



INSTRUCTIONS

NAME & IDENTIFICATION NUMBER-Page 1

ENTER the taxpayer's name and taxpayer identification number [Social Security Number (SSN), Federal Employer Identification Number (FEIN), or Department Identification Number (DIN)] in the spaces provided.

For the purpose of administering any state tax as allowed under 42 U.S.C Section 405, the Commissioner of the Department of Revenue Administration is authorized to require the submission of an SSN, a FEIN, or any other identifying number used in filing or preparing federal tax returns by individuals, businesses, or return preparers. (See RSA 21-J:27-a; N.H. Code of Admin. Rules, Rev 2903.02 (c); and 42 USCS 405 (c) (2) (C) (i)). Where SSNs or FEINs are required, taxpayers who have been issued a DIN must use their DIN only, and not their SSN or FEIN.

Enter the beginning and ending dates of the taxable period if different from the calendar year.

CALCULATE YOUR TAX-Page 1 and 2

ROUND EVERY ENTRY TO THE NEAREST WHOLE DOLLAR (IF 49 CENTS OR LESS ROUND DOWN, IF 50 CENTS OR MORE ROUND UP). **REPORT NEGATIVE AMOUNTS USING A MINUS SIGN.**

Instructions for a Partnership

Items of income and deductions are reported on a Federal Form 1065, Schedule K as flow-through items to the partners. These instructions explain how federal Schedule K amounts are treated on the Form NH-1065 at the partnership level.

Lines 1(a) through 1(k) are additions to income to determine partnership gross business profits.

LINE 1(a) Ordinary business income (loss) Schedule K, Line 1.

LINE 1(b) Rental real estate activity, Schedule K, Line 2.

LINE 1(c) Schedule K, Line 3(c) other rental income not from a rental activity and not reported on Form 8825. Often partnership property is rented to customers or to partners for a cost. Expenses associated with this activity are allowed as a deduction. The net income (loss) is reported on Line 1(c). The gain or loss from the sale of an asset used as a rental as reported on line 17 of Federal Form 4797 is reflected on Line 1(c).

LINE 1(d) Schedule K, Line 4 guaranteed payments to partners. This line includes payments for salaries, health insurance, and interest paid to a partner that is deducted by the partnership. Deferred compensation plans are not included here. Some payments may be capital in nature. All guaranteed payments are added back on Line 1(d). Payments to partners that are considered business expenses of the partnership may be deducted as business expenses on Line 1(a).

LINE 1(e) Report interest income related to portfolio investments, Federal Form 1065 Schedule K, Line 5.

LINE 1(f) Schedule K, Line 6(a) dividend income.

LINE 1(g) Schedule K, Line 7 royalty income received by the partnership.

LINE 1(h) Schedule K, Line 8 short term capital gain net of losses, but not less than zero, for Form NH-1065 purposes, from Federal Form Schedule D is reported on Line 1(h). If the result is a net short term loss, report the result in the box to the left of the calculation row.

LINE 1(i) Schedule K, Line 9(a) net long term capital gains, but not less than zero, net of short term losses from Line 1(h) above, for Form NH-1065 purposes, from the Federal Form Schedule D are reported on Line 1(i). Excess capital losses must be carried back three years to offset prior capital gains. Refunds of taxes are allowed in prior years if the claim for refund is made for the third prior year within three years from the due date of the tax for the third prior year and then may be carried forward for 5 succeeding years.

LINE 1(j) Schedule K, Line 10 net gains or losses from the sale of assets used in the business (IRC §1231) assets are reported on Line 1(j).

LINE 1(k) Schedule K, Line 11 any other item of income not reported above is reported here. Such items as other portfolio income not reported as interest, ordinary dividends, royalty, cancellation of debt, and capital gain (loss) on prior add backs to partnership income on the NH-1065 are reported on Line 1(k).

Deductions to income to determine partnership Gross Business Profits

Line 1(l) Enter the amount of any other item of income (loss) not reported on Federal Form 1065, Schedule K, that should be included in gross business profits. Sales of property for which IRC §179 expense deduction has been passed through to a shareholder would be reported here.

LINE 1(m) Deduct IRC §179 expense reported on Federal Form 1065, Schedule K, Line 12.

LINE 1(n) Schedule K, Line 13(a). Deductions for contributions to tax exempt organizations by partnerships are based on the limitations placed on individuals by the Internal Revenue Code. Report contributions that are business expenses on Line 1(m).

LINE 1(o) Schedule K, Line 13(b). Investment interest expense relates to assets held by the partnership that are intangible. This is deductible on the Form NH-1065 if the assets or debt is associated with the production of income for the partnership.

LINE 1(p) Schedule K, Line 13(c). The IRC §59(e)(2) expenditures are deductible on the Form NH-1065.

LINE 1(q) Schedule K, Line 13(d). This line includes only business expenses allowed as deductions for BPT adjustment not reported on Schedule K Lines 12, 13(a), 13(b)



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or 13(c). Non allowed expenses are items such as dependent care expenses, charitable contributions (non-business), and educational assistance benefits. These disallowed expenses, which are not deductible as a business expense, may be considered as compensation paid based on the reasonable compensation deduction of the partnership. Also, the Domestic Dividend Production Activities Deduction would not be allowed as it does not reflect the Internal Revenue Code (IRC) of 1986 in effect on December 31, 2000.

LINE 1(r) Schedule K, Line 16(l) foreign taxes paid are deductions that have been sourced at the partner level which the State would source back to the partnership. Foreign taxes paid or accrued deducted on this Line would be an add back to income on Additions and Deductions Line 6(b).

LINE 1(s) Combine Lines 1(a) through 1(l) and from the result subtract Lines 1(m) through 1(r).

LINES 2(a) through 2(g) are adjustments necessary to increase or decrease gross business profits to reflect the Internal Revenue Code (IRC) of 1986 in effect on December 31, 2000.

Every business organization which commences business after 12/31/2000, or has been in New Hampshire prior to 12/31/2000 and has availed their business of federal changes after 12/31/2000, must account for the differences between the IRC in effect on 12/31/2000 and the changes made to that Code by Congress from 1/1/2001 to the end date of this tax period except for the IRC §179 Deduction. The adjustments on lines 2(a) through 2(g) reflect the adjustments that are necessary to account for the changes. If a taxpayer seeks to report a necessary adjustment that has not been delineated in other sections of Line 2, attach an explanation for either Line 2(c) or 2(e).

The statutory requirement to follow the 12/31/ 2000 IRC has significant impact on the tax basis of assets used in businesses operating within New Hampshire, and also within and without New Hampshire. A separate accounting of the New Hampshire tax basis must be maintained for depreciation purposes and for determination on the gain or loss in the event of the sale of business assets. The Department website has provided a link to IRS forms and instructions for business deductions, depreciation, and basis of assets as determined on 12/31/2000 to aid in the preparation of the Business Profits Tax return.

LINE 2(a) Add the amount of IRC §179 expense taken on the Federal Return in excess of \$25,000 for property placed in service on or after January 1, 2012 deducted on Line 1(l) of this form including carryover amounts deducted in the taxable period.

LINE 2(b) Add the amount of bonus depreciation taken on the Federal Return for assets placed in service this period. Bonus depreciation, allowed federally under IRC §168(k), is not allowed on the NH-BPT return.

LINE 2(c) Add any other deductions taken on the Federal Return that need to be eliminated or adjusted due to revisions to the IRC in effect on 12/31/2000.

LINE 2(d) Deduct additional depreciation related to IRC §179 and bonus depreciation not allowed for this tax year or for prior tax years. Because there may be a basis difference between the federal and state treatment of IRC §179 expense, and bonus depreciation, the regular depreciation allowed under IRC §167 and IRC §168 may be different than that deducted on the Federal Return. Recalculate your allowable depreciation and deduct the difference on this line.

LINE 2(e) Deduct any other items included on the Federal Return that are required to be eliminated or adjusted due to revisions to the IRC in effect on 12/31/2000.

LINE 2(f) Increase or decrease the net gain or loss on the sale of assets used in the business which have a different state adjusted basis from the tax adjusted basis reported on the Federal Return. Because there may be a basis difference between the federal and state treatment of IRC §179 expense, and bonus depreciation, the regular depreciation allowed under IRC §167 and IRC §168 may be different on the Business Profits Tax Return than that deducted on the Federal Return. This may create a different adjusted basis to assets used in the business which have not been completely depreciated, and thus a different gain or loss for state reporting than that reported on the Federal Return on the sale of business assets. Recalculate the gain or loss and place the difference on this line.

LINE 2(g) The sum of Lines 2(a) through 2(c), minus Lines 2(d) and 2(e), adjusted by Line 2(f); if negative result, use a minus sign.

LINE 3 Subtotal Line 1(r) and Line 2(g).

LINE 4 Separate entity adjustments to income or expense, attach worksheet. Enter the amounts which arise from the necessity of adjusting Gross Business Profits to accommodate the New Hampshire requirement of separate entity treatment for business organizations.

LINE 5 Gross Business Profits (combine Line 3 and Line 4).

LINE 6(a) Deduct interest or dividend income that is subject to taxation under RSA 77. Deduct the amount of the interest and dividends reported on the Interest and Dividends Tax return (Form DP-10) on this line.

Partnerships, LLC's, associations, and fiduciaries whose gross interest and dividends do not exceed \$2,400 are not subject to the Interest and Dividends Tax. See RSA 77:3, 1(b). If the amount of Interest and Dividends exceeds \$2,400, the entity may be subject to the Interest and Dividends Tax. The application of the term "subject to tax" is not affected by the proportionate amount taxed related to a New Hampshire inhabitant partner(s). See RSA 77:14-a.

LINE 6(b) Deduct interest income earned resulting from investments in direct United States obligations, net of expenses, on this line.

Federal obligations are exempt from tax by states or their political subdivisions when obligations are issued to secure credit to carry on the necessary functions of government. Exempt U.S. Government interest claimed as a deduction must be reduced by the following expenses if the expenses were claimed as deductions in arriving at your federal taxable income:

- interest on money borrowed to purchase or carry the bonds or securities; and
- ordinary and necessary expenses paid or incurred in connection with producing exempt income.

These expenses may also be added back on Line 6(f), do not add back twice.



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LINE 6(c) Deduct reasonable compensation for personal services performed by a proprietor, partner, or member for the business organization. A partnership or proprietorship whose partner(s), or proprietor perform services for the business organization may take a reasonable compensation deduction on the business organization's Business Profits Tax Return for that service. If the compensation deduction exceeds \$75,000, then the business organization must maintain business records to demonstrate that the deduction is reasonable.

If a business organization was unable to take a reasonable compensation deduction in a prior year(s) due to insufficient business profits, the business organization may adjust this year's compensation deduction to reflect the under-compensation in the prior year(s). However, the business organization must maintain records sufficient to demonstrate that intention.

The amount of the deduction cannot reduce taxable business profits to less than zero.

Reasonable compensation may also include an amount up to 15% of the gross selling price of a business asset. This amount must represent a commission attributable to the efforts of a partner or proprietor to sell that asset.

LINE 6(d) Add income taxes or franchise taxes measured by income. Add, on this line, deductions for taxes that have been taken on the Federal Return for any state, or subdivision of a state, or foreign taxes based on or measured by net income.

The Business Enterprise Tax (BET) is not based on or measured by net income and is not added back. Business Profits Tax (BPT) is based on net income and must be 3 added back, if a deduction for BPT has been taken on your Federal Return.

LINE 6(e) Deduct wage adjustment required by IRC §280C. Deduct the wages or salaries paid or incurred for the taxable year which is equal to the sum of the credits determined for the taxable year under IRC §45A(a), §51(a), §1396(a), §1400P(b), and §1400R.

LINE 6(f) Add expenses related to constitutionally exempt income. Expenses that are incurred to produce income that is constitutionally exempt from taxation in New Hampshire must be added back to gross business profits. These expenses include such items as interest expense and other expenses incurred to earn interest from investments in direct U.S. obligations. This add back also includes expenses related to the production of non-unitary income not included on this return.

LINE 6(g) A deduction is allowed for the contribution of scientific equipment or apparatus to an educational organization or institute of higher education equal to the sum of the taxpayer's basis in the contributed property plus 50 percent of the unrealized appreciation, or twice the basis of the property, whichever is less.

LINE 6(h) Deduct the allowable net operating loss carry forward from a prior year on this line. Use Form DP-132 to calculate this deduction.

The Net Operating Loss Deduction (NOLD) must be apportioned to the taxable period(s) in which the loss occurred to determine the amount of the carry forward based on the apportionment determined on the Form DP-80. Form DP-132 must be attached for this deduction. You must report the NOLD available and the amount of NOLD to be carried forward.

LINE 6(i) The following adjustments are required to account for the increase in the basis of assets federally due to the sale or exchange of an interest in the business organization:

Line 6(i) - A: Report the amount of the increase in the basis of assets federally, attributable to the sale or exchange of an interest in the business organization. If multiple sales or exchanges, provide an aggregated figure, check the appropriate box(es) below, and attach a schedule of transactions.

Checkbox: If making an election pursuant to RSA 77-A:4, XIV (b) to recognize the basis increase for any sale or exchange reported on Line 6(h) - A, check the "Yes" box. If reporting elections for multiple transactions check the "Yes" box and attach a schedule reporting the details for each transaction.

Line 6(i) - B: If not making an election pursuant to RSA 77-A:4, XIV (b) to recognize the basis increase for a sale or exchange reported on Line 6(h) - A, deduct the basis increase associated with the sale(s) or exchange(s) for which an election is NOT being made. If multiple sales or exchanges provide an aggregated figure and attach a schedule of transactions.

Line 6(i) - C: Add the amount of depreciation claimed on the federal return that is attributable to an increase in the basis of assets that has not been recognized for NH purposes pursuant to RSA 77-A:4, XIV (a)(1).

For sales or exchanges occurring on or after January 1, 2016, an entry on this line is required to account for federally reported depreciation attributable to an increase in the basis of assets attributable to a sale or exchange transaction where an election to recognize the basis increase pursuant to RSA 77-A:4, XIV (b) was not made in the current taxable period, or a prior taxable period, for the economic life of the asset(s) in question.

For sales or exchanges occurring before January 1, 2016, an entry on this line is required to account for federally reported depreciation attributable to an increase in the basis of assets attributable to a sale or exchange transaction where an addition to gross business profits was not made in accordance with Rev 302.02, for the economic life of the asset(s) in question.



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Line 6(i) - D: Adjust the gain or loss with respect to the sale of assets to account for an increase in the basis of assets that was not recognized for NH purposes pursuant to RSA 77-A:4, XIV (a)(2).

For sales or exchanges occurring on or after January 1, 2016, an entry on this line is required to account for federally reported depreciation attributable to an increase in the basis of assets attributable to a sale or exchange transaction where an election to recognize the basis increase pursuant to RSA 77-A:4, XIV (b) was not made in the current taxable period, or a prior taxable period, upon the sale or disposition of the asset(s) in question.

For sales or exchanges occurring before January 1, 2016, an entry on this line is required to account for federally reported depreciation attributable to an increase in the basis of assets attributable to a sale or exchange transaction where an addition to gross business profits was not made in accordance with Rev 302.02, upon the sale or disposition of the asset(s) in question.

Enter the cumulative total of all items and adjustments reported on lines 6(i) - A through 6(i) - D.

LINE 6(j) Add the amount of the increase in the basis of assets required under the IRC which was due to the sale or exchange of interest in the business organization.

The gain associated with the sale or exchange of an interest in a business organization is reported in New Hampshire at the entity level. The amount reported is the difference between the basis the owner has in the business organization and the increased realized and recognized value of the underlying assets in the business organization for which the interest was sold or exchanged.

LINE 6(k) Add Qualified Investment Company (QIC) holder's proportional share of QIC profits on this line. A business organization which holds an interest in a QIC must add to gross business profits its share of the QIC profits for the year, losses are not deducted. If the QIC makes a distribution, do not include the distribution in gross business profits of the interest holder.

LINE 6(l) Net Lines 6(a) through 6(k).

LINE 7 Adjusted Gross Business Profits
Combine Lines 5 and 6(k).

LINE 8 NEW HAMPSHIRE APPORTIONMENT

Business organizations which have business activity, including rental activity, both inside and outside this state AND which are subject to income taxes (or a franchise tax measured by net income) in another state, or are subject to the jurisdiction of another state to impose a net income tax or capital stock tax upon it, whether or not actually imposed by the other state, must apportion gross business profits to New Hampshire by using Form DP-80, Apportionment of Income. Form DP-80 may be obtained from the Department's website at: www.revenue.nh.gov/ or by calling the Forms Line at (603) 230-5001. After completing Form DP-80, enter the apportionment to six decimal places on Line 8. All others enter 1.00 on Line 8. A business organization whose activities do not exceed the protection of P.L. 86-272 shall claim the exemption by checking the box and entering 0.00 on Line 8.

LINE 9

Enter the product of Line 7 multiplied by Line 8. If negative, enter zero.

LINE 10

Enter the product of Line 9 multiplied by 8.2%.

CALCULATE YOUR CREDITS

LINE 11 CREDITS

LINE 11(a) If you have paid the BET in this year or have carryover BET credits from the prior 5 years and have no other credits, enter the BET credit here.

LINE 11(b) If you have credits in addition to the BET credit enter the total credits available on this line. Do not also enter BET credits on Line 11 (a). Attach Form DP-160; only available to those entities that have more than one credit available.

LINE 12 New Hampshire Business Profits Tax Net of Statutory Credits (Line 10 minus Line 11(a) or Line 11(b)). The amount cannot be less than zero.

Enter the amount from Line 12 on Line 1(b) of the NH BT-Summary Form.

THIS RETURN MUST BE FILED WITH THE BT-SUMMARY AND ALL APPLICABLE FEDERAL SCHEDULES.