



North Dakota Office of State Tax Commissioner

# 2006 S Corporation Income Tax

Cory Fong, Tax Commissioner

## Form 60

### Includes:

Schedule FACT  
Schedule BG  
Schedule K  
Schedule KS  
Schedule K-1

### Need help?

Go to our web site:  
[www.nd.gov/tax](http://www.nd.gov/tax)

Download forms

Check our FAQs  
(frequently asked  
questions)

E-mail your  
questions:  
[corptax@nd.gov](mailto:corptax@nd.gov)

Dear Taxpayer,

The Form 60 and instructions are completely new for 2006 and have been placed in their own booklet for the first time.

The new features include:

- A new schedule on which North Dakota adjustments and tax credits are identified.
- A new state version of Schedule K-1 for providing information to shareholders.
- Integration of the new passthrough entity withholding requirement into Form 60.
- Integration of the composite filing method into Form 60.
- More comprehensive set of instructions.

Integrating the passthrough withholding and composite filing into the Form 60 streamlines these processes for S corporations. The revised instructions contain more information as well as better guidance in completing Form 60. I invite you to let us know what you think about the new forms and instructions and what can be improved. Your comments help us to improve our services to you.

Please read these instructions carefully. If you have questions or need additional forms, go to our web site at [www.nd.gov/tax](http://www.nd.gov/tax). Or see the inside front cover of this booklet if you need to contact us by phone, e-mail, or letter.

Thank you,

Cory Fong,  
Tax Commissioner



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## Required forms

The following forms are needed to complete Form 60:

<b>Form 60</b>	S corporation return
<b>Schedule FACT</b>	Calculation of North Dakota apportionment factor
<b>Schedule BG</b>	Tax on excess net passive income and built-in gains
<b>Schedule K</b>	Total North Dakota adjustments, credits, and other items distributable to shareholders
<b>Schedule KS</b>	Shareholder information
<b>Schedule K-1</b>	Shareholder's share of North Dakota income (loss), deductions, adjustments, credits, and other items

The following forms may be needed:

<b>Form 60-EXT</b>	S corporation extension payment voucher
<b>Form 101</b>	Application for extension of time to file a North Dakota income tax return

Download these forms from our **web site at [www.nd.gov/tax](http://www.nd.gov/tax)**.

## Need help?

You can download forms and find other information on our web site at:

**[www.nd.gov/tax](http://www.nd.gov/tax)**

### E-mail

Individual income tax—

**[individualetax@nd.gov](mailto:individualetax@nd.gov)**

Corporation income tax—

**[corptax@nd.gov](mailto:corptax@nd.gov)**

### Call

Individual income tax—

Questions **(701) 328-1032**

Forms **(701) 328-3450**

Corporation income tax—

Questions/forms **(701) 328-2046**

Speech/hearing impaired

TDD **(800) 366-6888**

### Write

Office of State Tax Commissioner  
600 E. Boulevard Ave., Dept. 127  
Bismarck, ND 58505-0599

### Office

State Capitol, 16th Floor  
Monday through Friday  
8:00 a.m. to 5:00 p.m.  
(except holidays)

## Privacy Act Information

In compliance with the Federal Privacy Act of 1974, Public Law 93-579, the disclosure of a social security number or a federal employer identification number on this form is mandatory and is required under Subsections 1 and 7 of N.D.C.C. § 57-38-31. A social security number or federal employer identification number is used as an identification number by the Office of State Tax Commissioner for file control purposes, recordkeeping, and for cross-checking the taxpayer's files with the Internal Revenue Service.



## Taxpayer Bill of Rights

You may get a copy of the North Dakota Taxpayer Bill of Rights by contacting the Office of State Tax Commissioner or by going to our web site at

**[www.nd.gov/tax](http://www.nd.gov/tax)**

# Form 60 Instructions

# 2006

## North Dakota S Corporation Income Tax Return

"N.D.C.C." references are to the North Dakota Century Code, which contains North Dakota's statutes.

"N.D. Admin. Code" references are to the North Dakota Administrative Code, which contains North Dakota's rules.

## What's new for 2006

### New passthrough withholding requirement

Starting with the 2006 tax year, an S corporation must withhold North Dakota income tax at the rate of 5.54 percent from the year-end distributive share of North Dakota source income of its nonresident individual shareholders. However, withholding is not required if:

- The distributive share of North Dakota income for the taxable year is less than \$1,000; or
- The shareholder elects to be included in a composite income tax return filed by the S corporation.

The calculation, reporting, and payment of the income tax required to be withheld has been integrated into the 2006 Form 60.

The corporation reports the withholding to the shareholder on North Dakota Schedule K-1 (Form 60), which is new for 2006. The shareholder claims the withheld income tax by entering it on the income tax withholding line of the North Dakota individual income tax return and attaching a copy of the North Dakota Schedule K-1. For complete information, see "Withholding from nonresident individual shareholders" on page 2.

### Changes to composite filing procedure

Starting with the 2006 tax year, the composite filing procedure that is available to an S corporation with eligible nonresident individual shareholders has changed. The calculation, reporting, and payment of income tax under the composite filing method has been integrated into the 2006 Form 60. For complete information, see "Composite filing method" on page 3.

### New look for 2006 Form 60

Both the structure and content of Form 60 have changed for 2006. The form was revised to provide more information about the S corporation's income, gains, losses, deductions, adjustments and tax credits, and the shareholders' shares of these items. Following are highlights of the new features of Form 60:

- The schedules making up Form 60 have been revised and renamed.
- A new schedule, Schedule K, was added on which the corporation must report the North Dakota adjustments and tax credits passed through to its shareholders.
- The new passthrough entity withholding requirement was integrated into Form 60, including payment of the withheld tax. See Schedule KS.
- The composite filing method available to an S corporation with eligible nonresident individual shareholders was integrated into Form 60, including payment of the composite income tax. See Schedule KS.
- A new schedule, North Dakota Schedule K-1 (Form 60), was created. See "New state Schedule K-1" below.
- The instructions to Form 60 were revised and expanded to provide more comprehensive guidance on how to prepare the form.

### New state Schedule K-1

A new schedule, North Dakota Schedule K-1 (Form 60), has been created to provide S corporations with a means to convey to their shareholders the information they will need to properly complete their own North Dakota income tax returns. The schedule includes instructions to the shareholders to assist them in transferring the information from the schedule to their North Dakota income tax returns.

### New extension payment voucher

A new payment voucher, Form 60-EXT, has been created for an S corporation to use to prepay any income tax withholding, composite income tax, and tax on excess net passive income and built-in capital gains in the case where the corporation obtains an extension of time to file Form 60. The 2006 Form 60-EXT is available on our web site at [www.nd.gov/tax](http://www.nd.gov/tax).

### New disclosure check-off

A new check-off box has been added to Form 60 that the corporation may use to authorize the Office of State Tax Commissioner (Tax Department) to talk directly to the person who prepared the corporation's return. By checking the box, which is located next to the signature area on page 1 of Form 60, a corporation authorizes the Tax Department to contact the preparer with any questions that arise during the processing of the return. The corporation also authorizes its preparer to (1) provide information missing from the return, (2) contact the Tax Department about the status of the return's processing, including any related refund or payment, and (3) respond to Tax Department notices that the corporation shares with the preparer relating to math errors and return preparation. The authorization only applies to the return on which it is made, and it automatically expires on the due date (excluding extensions) for filing the next year's return. The authorization applies only to the individual whose signature and printed name appears in the paid preparer section of the signature area. It does not apply to the firm, if any, shown in that section. The authorization does not authorize the tax preparer to receive a refund check, to bind the corporation in any way (including any additional tax liability), or to otherwise represent the corporation before the Tax Department.

## General instructions

### Who must file

A 2006 Form 60, *S Corporation Income Tax Return*, must be filed by a corporation that meets both of the following:

- It is required to file a 2006 Form 1120S, *U.S. Income Tax Return for an S Corporation*; and
- It carries on business, or derives gross income from sources, in North Dakota during its 2006 tax year.

**Exception for financial institution.** If an S corporation is a bank, trust company, bank holding company, or other financial institution defined under N.D.C.C. Section 57-35.3-01(2), it is subject to the North Dakota financial institution tax and must file Form 35, *Financial Institution Tax Return*. Do not complete nor file Form 60 if required to file Form 35.

**Nonfiler penalty.** If an S corporation does not file Form 60 as required, a minimum \$500 penalty may be assessed if the failure continues after receiving a thirty-day notice to file from the Office of State Tax Commissioner.

### When and where to file

The 2006 Form 60 must be filed no later than:

- April 16, 2007, if filing for the 2006 calendar year; or
- The 15th day of the 4th month following the end of the tax year, if filing for a fiscal year beginning in the 2006 calendar year.

**Note:** Use the 2005 Form 60 if the corporation's fiscal year began in the 2005 calendar year.

Mail Form 60 and all required attachments to:

Office of State Tax Commissioner  
600 East Boulevard Ave., Dept. 127  
Bismarck, ND 58505-0599

### Extension of time to file

An extension of time to file Form 60 may be obtained in one of the following ways:

- Obtain a federal extension.
- Separately apply for a North Dakota extension.

**Federal extension.** If an extension of time to file the federal corporation return is

obtained, it is automatically accepted as an extension of time to file Form 60. If this applies, a separate North Dakota extension does not have to be applied for, nor does the Office of State Tax Commissioner have to be notified that a federal extension has been obtained prior to filing Form 60. The "Extension" box on page 1 of Form 60 must be checked to indicate that an extension has been obtained. A copy of the federal extension form (Form 7004) **does not** have to be attached to Form 60; however, it should be retained on file in case the Office of State Tax Commissioner requests to see it.

**North Dakota extension.** If a federal extension is not obtained, but additional time is needed to complete and file Form 60, a separate North Dakota extension may be applied for by filing Form 101, *Application for Extension of Time to File a North Dakota Tax Return*. This is not an automatic extension—there must be good cause to request a North Dakota extension. Form 101 must be postmarked on or before the due date of Form 60. Notification of whether the extension is accepted or rejected will be provided by the Office of State Tax Commissioner. The "Extension" box on page 1 of Form 60 must be checked to indicate that an extension has been obtained. A copy of the approved Form 101 **does not** have to be attached to Form 60; however, it should be retained on file in case the Office of State Tax Commissioner requests to see it.

**Prepayment of tax due.** If an extension of time to file Form 60 is obtained and it is expected that there will be a tax due, the expected tax due may be paid on or before the regular due date. To do so, send a check or money order along with a completed 2006 Form 60-EXT, *S Corporation Extension Payment Voucher*, on or before the regular due date of Form 60.

Alternatively, a payment may be sent with a letter containing the following: (1) Name of corporation; (2) Corporation's FEIN; (3) Corporation's address and phone number; and (4) Statement that the payment is a 2006 Form 60-EXT payment.

### Penalty and interest

The tax due must be paid by the due date (without extension) of Form 60 to avoid penalty and interest charges. However, if an extension of time to file the return was obtained, the tax due may be paid by the extended due date of the return without

penalty, but extension interest will apply at the rate of 12% per year—see **Prepayment of tax due** on this page.

If a tax due is paid after the due date (or extended due date, if applicable), a penalty equal to 5% of the tax due (with a minimum of \$5.00) will be charged. In addition, interest will be charged at the rate of 1% per month or a fraction of a month (except for the month in which the tax was due) until the tax is fully paid.

For purposes of calculating any penalty and interest amounts, use the lesser of the tax due (on line 6) or the excess, if any, of the corporation's tax on excess net passive income and built-in gains (on line 1) over total estimated taxes paid (on line 5).

### Estimated tax payment

An S corporation may, but is not required to, make estimated tax payments of income tax expected to be due on Form 60. To make an estimated payment for the 2007 tax year, send a check or money order along with a completed 2007 Form 60-ES, *S Corporation Estimated Tax Payment Voucher*.

### Withholding from nonresident individual shareholders

An S corporation must withhold North Dakota income tax at the rate of 5.54 percent from the distributive share of North Dakota income of its nonresident individual shareholders. An S corporation does not have to withhold North Dakota income tax from a nonresident individual's distributive share of North Dakota income if:

- The distributive share of North Dakota income is less than \$1,000; or
- The nonresident individual shareholder elects to have his or her distributive share of North Dakota income included in, and the tax on it calculated under, the composite filing method—see "Composite filing method" in the next section for more information.

The amount withheld for a shareholder is reported in Column 7, Schedule KS, Form 60. The corporation must submit a payment with Form 60 for the total withholding reported on Schedule KS. See the instructions to Schedule KS and Schedule K-1 (Form 60) for more information.

## Composite filing method

A composite filing method is available to an S corporation with one or more eligible shareholders. Under this method, an S corporation files one return, called a “composite return,” on behalf of one or more eligible shareholders. The composite return and the S corporation’s payment of the income tax calculated on it satisfies the North Dakota income tax filing and payment obligations of the eligible shareholders included in it. Therefore, they do not have to file their own North Dakota individual income tax return to report or pay tax on their distributive share of North Dakota income.

The use of the composite filing method by an S corporation is optional, and is a choice that it may make on a year-to-year basis. The corporation does not have to obtain prior approval to use the composite filing method, and it may file a composite return regardless of whether it has income or a loss for the tax year.

**Exception to withholding.** An S corporation does not have to withhold North Dakota income tax from the distributive share of North Dakota income of an eligible shareholder who elects to be included in a composite return.

**Eligible shareholder.** An eligible shareholder is an individual who:

- Is a nonresident of North Dakota; and
- Does not have any North Dakota income from other than the S corporation or any other partnership, S corporation, trust, or limited liability company (filing as a partnership).

An eligible shareholder may elect to be included in a composite return regardless of the amount of the shareholder’s distributive share of North Dakota income (or loss). In the case of a loss, the composite tax is zero.

**Composite filing method procedure.** The distributive share of North Dakota income of an electing shareholder is multiplied by the highest individual income tax rate (5.54 percent for the 2006 tax year) to determine the shareholder’s composite income tax. (If the North Dakota distributive share is a loss, the composite tax is zero.) No adjustments, deductions, or tax credits are allowed in calculating the tax due under the composite filing method. The Form 60 serves as the composite return. The composite income tax calculated for a shareholder is reported

in Column 8, Schedule KS, Form 60. The corporation must submit a payment with Form 60 for the total composite income tax reported on Schedule KS.

**Election.** If an eligible shareholder agrees to be included in a composite return, the corporation’s calculation and reporting of a composite income tax for the shareholder in Column 8 of Schedule KS of Form 60 constitutes the shareholder’s election to be included in the composite return.

## Correcting a previously filed return

If a corporation needs to correct an error in Form 60 after it is filed, the corporation must file an amended return. There is no special form for this purpose. See “How to prepare an amended return” below.

If a corporation paid too much tax because of an error in its 2006 Form 60, the corporation generally has three years from the later of the due date (excluding extensions) of the return or the date the return was actually filed in which to file an amended return to correct the error and claim a refund of the overpayment. See N.D.C.C. § 57-38-40 for other time periods that may apply.

### How to prepare an amended 2006 return

1. Obtain a blank 2006 Form 60.
2. Enter the corporation’s name, current address, FEIN, etc., in the top portion of page 1 of Form 60.
3. Check the “Amended return” box at the top of page 1 of Form 60.
4. Complete Schedules FACT, BG, K, and KS using the corrected information. Then complete lines 1 through 4 on page 1 of Form 60.
5. Complete line 5 on page 1 of Form 60 by entering the total taxes due from the previously filed 2006 Form 60, page 1, line 4.
6. Complete line 6 (tax due) or line 7 (overpayment), whichever applies. If there is an overpayment on line 7, enter the full amount on line 9 (refund). On an amended return, the amount credited to the next year’s estimated tax (line 8) may not be increased or decreased.
7. Attach a statement explaining the reason(s) for filing the amended return. If it is because of changes the corporation or the IRS made to the corporation’s 2006 Federal Form 1120S, attach a copy of the amended federal return or IRS notice.

8. Complete and provide a corrected Schedule K-1 to the shareholders, as required.

## Reporting federal changes

If the Internal Revenue Service (IRS) changes or audits the federal corporation return, or if a corporation files an amended federal corporation return, an amended North Dakota Form 60 must be filed within ninety days after the final determination of the IRS changes or the filing of the amended federal return. Enclose a copy of the IRS audit report or the amended federal corporation return with the amended North Dakota Form 60.

## W-2/1099 reporting requirement

Every corporation doing business in North Dakota that is required to file Federal Form 1099 or W-2 must also file one with the Office of State Tax Commissioner. For more information, obtain the document *Income Tax Guideline: Information Returns*.

## Use of information

All of the information on Form 60 and its attachments is confidential by law and cannot be given to others except as provided by state law. Information about the shareholders is required under state law so the Office of State Tax Commissioner can determine the shareholder’s correct North Dakota taxable income and verify if the shareholder has filed a return and paid the tax.

# General instructions for completing Form 60

## Complete Form 60 as follows:

1. Complete Federal Form 1120S in its entirety.
2. Complete Items A through H at the top of page 1 of Form 60—see page 4.
3. Complete Schedule FACT on page 2 of Form 60—see page 4.
4. Complete Schedule BG, if required, on page 2 of Form 60—see page 4.
5. Complete Schedule K on page 3 of Form 60—see page 5.

6. Complete Schedule KS on page 4 of Form 60—see page 7.
7. Complete lines 1 through 9 on page 1 of Form 60—see page 8.
8. Complete Schedule K-1, if required, for the shareholders—see page 8.

**Rounding of numbers.** Numbers may be entered on the return in dollars and cents, or they may be rounded to the nearest whole dollar. If rounding, drop the cents if less than 50 cents and round up to the next whole dollar amount if 50 cents or higher. For example, \$25.36 becomes \$25.00, and \$25.50 becomes \$26.00.

**Fiscal year filers.** The tax year for North Dakota income tax purposes must be the same as the tax year used for federal income tax purposes. Use the 2006 Form 60 if the corporation's taxable year began in the 2006 calendar year. *Note: Use the 2005 Form 60 if the taxable year began in the 2005 calendar year.*

## Specific line instructions for page 1 of Form 60, Items A-H

**Complete Items A through H at the top of page 1 of Form 60. Then complete Schedule FACT, Schedule BG, Schedule K, and Schedule KS before completing lines 1 through 9 on page 1 of Form 60.**

### Item A Tax year

The same tax year used for federal income tax purposes (as indicated on the federal corporation return) must be used for North Dakota income tax purposes. Check the applicable box. If the corporation uses a fiscal year, enter the beginning and ending dates of the fiscal year.

### Item B Name and address

Enter the legal name of the corporation on the first line of the name and address area. If the corporation publicly operates under a fictitious or assumed name (which, in most states, must be recorded or registered with the state), enter that name on the second line of the name and address area.

### Item C Federal EIN

North Dakota uses the federal employer identification number (FEIN) for identification purposes. Enter the federal employer identification number from page 1 of Federal Form 1120S.

### Item D Business code number

Enter the business code number from page 1 of Federal Form 1120S.

### Item E Date incorporated

Enter the date the business incorporated from page 1 of Federal Form 1120S.

### Item F Check boxes

Check all applicable boxes, as follows:

**Initial return.** Check this box if this is the first return filed in North Dakota by the corporation.

**Final return.** Check this box if this is the last S corporation return to be filed in North Dakota by the corporation.

**Farming/ranching corporation.** Check this box if the corporation is registered as a farming or ranching corporation with the North Dakota Secretary of State.

**Composite return.** Check this box if the corporation is filing a composite return on behalf of one or more of its nonresident individual shareholders. See "Composite filing method" on page 3 for more information.

**Amended return.** Check this box if this return is being filed to correct a previously filed 2006 Form 60. See "Correcting a previously filed return" on page 3 for more information.

**Extension.** Check this box if a federal or state extension of time to file the return was obtained. See "Extension of time to file" on page 2 for more information.

### Item G Number of shareholders

Enter the total number of shareholders. Also enter in the boxes provided the number of each type of shareholder indicated next to the box. For "Trust/estate shareholders," include trusts that are not tax-exempt organizations for federal income tax purposes.

**Item H  
Qualified subchapter S subsidiary**  
If the corporation is a parent of one or more qualified subchapter S subsidiaries (QSub or QSSS), check the "Yes" box. Otherwise, check "No."

## Instructions for Schedule FACT (Form 60, page 2)

All corporations must complete the applicable portions of Schedule FACT as follows:

- **100% North Dakota corporation**  
If the corporation conducted all of its trade or business within North Dakota during the tax year, skip lines 1 through 13 and enter 1.000000 on line 14 of Schedule FACT.
- **Multistate corporation**  
If the corporation conducted its trade or business both within and without North Dakota during the tax year, it must complete lines 1 through 14 of Schedule FACT. However, if all of its shareholders consist of only North Dakota resident individuals, estates, and trusts, skip lines 1 through 13, enter 1.000000 on line 14, and check the box at the top of Schedule FACT.

*Note: For guidance on completing lines 1 through 14 of Schedule FACT, see N.D.C.C. Chapter 57-38.1 and N.D. Admin. Code Chapter 81-03-09.*

## Instructions for Schedule BG (Form 60, page 2)

An S corporation that is subject to the federal income tax on excess net passive income or built-in gains is subject to North Dakota income tax on the same income and must complete Schedule BG.

### Line 6 North Dakota NOL deduction

If the corporation has always been an S corporation, enter zero on this line. If the S corporation was a C corporation before January 1, 1987, it may carry forward an unused North Dakota net operating loss incurred while a C corporation and deduct

it from the apportioned built-in gain subject to North Dakota tax. Complete the **Line 6 Worksheet** on this page to calculate the amount to enter on Schedule BG, line 6. *Attach a copy of the worksheet to Form 60.*

## Instructions for Schedule K (Form 60, page 3)

All corporations must complete Schedule K. The purpose of this schedule is to show the total amount of North Dakota adjustments, credits, and other items distributable to its shareholders. These items may be applicable to the preparation of the shareholders' North Dakota income tax returns.

If the corporation is a partner in a North Dakota partnership, include on the applicable lines of Schedule K similar adjustments, credits, etc., received from the partnership as shown on the North Dakota Schedule K-1 (Form 58) received from the partnership.

### Line 1 Income from state, local, and foreign securities and bonds

Multiply the total interest and dividends from foreign securities and from securities (or bonds) of state and local governments exempt from federal income tax by the apportionment factor from Schedule FACT, line 14, and enter the result. **Do not** include interest income from securities (or bonds) issued by North Dakota or its political subdivisions in this calculation. If any portion of the non-North Dakota source income is treated as nonbusiness income subject to allocation under N.D.C.C. §§ 57-38.1-04 through 57-38.1-08, subtract the nonbusiness portion before multiplying by the apportionment factor. Include the nonbusiness portion on Schedule K, line 17.

### Line 2 State and local income taxes

Multiply the total taxes measured by income that were incurred by the corporation and deducted in calculating the corporation's ordinary income (loss) by the apportionment factor from Schedule FACT, line 14, and enter the result. Include franchise or privilege taxes measured by income paid to any taxing authority including a foreign country in this calculation.

### Line 3 Interest from U.S. obligations

Enter on this line interest income from U.S. obligations and from securities the interest of which is specifically exempted from state income tax by federal statute. Include the portion of dividend income from a mutual fund attributable to the fund's investment in the same kinds of securities.

**Do not** enter on this line interest income from securities of the Federal Home Loan Mortgage Corporation (Freddie Mac), Federal National Mortgage Association (Fannie Mae), or Government National Mortgage Association (Ginnie Mae), nor from a federal income tax refund or repurchase agreement. **Attach a statement identifying the specific securities from which the interest was derived.**

### Line 4 Renaissance zone exemption

If the corporation qualified for the business or investment income exemption under the North Dakota Renaissance Zone Act, enter the amount from Schedule RZ, Part 1, line 16. **Attach Schedule RZ.**

### Line 5 New or expanding business income exemption

If the corporation qualified for the new or expanding business income exemption under N.D.C.C. ch. 40-57.1, enter the exempt portion of the corporation's trade or business income. See N.D. Admin. Code § 81-03-01.1-06 for guidance on calculating the amount of the exempt income. **Attach a statement showing the calculation of the exempt income.**

### Line 6 Beginning farmer deductions

If the corporation is a partner in a North Dakota partnership, enter the amount (if any) from North Dakota Schedule K-1 (Form 58), Part 3, lines 6a through 6c, on the applicable line.

### Line 7 Beginning entrepreneur deductions

If the corporation qualified for one or more of the beginning entrepreneur deductions for selling or leasing a business to a qualifying beginning entrepreneur, multiply the taxable portion of the income or gain by the

### Line 6 Worksheet (for Schedule BG) North Dakota net operating loss deduction

1. Net recognized built-in gain from Form 60, Schedule BG, line 2 ..... **1** \_\_\_\_\_
2. Apportionment factor from Schedule FACT, line 14 ..... **2** \_\_\_\_\_
3. North Dakota apportioned built-in gain. Multiply line 1 by line 2 ..... **3** \_\_\_\_\_
4. Accumulated North Dakota net operating loss as of the end of the last tax year as a C corporation. **Enter as a positive number** ..... **4** \_\_\_\_\_
5. Portion of line 4 that was previously deducted for North Dakota income tax purposes by the corporation. **Enter as a positive number** ..... **5** \_\_\_\_\_
6. Remaining North Dakota net operating loss. Subtract line 5 from line 4. If less than zero, enter -0- ..... **6** \_\_\_\_\_
7. North Dakota net operating loss deduction. Enter smaller of line 3 or line 6. Enter result on Schedule BG, line 6 ..... **7** \_\_\_\_\_

### 2006 Corporation Tax Rate Schedule

**If the amount on Schedule BG, line 7 is:**                      **The tax is equal to:**

Over	But not over			
\$ 0	\$ 3,000	.....	2.60%	of the amount on line 7
3,000	8,000	..... \$ 78.00 +	4.10%	of the amount over \$ 3,000
8,000	20,000	..... 283.00 +	5.60%	of the amount over 8,000
20,000	30,000	..... 955.00 +	6.40%	of the amount over 20,000
30,000		..... 1,595.00 +	7.00%	of the amount over 30,000

apportionment factor from Schedule FACT, line 14, and enter the result on the appropriate line. In the case of rental income, the deduction is limited to \$25,000. **Attach a copy of the Beginning Entrepreneur Statement.**

**Line 8  
Eminent domain gain**

Multiply the taxable portion of a gain from a disposition of property due to the exercise of eminent domain by the apportionment factor from Schedule FACT, line 14, and enter the result.

**Line 9  
Renaissance zone historic property preservation tax credit**

If the corporation qualified for the renaissance zone historic property preservation or renovation tax credit, enter the amount from Schedule RZ, Part 4, line 10. **Attach Schedule RZ.**

**Line 10  
Renaissance fund organization investment tax credit**

If the corporation qualified for the renaissance fund organization investment tax credit, enter the amount from Schedule RZ, Part 5, line 7. **Attach Schedule RZ.**

**Line 11  
Seed capital investment credit**

If the corporation invested in a qualified business for purposes of the seed capital investment tax credit, multiply the total amount invested during the tax year (but no more than \$250,000) by 45 percent and enter the result on this line. **Attach a copy of the Qualified Seed Capital Business Investment Reporting Form received from the qualified business.**

**Line 12  
Ag commodity investment credit**

If the corporation invested in a qualified business for purposes of the agricultural commodity processing facility investment tax credit, multiply the total amount invested during the tax year (but no more than \$166,666.67) by 30 percent and enter the result on this line. **Attach a copy of the Ag Commodity Processing Facility Investment Reporting Form received from the qualified business.**

**Line 13  
Biodiesel fuel supplier credit**

If the corporation is a licensed supplier of biodiesel fuel, it is allowed a credit equal to

five cents per gallon for blending biodiesel fuel having at least a five percent blend ("B5") that meets ASTM specifications. For this purpose, a "supplier" means a person who distributes the biodiesel fuel from a terminal in North Dakota. Enter the credit on this line. **Attach a statement showing the calculation of the credit.**

**Line 14  
Biodiesel fuel seller credit**

If the corporation is a licensed seller of biodiesel fuel, it is allowed a credit equal to 10 percent of the costs to adapt or add equipment to its facility to enable it to sell diesel fuel having at least a two percent biodiesel blend ("B2") that meets ASTM specifications. For this purpose, a "seller" means a person who acquires the fuel from a wholesale supplier or distributor for resale to a consumer at a retail location. Except for costs incurred before January 1, 2005, include eligible costs incurred before the tax year in which sales of the eligible biodiesel fuel begin. The credit is allowed in each of five tax years, starting with the tax year in which sales of the eligible biodiesel fuel begin. **Attach a statement showing the calculation of the credit.**

**Line 15  
Geothermal, solar, or wind energy device credit**

If the corporation installed a qualifying geothermal, solar, or wind energy device on property it owns or leases in North Dakota, it is allowed a credit equal to 3 percent of the costs of acquisition and installation. The credit is allowed in each of five tax years, starting with the tax year in which the installation is completed. For more information, including limitations that may apply, obtain the brochure *North Dakota Tax Incentives For Solar, Wind, Or Geothermal Devices*. **Attach a statement describing the device, a detailed list of the costs of acquisition and installation, and the date the device was completely installed.**

**Line 16  
Certified ND nonprofit development corporation investment credit**

If the corporation purchased membership in, paid dues to, or made a contribution to a certified North Dakota nonprofit development corporation, multiply the total amount paid (but no more than \$8,000) by 25 percent and enter the result on this line. **Attach a copy of the Certified Nonprofit Development Corporation Investment Reporting Form received from the corporation.**

**Line 17  
Allocable (nonbusiness) income**

Lines 17a and 17b apply only if the corporation:

- Is a multistate corporation, i.e., it carries on its business both within and without North Dakota;
- Has one or more nonresident individual, estate, or trust shareholders; and
- Has nonbusiness income as defined under N.D. Admin. Code § 81-03-09-03.

Nonbusiness income is not apportioned using the apportionment factor but is allocated within or without North Dakota as provided under N.D.C.C. §§ 57-38.1-04 through 57-38.1-08 and N.D. Admin. Code § 81-03-09-09. Expenses must be attributed to the nonbusiness income in a manner that fairly distributes all of the corporation's expenses to its business and nonbusiness income.

If the corporation has an item of nonbusiness income subject to allocation, the corporation must take this into account when calculating the North Dakota distributive share of income or loss reportable on Schedule KS and Schedule K-1 for a nonresident individual, estate, or trust shareholder. See the instructions to Schedule KS, Column 6, for more information. In addition to completing lines 17a and 17b, the corporation must attach the following to Form 60:

- A statement on which each item of nonbusiness income is shown along with its related expenses.
- A statement explaining the basis for treating the item of income as nonbusiness income subject to allocation.
- If an item of nonbusiness income is allocated to a state other than North Dakota, a copy of that other state's income tax return must be attached. If the corporation is not required to file an income tax return with the other state, the corporation must indicate this in the attached statement.

**Line 17a.** Enter the total allocable income (less related expenses) from all sources within and without North Dakota.

**Line 17b.** Enter the portion of the amount on line 17a that is allocable to North Dakota.

**Line 18  
Disposition of I.R.C. Section 179  
property**

Lines 18a through 18d apply only if the corporation sold, exchanged, or disposed of property for which an I.R.C. Section 179 deduction was passed through to the shareholders. [Note: The corporation is required to report this same information on a separate statement attached to Federal Form 1120S, Schedule K, line 17d (code E).]

For lines 18a through 18d, multiply the corresponding combined amount for all shareholders as reported on Federal Form 1120S, Schedule K, line 17d (code E), by the North Dakota apportionment factor from Schedule FACT, line 14, and enter the result. However, if the property disposed of is treated as a nonbusiness asset the gain or loss from which is subject to allocation under N.D.C.C. §§ 57-38.1-04 through 57-38.1-08, subtract the amounts for that asset before multiplying by the apportionment factor. Include the gain or loss from the disposition on Schedule K, line 17.

**Instructions for  
Schedule KS  
(Form 60, page 4)**

Schedule KS must be completed to provide information about each shareholder. In the case of a nonresident individual, estate, or trust shareholder, the schedule must show the shareholder's distributive share of North Dakota income (loss). For only a nonresident individual shareholder, the schedule also must show the amount of North Dakota income tax withheld or the amount of composite income tax paid on the shareholder's distributive share of North Dakota income. If the corporation has more than seven shareholders, complete and attach as many Schedules KS needed to list all shareholders. If more than one Schedule KS is needed, complete lines 1 through 4 on only one of them, and include the combined amount for all of the schedules on that one schedule.

**All Shareholders  
(Columns 1 through 5)**

**Columns 1 and 2**

Enter the full name, address, and federal identification number as shown on the shareholder's Federal Schedule K-1. In Column 1, enter the name on the first line, and the complete mailing address on the second line.

**Column 6 Worksheet**

**For nonresident individual shareholders only—  
see instructions to Schedule KS, Column 6.**

- 1. Shareholder's amount from Column 5 ..... **1** \_\_\_\_\_
- 2. Shareholder's share of allocable income (less related expenses) included in the amount on line 1 ..... **2** \_\_\_\_\_
- 3. Apportionable income (loss). Subtract line 2 from line 1 ..... **3** \_\_\_\_\_
- 4. Apportionment factor from Schedule FACT, line 14 ..... **4** \_\_\_\_\_
- 5. Multiply line 3 by line 4 ..... **5** \_\_\_\_\_
- 6. Shareholder's share of allocable income (less related expenses) **reportable to North Dakota** ..... **6** \_\_\_\_\_
- 7. Add lines 5 and 6. Enter result in Column 6 ..... **7** \_\_\_\_\_

**Column 3**

Identify the entity type of the shareholder by entering the applicable code letter as follows:

Entity type	Code letter
Individual .....	<b>I</b>
Trust .....	<b>T</b>
Decedent's estate .....	<b>D</b>
Bankruptcy estate .....	<b>B</b>
Exempt organization .....	<b>O</b>

If the shareholder is a limited liability company (LLC) that is disregarded as a separate entity for federal income tax purposes, enter the code letter for the type of entity of the LLC's owner.

*Note: The "Trust" entity type only applies to a trust that files Federal Form 1041.*

**Column 4**

Enter the shareholder's stock ownership percentage as shown on the shareholder's Federal Schedule K-1.

**Column 5**

Enter the sum of the following items from the shareholder's Federal Schedule K-1 (Form 1120S), Part III:

- Box 1** Ordinary business income (loss)
- Box 2** Net rental real estate income (loss)
- Box 3** Other net rental income (loss)
- Box 4** Interest income
- Box 5a** Ordinary dividends
- Box 6** Royalties
- Box 7** Net short-term capital gain (loss)
- Box 8a** Net long-term capital gain (loss)
- Box 9** Net section 1231 gain (loss)
- Box 10** Other income (loss)
- Box 11** Section 179 deduction
- Box 12** Other deductions (*Only include the deductions allowed as a deduction*)

*from gross income in calculating adjusted gross income for federal income tax purposes.)*

**Box 17** (Code K only) Include the gain (loss) from I.R.C. Section 179 property disposition (*For purposes of calculating the gain or loss, include all of the Section 179 deduction passed through to the shareholder, regardless of whether or not the shareholder actually deducted all of it.*)

**Nonresident Shareholders Only  
(Columns 6 through 8)**

**Column 6**

**Nonresident individual, estate, or trust shareholder**

Complete Column 6 for each nonresident individual, estate, or trust shareholder. Multiply the shareholder's amount in Column 5 by the apportionment factor from Schedule FACT, line 14, and enter the result in Column 6. However, complete the **Column 6 Worksheet** on this page to calculate the amount to enter in Column 6 if the corporation has an item of nonbusiness income subject to allocation. See the instructions to North Dakota Schedule K, line 17, on page 5 for more information.

**Column 7**

**Nonresident individual only**

If the shareholder is a nonresident individual, and if the amount in Column 6 is \$1,000 or more, multiply the amount in Column 6 by 5.54 percent (.0554) and enter the result in Column 7. However, if the nonresident individual shareholder elected to be included in a composite return, leave this column blank and see the instructions to Column 8.

See “Withholding from nonresident individual shareholders” on page 2 for more information.

Add the amounts in Column 7 for all nonresident individual shareholders and enter the result on line 3 at the bottom of Schedule KS. Also enter the result on Form 60, page 1, line 2.

### Column 8 Nonresident individual only

Complete Column 8 for each nonresident individual shareholder who elected to be included in a composite return filed by the corporation. Multiply the nonresident individual shareholder’s amount in Column 6 by 5.54 percent (.0554) and enter the result in Column 8. If the amount in Column 6 is zero or less, enter zero in Column 8. See “Composite filing method” on page 2 for more information.

Add the amounts in Column 8 for all nonresident individual shareholders and enter the result on line 4 at the bottom of Schedule KS. Also enter the result on Form 60, page 1, line 3.

## Specific line instructions for page 1 of Form 60, lines 1-9

**Complete Schedule FACT, Schedule BG, Schedule K, and Schedule KS before completing lines 1 through 9 on page 1 of Form 60.**

### Line 5 Estimated tax payments

Enter the amount paid with the 2006 Form 60-EXT. However, if this is an amended return, do not enter the amount paid with the 2006 Form 60-EXT; instead, enter the amount of the total taxes due from line 4 of the previously filed original or amended 2006 Form 60.

### Line 6 Tax due

The tax due must be paid in full with the return. A check or money order made payable to the “ND State Tax Commissioner” must be submitted with the return.

### Line 8 Application of overpayment to 2007

If there is an overpayment on line 7, the corporation may elect to apply part or all of it as an estimated payment toward its 2007 tax liability. To make the election, enter the portion of line 7 to be applied on line 8. If this election is made, the election and the amount applied may not be changed after the return is filed. If this is an amended return, do not make an entry on this line.

## Instructions for Schedule K-1

With the exception of the taxes on excess net passive income and built-in gains, an S corporation is not subject to North Dakota income tax. Instead, the shareholders are responsible for reporting and paying any applicable North Dakota income tax on their shares of the corporation’s income reportable to North Dakota.

North Dakota Schedule K-1 (Form 60) must be used by an S corporation to provide information the shareholders need to complete a North Dakota income tax return. The information to include will depend on the type of shareholder.

North Dakota Schedule K-1 (Form 60) must be completed and given to:

- Each nonresident individual, estate, or trust shareholder.
- Each qualified subchapter S trust (QSST) and electing small business trust (ESBT) with a nonresident individual or estate beneficiary.
- Each North Dakota resident individual, estate, or trust shareholder having a North Dakota adjustment or tax credit as reported on Form 60, Schedule K, lines 1 through 16.

*Note: If there are no North Dakota adjustments or tax credits on Form 60, Schedule K, lines 1 through 16, a North Dakota Schedule K-1 does not have to be completed nor provided to a North Dakota resident individual, estate, or trust shareholder.*

If all of the shareholders consist of only North Dakota resident individuals, estates, or trusts, and there are no North Dakota adjustments or tax credits reported on Schedule K, the

corporation does not have to complete nor provide the North Dakota Schedule K-1 to any shareholder. All income of a North Dakota resident individual, estate, or trust is subject to North Dakota income tax, regardless of its source.

In addition to the North Dakota Schedule K-1, be sure to give the shareholder a copy of the *Shareholder’s Instructions to North Dakota Schedule K-1 (Form 60)*. The instructions are included in the Form 60 booklet. They are also available on the Office of State Tax Commissioner’s web site.

A copy of all required North Dakota Schedule K-1s must be enclosed with Form 60 along with any required supplemental statements.

**Amended schedule.** If a corporation files an amended Federal Form 1120S, or if the IRS makes any changes to the Federal Form 1120S, the corporation must file an amended Form 60 for the same tax year, and must issue amended North Dakota Schedule K-1s to its shareholders. Check the “Amended” box at the top of the North Dakota Schedule K-1 if it is amended.

**Final schedule.** Check the “Final” box at the top of the North Dakota Schedule K-1 if it is the last one to be issued by the corporation to the shareholder.

## Part 1 Corporation information

### Items A and B

Enter the name, address, and federal employer identification number (FEIN) of the corporation as shown on the shareholder’s Federal Schedule K-1.

## Part 2 Shareholder information

### Item C

Enter the social security number or federal employer identification number (FEIN) of the shareholder as shown on the shareholder’s Federal Schedule K-1.

### Item D

Enter the name and address of the shareholder as shown on the shareholder’s Federal Schedule K-1.

### Item E

Enter the same code letter shown in Column 3 of Schedule KS of Form 60.

**Item F**

If the shareholder is an individual, estate, or trust, check the applicable box to indicate the legal residency status of the shareholder for North Dakota income tax purposes. If an individual shareholder changed his or her legal residency to or from North Dakota during the tax year, check the part-year resident status. In the case of an estate or trust shareholder, only the full-year resident or full-year nonresident status will apply.

**Item G**

For only a nonresident individual shareholder, indicate whether the shareholder is included in a composite return filed by the corporation by checking the applicable box.

**Item H**

Enter the shareholder's stock ownership percentage as shown on the shareholder's Federal Schedule K-1.

### **Part 3 All shareholders— North Dakota adjustments and tax credits**

If there are any North Dakota adjustments or tax credits on Form 60, Schedule K, lines 1 through 16, complete this part for all shareholders.

#### **Lines 1 through 8 Adjustments**

Multiply each amount shown on Form 60, Schedule K, lines 1 through 8, by the same percentage used to determine the shareholder's distributive share of income (loss) from the corporation. Enter the result on the corresponding line of Part 3, lines 1 through 8.

#### **Lines 9 through 16 Tax credits**

Multiply each amount shown on Form 60, Schedule K, lines 9 through 16, by the shareholder's stock ownership percentage from North Dakota Schedule K-1, Part 2, Item H, and enter the result on the corresponding line of Part 3, lines 9 through 16.

### **Part 4 Nonresident individual, estate, or trust shareholder only—North Dakota income (loss)**

Complete Part 4 for only a nonresident individual, estate, or trust shareholder.

**Line 17****Corporation's apportionment factor**

Enter the corporation's apportionment factor from Schedule FACT, line 14.

#### **Lines 18 through 30 Income and loss items**

Except as explained below, multiply each amount from the shareholder's Federal Schedule K-1, Part III, lines 1 through 12, and any I.R.C. § 179 property disposition gain (loss) included in box 17 by the corporation's apportionment factor from Schedule FACT, line 14, and enter the result on the corresponding line of Part 4, lines 18 through 30.

For "Other deductions" from line 12 of Federal Schedule K-1, only include deductions that are allowed as a deduction from gross income in calculating adjusted gross income for federal income tax purposes.

For purposes of calculating the gain or loss for I.R.C. § 179 property dispositions included in box 17 of the Federal Schedule K-1, include all of the Section 179 deduction passed through to the shareholder, regardless of whether or not the shareholder actually deducted all of it.

**Allocable income exception.** If the corporation treated any distributable item of income from the shareholder's Federal Schedule K-1 as nonbusiness income subject to allocation, calculate the amount to enter on the corresponding line of this part in the following steps:

1. Subtract the net nonbusiness income (gross amount less related expenses) from the applicable distributable amount shown on the Federal Schedule K-1.
2. Multiply the remaining distributive amount, if any, (from step 1) by the corporation's apportionment factor from Schedule FACT, line 14.
3. Add the result (from step 2) to the portion, if any, of the net nonbusiness income *allocable to North Dakota*, and enter the result on the corresponding line of Part 4.

*Note: If any portion of the net nonbusiness income removed from the distributable amount (in step 1 above) is allocable outside North Dakota, do not enter it anywhere on North Dakota Schedule K-1 (Form 60).*

If the calculation of any amount on lines 18 through 30 of Part 4 was affected by the removal or inclusion of net nonbusiness income, attach a statement to the shareholder's North Dakota Schedule K-1 (Form 60) identifying the net nonbusiness income and showing the calculation of the amount entered on the applicable line(s) of Part 4.

### **Part 5 Nonresident individual shareholder only**

Complete Part 5 for only a nonresident individual shareholder.

#### **Line 31 ND distributive share of income (loss)**

Enter the shareholder's North Dakota distributive share of income (loss) from Form 60, Schedule KS, Column 6.

#### **Line 32 ND income tax withheld**

Enter the amount of North Dakota income tax withheld from the shareholder's North Dakota distributive share of income from Form 60, Schedule KS, Column 7.

#### **Line 33 ND composite income tax**

Enter the amount of North Dakota composite income tax on the shareholder's North Dakota distributive share of income from Form 60, Schedule KS, Column 8.

## **Before you file Form 60**

**Signatures**

The return must be signed and dated by a corporate officer, or an authorized representative of the corporation.

If the corporation pays someone other than one of its employees to prepare the return, the paid preparer also must sign and date the return.

**Preparer authorization check-off**

The corporation may authorize the North Dakota Office of State Tax Commissioner (Tax Department) to discuss matters pertaining to its 2006 Form 60 with the preparer who signed it. To do so, check the box in the lower right-hand corner of page 1

of Form 60 next to the signature area. This authorization applies only to the individual whose signature and printed name appears in the paid preparer section of the signature area. It does not apply to the firm, if any, shown in that section.

By checking the box, the corporation authorizes the Tax Department to contact the preparer to answer any questions that may arise during the processing of the corporation's return. It also authorizes the preparer to respond to the questions and to provide any information missing from the return, to contact the Tax Department to inquire about the status of the return's processing and related refund or payment, and to respond to Tax Department notices that the corporation shares with the preparer pertaining to math errors or return preparation. *(Tax Department notices will not be sent directly to the preparer.)*

This authorization automatically expires on the due date (excluding extensions) for filing the **2007 Form 60**.

This authorization **does not** authorize the preparer to receive a refund check, to bind the corporation in any way (including any additional tax liability), or to represent the corporation before the Tax Department for any other purpose. To expand the preparer's authorization, the corporation must complete and file North Dakota Form 500, *Authorization to Disclose Tax Information and Designation of Representative*, with the Tax Department.

### **Assembling a paper return**

Please assemble Form 60 and its required attachments in the following order:

1. Form 60
2. Schedule FACT / Schedule BG
2. Schedule K
3. Schedule KS
4. North Dakota Schedule K-1s
5. Supporting statements required in instructions
6. Complete copy of Form 1120S including Federal Schedule K-1s

Staple all documents (except check or money order) together at the **top center** of Form 60. Enclose a check or money order made payable to: ND State Tax Commissioner. **Do not send cash.**

# 2006

## Shareholder's Instructions for North Dakota Schedule K-1 (Form 60)

### Purpose of schedule

North Dakota Schedule K-1 (Form 60) is provided to you by the corporation to show your share of the income, gains, losses, deductions, and other items from the corporation that you need to complete your North Dakota income tax return. These instructions will assist you in transferring the amounts from the schedule to your North Dakota income tax return.

### Resident individual, estate, or trust shareholder.

If you are a North Dakota resident individual, estate, or trust, you must report to North Dakota your entire share of the corporation's income, gains, losses, and deductions included in your federal taxable income. You have received North Dakota Schedule K-1 only to show your share of the corporation's North Dakota statutory adjustments or tax credits that may affect the preparation of your North Dakota income tax return. See the instructions to Part 3.

### Nonresident individual, estate, or trust shareholder.

If you are a nonresident individual, estate, or trust, you must report to North Dakota your share of the corporation's income, gains, losses, and deductions that are apportioned and allocated to North Dakota based on the corporation's activity in North Dakota. These items are shown in Part 4 of North Dakota Schedule K-1. Unless you are a nonresident individual who elected to include your share of these items in a composite return filed on your behalf by the corporation, you must file a North Dakota income tax return to report and pay the required income tax on them.

**Composite return election.** If you are a nonresident individual who elected to include your share of the corporation's North Dakota income, gains, losses, and deductions in a composite return filed by the corporation, you are not required to file a North Dakota individual income tax return. If this applies to you, you received North Dakota Schedule K-1 to show your share of these items and the composite income tax paid on them. If you later choose to file your own North Dakota individual income tax return, follow the instructions below to transfer the amounts from North Dakota Schedule K-1 to your return.

**Amended Schedule K-1 (Form 60).** If you received an amended North Dakota Schedule K-1 (Form 60) from the corporation, and you previously filed a North Dakota income tax return to report your share of income, etc., from the corporation, you must file an amended North Dakota income tax return to report the changes in income, gains, losses, and deductions. You also must attach a copy of the amended North Dakota Schedule K-1 (Form 60) to your amended North Dakota income tax return.

### Part 3 All shareholders—North Dakota adjustments and tax credits

*Note: Wherever you see "Not applicable" in the right-hand column of the following lists, it means that the item does not apply to the return you are completing; do not enter the item on the return.*

#### Lines 1–16

*Form ND-1 filer:*

Include the amount from this schedule:	On:
Lines 1–2	Not applicable
Line 3	Form ND-1, line 6
Line 4	Sch. RZ, Part 1, line 14
Line 5	Form ND-1, line 12
Lines 6–8	Not applicable
Line 9	Sch. RZ, Part 4, line 7
Line 10	Sch. RZ, Part 5, line 4
Line 11	Form ND-1, line 23
Line 12	Form ND-1, line 22
Line 13	Form ND-1, line 25
Line 14	Form ND-1, line 26
Lines 15–16	Not applicable

*Form ND-2 (Schedule 2 filer only):*

Include the amount from this schedule:	On:
Line 1	Sch. 2, line 2
Line 2	Sch. 2, line 3
Line 3	Sch. 2, line 7
Line 4	Sch. RZ, Part 1, line 14
Line 5	Sch. 2, line 21
Line 6a	Sch. 2, line 14
Line 6b	Sch. 2, line 12
Line 6c	Sch. 2, line 13
Line 7a	Sch. 2, line 18
Line 7b	Sch. 2, line 16
Line 7c	Sch. 2, line 17

Line 8	Sch. 2, line 21
Line 9	Sch. RZ, Part 4, line 7
Line 10	Sch. RZ, Part 5, line 4
Line 11	Form ND-1, page 1, line 9
Line 12–15	Form ND-2, page 1, line 7
Line 16	Form ND-2, page 1, line 8

*Form ND-2 (Schedule 3 filer only):*

Include the amount from this schedule:	On:
Line 1	Sch. 3, Part 1, line 12
Line 2	Sch. 3, Part 1, line 17
Line 3	Not applicable
Line 4	Sch. RZ, Part 1, line 14
Line 5	Sch. 3, Part 1, line 5
Line 6a	Sch. 3, Part 1, line 4
Line 6b	Sch. 3, Part 1, line 2
Line 6c	Sch. 3, Part 1, line 3
Line 7a–8	Sch. 3, Part 1, line 5
Line 9	Sch. RZ, Part 4, line 7
Line 10	Sch. RZ, Part 5, line 4
Line 11	Form ND-2, page 1, line 9
Line 12–15	Form ND-2, page 1, line 7
Line 16	Form ND-2, page 1, line 8

*Form 38 (Schedule 1 filer only):*

Include the amount from this schedule:	On:
Lines 1–2	Not applicable
Line 3	Sch. 1, line 4a
Line 4	Sch. RZ, Part 1, line 14
Line 5	Sch. 1, Part 1, line 4c
Lines 6–8	Not applicable
Line 9	Sch. RZ, Part 4, line 7
Line 10	Sch. RZ, Part 5, line 4
Lines 11–14	Form 38, page 1, line 3
Lines 15–16	Not applicable

*Form 38 (Schedule 2 filer only):*

Include the amount from this schedule:	On:
Lines 1–2	Sch. 2, Part 1, line 2
Line 3	Sch. 2, Part 1, line 4a
Line 4	Sch. RZ, Part 1, line 14
Lines 5–8	Sch. 2, Part 1, line 4a
Line 9	Sch. RZ, Part 4, line 7
Line 10	Sch. RZ, Part 5, line 4
Lines 11–16	Form 38, page 1, line 3

**Part 4  
Nonresident individual, estate, or trust shareholders only—  
North Dakota income (loss)**

**Line 17**

Enter the corporation’s apportionment factor from Schedule FACT, line 14.

**Lines 18–30**

If you are a nonresident individual, estate, or trust, lines 18 through 30 of Part 4 show your share of the corporation’s North Dakota income, gains, losses, and deductions that you must report on your North Dakota income tax return. Transfer these amounts to your North Dakota income tax return as instructed below based on the type of return you are filing.

If the full amount of any item is not included in your federal adjusted gross income because of passive activity loss limitations, capital loss limitations, section 179 deduction limitations, or for other reasons, enter on your return only that portion of the item included in your federal adjusted gross income. **Attach a statement to your North Dakota income tax return explaining any difference between an amount shown on North Dakota Schedule K-1 (Form 60) and the amount reported on your North Dakota income tax return.**

*Form ND-1 filer (nonresident only):*

Include the amount	On Schedule ND-1NR,
from this schedule:	Column B:
Lines 18–20	Line 6
Lines 21–22	Line 2
Line 23	Line 6
Lines 24–26	Line 4
Line 27	Line 8
Lines 28–30	Line 6

*Form ND-2 filer (nonresident only):*

Include the amount	On Schedule 3, Part 2,
from this schedule:	Column B:
Lines 18–20	Line 6
Lines 21–22	Line 2
Line 23	Line 6
Lines 24–26	Line 4
Line 27	Line 8
Lines 28–30	Line 6

*Form 38, Schedule 1 filer (nonresident only)*

Include the amount	On Schedule 1, Part 2,
from this schedule:	Column B:
Lines 18–20	Line 5
Line 21	Line 1
Line 22	Line 2
Line 23	Line 5
Lines 24–25	Line 4
Line 26	Line 4 or 7
Line 27	Line 8
Lines 28–30	Line 5

*Form 38, Schedule 2 filer (nonresident only)*

Include the amount	On Schedule 2, Part 2,
from this schedule:	Column B:
Lines 18–20	Line 5
Line 21	Line 1
Line 22	Line 2
Line 23	Line 5
Lines 24–25	Line 4
Line 26	Line 4 or 7
Line 27	Line 8
Lines 28–30	Line 5

**Part 5  
Nonresident individual shareholders only**

Lines 31 through 33 apply only to a nonresident individual shareholder.

**Line 31**

This is the net amount of your North Dakota distributive share of income (loss) from the corporation. Do not enter the amount from this line anywhere on your return. **It is for your information only.**

If you have a North Dakota distributive share of income of \$1,000 or more, the corporation was required to withhold North Dakota income tax from it at the rate of 5.54 percent unless you elected to include it in a composite return filed by the corporation.

**Line 32**

The amount shown on this line is the amount of North Dakota income tax withheld by the corporation from your North Dakota distributive share of income. Include this amount on Form ND-1, line 28, or Form ND-2, page 1, line 11. **Attach a copy of North Dakota Schedule K-1 (Form 60) to your return.**

**Line 33**

If you elected to include your North Dakota distributive share of income (loss) in a composite return, the amount shown on this line is the amount of North Dakota composite income tax paid on your behalf by the corporation. If you made this election, you are not required to file your own North Dakota individual income tax return. **This is for your information only.**

**Note:** *If you later choose to file your own North Dakota individual income tax return, you may claim this amount as a tax payment on your return. Attach a copy of the North Dakota Schedule K-1 (Form 60) to your return to support the amount claimed.*