustments that decrease the PA reportable income (increase the loss).

- a. Difference in gain for each business sale when proceeds were reinvested in the same line of business
- b. Income from obligations of the U.S. Government and other organizations that is not taxable for PA purposes
- c. Decreases for previously reported income in prior year resulting from spread associated with IRC section 481(a)
- d. Other PA nontaxable income that the entity reported for federal purposes (submit statement)

| | | | | | |
|----|--|--|----|--|--|
| 1. | | | 2. | | |
| 3. | | | 4. | | |
| 5. | | | 6. | | |
| 7. | | | 8. | | |

C. Total

| | | | | | |
|----|--|--|-----|--|--|
| 9. | | | 10. | | |
|----|--|--|-----|--|--|

Section D. Adjusted PA Reportable Income. See Instructions.

| | | | | | |
|----|--|--|----|--|--|
| 1. | | | 2. | | |
|----|--|--|----|--|--|

Section E. Itemize those expenses that PA law does not allow that the entity deducted on its federal form.

These adjustments increase PA reportable income (reduce the loss).

- a. Taxes paid on income from the worksheet in the PA PIT Guide (please submit worksheet)
- b. Differences in depreciation taken for PA and federal purposes
- c. Key man life insurance premiums (owners as beneficiaries)
- d. Differences in PA treatment of guaranteed payments for capital
- e. Differences in depreciation for bonus depreciation, PA law does not allow bonus depreciation.
- f. Expense adjustments to qualify for the PA credits claimed in Part V of the PA-20S/PA-65
- g. Other expenses that the entity took on its federal return that PA does not allow (submit statement)

| | | | | | |
|-----|--|--|-----|--|--|
| 1. | | | 2. | | |
| 3. | | | 4. | | |
| 5. | | | 6. | | |
| 7. | | | 8. | | |
| 9. | | | 10. | | |
| 11. | | | 12. | | |
| 13. | | | 14. | | |

E. Total

| | | | | | |
|-----|--|--|-----|--|--|
| 15. | | | 16. | | |
|-----|--|--|-----|--|--|

Section F. Itemize those expenses that PA law allows that the entity could not deduct on its federal form.

These adjustments decrease PA reportable income (increase the loss).

- a. 50 percent of business meals, entertainment, and club dues that the entity could not deduct
- b. Sales tax on depreciable assets
- c. Qualified charitable contributions that the entity made
- d. Differences in depreciation taken for federal and PA purposes
- e. IRC section 179 expenses (the maximum for PA purposes is \$25,000).
- f. Differences in depreciation for bonus depreciation
- g. Expenses for employees, including PA S corporation shareholder-employees
- h. Life insurance premiums (PA S corporation or partnership as beneficiary)
- i. Expense adjustments to qualify for federal credits
- j. Other expenses that PA allows that the entity did not deduct on its Federal return (submit statement)
- k. Use Tax submitted with this return-not previously capitalized. Please attach PA1 form (downloaded from the Department's Web site).

| | | | | | |
|-----|--|--|-----|--|--|
| 1. | | | 2. | | |
| 3. | | | 4. | | |
| 5. | | | 6. | | |
| 7. | | | 8. | | |
| 9. | | | 10. | | |
| 11. | | | 12. | | |
| 13. | | | 14. | | |
| 15. | | | 16. | | |
| 17. | | | 18. | | |
| 19. | | | 20. | | |
| 21. | | | 22. | | |

F. Total

| | | | | | |
|-----|--|--|-----|--|--|
| 23. | | | 24. | | |
|-----|--|--|-----|--|--|

Section G. Total Taxable Income (Loss). Add Section D, plus E, minus F.

LOSS

| | | | | | |
|----|--|--|----|--|--|
| 1. | | | 2. | | |
|----|--|--|----|--|--|