SCHEDULE O — BALANCE SHEETS

ASSETS	Beginning of taxable year (A) Amount	Beginning of taxable year (B) Total	End of taxable year (C) Amount	End of taxable year (D) Total
1. Cash		$ 12,460.02		$ 12,460.02
2. Notes and accounts receivable	$		$	
(a) Less: Reserve for bad debts				
3. Inventories				
4. Investments in Government obligations				
5. Other current assets (attach schedule)				
6. Loans to stockholders				
7. Other investments (attach schedule)				
8. Buildings and other fixed depreciable assets	$ 13,789.98		$ 13,789.98	
(a) Less: Accumulated amortization and depreciation		13,789.98		13,789.98
9. Depletable assets	$		$	
(a) Less: Accumulated depletion				
10. Land (net of any amortization)				
11. Intangible assets (amortizable only)	$		$	
(a) Less: Accumulated amortization				
12. Other assets (attach schedule)				
13. Total assets		$ 26,250.00		$ 26,250.00
LIABILITIES AND CAPITAL				
14. Accounts payable		$		$
15. Mortgages, notes, and bonds payable in less than 1 year		1,250.00		1,250.00
16. Other current liabilities (attach schedule)				
17. Loans from stockholders				
18. Mortgages, notes, and bonds payable in 1 year or more				
19. Other liabilities (attach schedule)				
20. Capital stock:				
(a) Preferred stock	$		$	
(b) Common stock	25,000.00	25,000.00	25,000.00	25,000.00
21. Paid-in or capital surplus				
22. Surplus reserve (attach schedule)				
23. Earned surplus and undivided profits				
24. Total liabilities and capital		$ 26,250.00		$ 26,250.00

SUPPLEMENTAL INFORMATION
(To be supplied by all corporations)

1. Did the corporation at any time during its income year own 50 per cent or more of the voting stock of another corporation or corporations? No If so, attach separate schedule showing with respect to each corporation (1) name and address of corporation, (2) percentage of stock owned, and (3) date stock was acquired.

2. Is 50 per cent or more of the voting stock of this corporation owned by another corporation? No If so, give name and address of such other corporation together with per cent of stock held

3. Was the corporation in any way an outgrowth of any prior business? Yes Give name and address of each predecessor business, and date of the change in equity. H. Tracy Hall, a proprietorship - August 30, 1972

4. Is this return made on the basis of cash receipts and disbursements? No If not, describe fully which other basis or method was used in computing net income. Accrual method

5. Indicate federal income tax form used in reporting this year's income to Internal Revenue Service. ☐ Form 1120 ☒ Form 1120-S

6. What is the latest year or years for which a Federal examination has been completed? NONE Attach a summary of the Federal adjustments and the adjusted Federal tax liability for each year for which Federal audit adjustments have not already been reported to the Tax Commission, and indicate date of final determination.

7. (a) With respect to what year or years are Federal examinations now in progress, or final determinations of past examinations still pending? NONE

(b) With respect to what year or years have extensions for period of proposing additional assessments of Federal tax been agreed to with the Internal Revenue Service? NONE Attach schedule giving complete details.

NOTE: Automatic extension of statute of limitations is provided by Section 59-13-40 of the Utah Code for failure to report fully the information required by Questions 6 and 7.

SUPPLEMENTAL INFORMATION

(To be supplied by all corporations that claim part of their net income is assignable to business done outside Utah. Attach list of all states in which the corporation is doing business and filing state corporation income or franchise tax returns.)

8. Does the corporation maintain a bona fide office, store, factory, or other regular and established place of business outside Utah? ☐ Yes ☐ No If principal place of business is in Utah, attach schedule showing address of each corporate place of business outside Utah.

9. Did the corporation during the taxable year:

(a) Own any real property outside Utah? ☐ Yes ☐ No

(b) Own any tangible personal property outside Utah other than inventories of stock in trade? ☐ Yes ☐ No

(c) Own any inventories of stock in trade outside Utah? ☐ Yes ☐ No

(d) Have employees chiefly situated at, connected with, or sent out from premises for the transaction of business which are owned or rented by the corporation outside Utah? ☐ Yes ☐ No

(e) Did you file a corporation franchise or income tax return with any other state for this period? ☐ Yes ☐ No

10. If answers to any of Questions 8, 9 (d), or 9 (e) above are "no," attach schedule explaining in detail the nature of the activities of your corporation outside Utah.

11. (a) If this is a "first return," attach a statement explaining in full the nature of the business activity conducted by the corporation both within and outside Utah.

(b) Date business commenced in Utah

12. Has there been any change in the nature or method of operations or types of activities engaged in by the corporation, either within or outside Utah during the period covered by this return? ☐ Yes ☐ No If answer is "yes," attach a statement giving full details.

FIRST RETURN

TAXPAYER'S COPY

1971

Form TC-20

Completed Return is to be filed with or mailed to
STATE TAX COMMISSION OF UTAH
State Office Bldg.
Salt Lake City, Utah 84114

Returns made on the basis of the calendar year 1970 shall be filed with the State Tax Commission, State Office Bldg., Salt Lake City, Utah 84114, on or before April 15, 1972. Returns made on the basis of a fiscal year shall be filed on or before the fifteenth day of the fourth month following the close of the fiscal year.

STATE OF UTAH
CORPORATION FRANCHISE TAX RETURN
For Calendar Year 1971

or other taxable year beginning Aug 30, 1972, ending Aug 31, 1972

H. Tracy Hall, Incorporated
1711 North Lambert Lane
Provo, Utah 84601

(If name, address and zip code are incorrectly printed in above space, please correct)

Kind of business Research
Date of incorporation 8/30/72
Under laws of Utah

Is this a consolidated return of three or more corporations? No (See inst. 11)
Did the corporation do business elsewhere than in Utah? No If so, see instruction 12

State the address of the corporation's principal place of business in Utah
The corporation's principal place of business, if other than Utah

IMPORTANT — All applicable lines and schedules must be filled in. If the lines on the schedules are not sufficient, attach Schedule.

GROSS INCOME

1.	Gross receipts or gross sales $ Less: Returns and allowances $	$
2.	Less: Cost of goods sold (Schedule A) and/or operations (attach schedule)	
3.	Gross profit	$
4.	Gross receipts (where inventories are not an income-determining factor) Attach Schedule	
5.	Interest	
6.	Rents, Royalties from property and lease income	
7.	Royalties from the use of patents	
8.	Profit from sale of real estate, stocks, bonds, and other capital assets. (From schedule B)	
9.	Dividends: Domestic (U.S.) $ Foreign $	
10.	Other income (State nature of income):	
	(a) Federal tax refunds	
	(b)	
11.	TOTAL income, lines 3 to 10 inclusive	$

DEDUCTIONS

12.	Compensation of officers (From schedule C)	$
13.	Salaries and wages (not deducted elsewhere)	
14.	Rent	
15.	Repairs	
16.	Bad Debts (From schedule D)	
17.	Interest	

1969								
1970								

Check whether deduction claimed represents worthless debts charged off ☐, or is an addition to reserve ☐.

SCHEDULE E — TAXES (See instruction 14)

Line	Kind of Tax			Line	Kind of Tax	
1a	Federal income taxes for the year ended 19			6		$
1b	Normal tax and surtax	$		7		
2	Less: Foreign tax credit	$		8		
3	Investment credit			9		
4	All other credits			10		
5	Net Federal income tax deduction	$			Total—Lines 5 to 10—Enter as item 18	$

SCHEDULE F — DEPRECIATION (See instruction 15)

1. Kind of property (if buildings, state material of which constructed). Exclude land and other nondepreciable property. List assets in groups by depreciation method.	2. Date acquired	3. Costs or other basis (exclude land)	4. Depreciation allowed (or allowable) in prior years	5. Method of computation	6. Rate (%) or life (years)	7. Depreciation this year
		$	$			$
TOTAL (Enter as item 20, page 1)						$

SCHEDULE L — RECONCILIATION OF NET INCOME AND ANALYSIS OF CHANGES IN SURPLUS

1. Total distributions to stockholders		8. Earned surplus and undivided profits at close of preceding taxable period (from schedule O)	$
(a) Cash	$	9. Net income (item 24, page 1 of return)	
(b) Stock of the corporation		10. Nontaxable income (schedule):	
(c) Other property			
2. Unallowable deductions:		11. Charges against surplus and reserves deducted from income in the return (schedule):	
(a) Utah Corporation Franchise tax			
(b) Contributions—excess over limitation See instructions			
(c) Other unallowable deductions (schedule)			
3. Additions to reserves debited to profit and loss but not deducted from income in the return (schedule).		12. Deductions for tax purposes not recorded on the books (schedule):	
4. Income reported for tax purposes not credited to profit and loss on the books (schedule).			
5. Sundry debits to earned surplus (schedule).		13. Sundry credits to earned surplus (schedule):	
6. Earned surplus and undivided profits at close of taxable period (from schedule O).			
7. Total of items 1 to 6	$	14. Total of items 8 to 13	$

Note: Item 7 must agree with item 14.

SCHEDULE M — RECONCILIATION WITH NET INCOME PER BOOKS AND PER FEDERAL RETURN

Net income per books		$
ADD: Total of items 2, 3, and 4 of schedule L		
Total		$
DEDUCT: Total of items 10, 11, and 12 of schedule L		
Net income per Utah return—line 24, page 1		$
ADD: Federal taxes (not deductible on federal return)	$	
Excess of capital loss over amount allowable on federal return		
Other additions (list)		
Total additions		
TOTAL		$
DEDUCT: Utah Franchise tax (not allowable on state return)	$	
Contributions (excess over amount allowable on state return)		
Interest exempt or partially exempt on federal return		
Federal loss carry-over (not allowable on state return)		
Other deductions (list):		
Total deductions		
NET TAXABLE INCOME PER FEDERAL RETURN		$

SCHEDULE N — ALLOCATION OF INCOME (To be used only if taxable in another state — See instruction 12)

APPORTIONMENT FRACTION

Item No.		In Utah (a)	In and outside Utah (b)	Fraction (a)÷(b)
	TANGIBLE PROPERTY (See Instruction No. 3)			
1.	(a) Land	$	$	
	(b) Depreciable assets			
	(c) Inventory and supplies			
	(d) Rented property			
2.	Total tangible property	$	$	
	WAGES, SALARIES, COMMISSIONS, OR OTHER COMPENSATION (See Instruction No. 4)	In Utah (a)	In and outside Utah (b)	Fraction (a)÷(b)
3.	Total expenditures for wages, salaries, commissions or other compensation	$	$	
	GROSS RECEIPTS FROM BUSINESS (See Instruction No. 5)	In Utah (a)	In and outside Utah (b)	Fraction (a)÷(b)
4.	Receipts and sales	$	$	
5.	Total of items 2, 3 and 4			
6.	Apportionment fraction (item 5 divided by three)			

SPECIFIC ALLOCATION OF "NON-BUSINESS" RENTS AND ROYALTIES, INTEREST, DIVIDENDS, AND CAPITAL GAINS OR LOSSES

Net Income Class	Amount Allocated To Utah		Amount Not Allocated To Utah	
(See Instructions 6 and 7)	Gross (a)	Net (b)	Gross (c)	Net (d)
7. Rents less related expenses	$	$	$	$
8. Interest less related expenses				
9. Dividends less related expenses				
10. Gains or losses from sale of non-business assets				
11. Total rents, interest, dividends, and capital gains		$		$

Attach schedule showing details of related expenses deducted in each of the above items in reducing gross figures to net amounts (See Instruction 7)

APPORTIONMENT OF REMAINDER OF NET INCOME

12. Total net income (item 24 of page 1)		$
13. Less (a) Amount from line 11 (b) above	$	
(b) Amount from line 11 (d) above		
(c) Total		
14. Remainder of net income, subject to apportionment (item 12 minus item 13(c))		$
15. Portion of remainder of net income allocated to Utah (item 14 multiplied by item 6)		$

NET INCOME ALLOCATED TO UTAH

16. Rents, interest, dividends, and capital gains allocated to Utah (item 13 (a))	$
17. Portion of remainder of net income allocated to Utah (item 15)	$
18. Net income allocated to Utah — Enter as item 25 on page 1	$

UTAH CORPORATION FRANCHISE TAX

REGULATION NO. 2

FIRST RETURNS

Note Importance of the First Return

The corporation franchise tax liability for two periods is determined on the basis of the first return.

1. For the period covered by the return, and

2. For the succeeding twelve-month period.

To establish a reporting period other than the calendar year, the fiscal period must be selected on or before the due date for filing the first return on the basis of the fiscal year desired. A taxable year once established, whether calendar year or fiscal year, can thereafter be changed only with permission of the Tax Commission.

Effective January 1, 1969

UTAH CORPORATION FRANCHISE TAX REGULATION NO. 2, AS AMENDED

FIRST RETURN

1. General statement of liability.

Section 59-13-21 of the Utah Code requires a corporation which is qualified or incorporated in this state, or which commences to do business in this state, to prepay the minimum tax of $ 25.00 upon incorporation or qualification, and to file a return within three months and fifteen days after the close of its first taxable year. This "first return" is used as the basis for determining the franchise tax both for the period covered by the return and for the succeeding twelve-month period.

2. Unqualified foreign corporation doing business in the state.

An unqualified foreign corporation doing business in this state must file a return for the period beginning with the date of commencing to do business in this state and terminating with the last day of its fiscal period. The liability for the franchise tax in connection with this "first return" will be computed in the same manner as in the case of a qualified corporation. The corporation must file a return and pay the tax thereon due for each successive fiscal period during which the corporation does business in this state. (See Sections 4 and 5 of this regulation and Sections 16-10-120 and 59-13-21 of the Utah Code.)

3. Adoption of reporting period (Taxable Year).

Section 59-13-15 of the Utah Code provides that "the net income shall be computed upon the basis of the taxpayer's annual accounting period (fiscal year or calendar year as the case may be) in accordance with the method of accounting regularly employed in keeping the books of such taxpayer.....", and provides for a calendar year basis unless a fiscal year has been established by the taxpayer.

In order to establish a fiscal year as the basis of reporting for Utah corporation franchise tax purposes, such fiscal year must be adopted on or before the due date for filing the return (not including extensions). The Tax Commission must be notified in writing on or before such date of the fiscal period selected. The filing of a return on or before such due date will constitute such notification, provided the return clearly indicates the fiscal period selected.

A corporation newly incorporated or qualified in this state, or commencing to do business in this state whether or not qualified here, which fails to give notification of the fiscal period desired within the time set forth above must file its returns on the calendar year basis.

Once the calendar year or a given fiscal year has been adopted or established as the reporting period (taxable year) as provided herein, it may thereafter be changed only with permission of the Tax Commission.

4. Period to be covered by first return.

The period covered by a "first return" shall commence, in the case of a Utah corporation, with the date of incorporation; i.e., the date on which the certificate of incorporation is issued by the Secretary of State as provided by Section 16-10-51 of the Utah Code; and shall terminate with the last day of its reporting period.

In the case of foreign corporation, the "first return" shall commence with the date of qualification or the date of commencing to do business in this state, whichever is the earlier, and shall terminate with the last day of its reporting period.

5. Computation of tax due on first return.

The corporation franchise tax for the period covered by the return is either 6% of the net income for the period covered by the return assignable to business done in Utah; or, $ 25.00 which ever is greater.

The corporation franchise tax for any part or all of the following twelve-month period is computed by reference to the tax due for the first taxable period. The tax for the second period is an amount which bears the same ratio to the sum determined to be the tax for the period covered by the return, disregarding the $ 25.00 minimum, as 12 bears to the number of months included in the return period, but in no event may the tax for the second period be less than $ 25.00.

UTAH CORPORATION FRANCHISE TAX

REGULATION NO. 2

SUPPLEMENTAL INFORMATION AND EXAMPLES

1. Period to be covered by the First Return.

The first return may cover a period of less than twelve calendar months, but the period covered by such a return may not exceed twelve calendar months. In either case, the period must end on the last day of a calendar month.

The first return period begins with the date of incorporation in the case of a domestic corporation. Activity prior to date of incorporation must be reported on individual income or partnership returns, or of such other entity as may be appropriate in the circumstances of the particular case.

The first return period begins, in the case of a foreign corporation, with the date of qualification or the date of commencing to do business within the state, whichever is the earlier.

The first return period ends with the last day of the calendar month of the particular fiscal or calendar year adopted or established as the reporting period by the taxpayer.

2. Adoption of Reporting Period (Taxable Year).

The first return must be filed on the calendar year basis unless a timely election of a fiscal year basis has been made.

A fiscal year may be established as the reporting period by written notice to the Tax Commission of the fiscal period desired. Such notification must be made on or before the due date for the filing of a return on such a fiscal basis, not including extensions.

The timely filing of the first return on either the calendar year or the fiscal year basis constitutes an election of the reporting period on the basis of which such return is made.

Once the calendar year or a given fiscal year has been established as the reporting period for Utah corporation franchise tax purposes, it may thereafter be changed only with the permission of the Tax Commission.

3. Examples of Tax Computations for the First and Second Taxable Periods.

Example A

(Corporation Franchise Tax Computed on Income Base for the Period Covered by the Return)

A corporation which incorporated or qualified to do business in Utah under date of April 1, 1969, and which is on the calendar year basis of reporting, made a profit of $ 4,500.00 from April 1, 1969 to December 31, 1969, the tax would be computed as follows:

Tax for the Period April 1, 1969 to December 31, 1969

$ 4,500.00 x 6%	=	$ 270.00

Tax for the Period January 1, 1970 to December 31, 1970

$ 270.00 x 12/9	=	$ 360.00

Example B

($ 25.00 Minimum Corporation Franchise Tax Due for the Period Covered by the Return)

A corporation which incorporated or qualified to do business in Utah on December 1, 1969, and which is on the calendar year basis of reporting, had a net income allocated to Utah for the month of December, 1969 of $ 200.00. The tax computed thereon would be $ 12.00 which is less than the $ 25.00 minimum. The tax would be computed as follows:

Tax for the Period December 1, 1969 to December 31, 1969

Minimum tax	=	$ 25.00

Tax for the Period January 1, 1970 to December 31, 1970

$ 12.00 x 12/1	=	$ 144.00

Example C

(Minimum Tax due for Both the First and Second Taxable Periods)

In the illustration of Example B above, the minimum tax of $ 25.00 applied for the first period, and a larger amount than $ 25.00 was due for the second period.

In case the second period's tax computation produced a figure of less than $ 25.00, the minimum tax of $ 25.00 would also apply for the second period, and the total tax due for the two periods would be $ 50.00.

The tax for any period cannot be less than the $ 25.00 minimum provided by the statute.

Example D

(Use of Number of Days in Computation of Tax for the Second Taxable Period)

A corporation which incorporated or qualified to do business in Utah on April 3, 1969, and which is on the calendar year basis of reporting, had taxable net income allocated to Utah for the period April 3, 1969 to December 31, 1969 of $ 9,100.00.

Since the period covered by the first return involves a fractional part of a month, recourse would be had to the actual number of days in computing the tax for the second taxable period, as follows:

Tax for the Period April 3, 1969 to December 31, 1969

$ 9,100.00 x 6%	=	$ 546.00

Tax for the Period January 1, 1970 to December 31, 1970

$ 546.00 x 365/273	=	$ 730.00

Example E

(Schedule to be attached to the First Return)

Credit will be allowed on the return for the first year for the prepayment of $ 25.00 made at time of incorporation or qualification. The tax for the first taxable year is due in full on or before the due date of the return (three months and fifteen days after the close of the first taxable period). The tax for the second taxable year may be paid quarterly, if desired. The first quarterly installment is due on or before the due date of the return. If the installment basis is not desired for payment of the second period's tax, the entire amount of the tax for both the first and second periods, less credit for the $ 25.00 prepayment, should be remitted with the return.

The first return will be filed on the usual Form TC-20, and schedule attached showing the computation of the tax for the first and second periods, in somewhat the following form:

<u>Tax for the First Taxable Year (July 1, 1969 to December 31, 1969)</u>

$ 1,000.00 x 6%	=	$ 60.00

<u>Tax for the Second Taxable Year (January 1, 1970 to December 31, 1970)</u>

$ 60.00 x 12/6	=	120.00
Total Tax for the First and Second Taxable Years		$180.00

Amount remitted with return:

Tax for first taxable year (as above)	$ 60.00
Less prepayment upon incorporation	25.00
Balance of first year's tax	$ 35.00
Add one-quarter second year's tax	
(1/4 of $ 120.00)	30.00
Remittance attached	$ 65.00

INSTRUCTIONS RESPECTING ALLOCATION OF INCOME

1. ASSIGNMENT OF INCOME—STATUTORY METHOD. If the corporation is taxable outside this state, its income, after making certain specific allocations as set forth herein is subjected to apportionment on the basis of the three factor apportionment formula: (1) tangible property, (2) wages, salaries, commissions and other compensation, and (3) sales.

2. APPORTIONMENT FRACTION. The rates per cent (carried out to at least five decimal places) for tangible property in Utah (line 2); for wages and salaries in Utah (line 3); and for gross receipts and sales in Utah (line 4) are to be added together (line 5) and divided by 3 to arrive at the Utah apportionment fraction (line 6). This fraction is to be applied to the remainder of net income (or loss) on line 14 to arrive at the amount of the apportionable income which is to be allocated to Utah.

Occasionally, a corporation may have no tangible property either in Utah or outside; some other factors may be lacking; or because of some peculiar aspect of the business operations, one or more of the factors may be so distorted that a reasonable allocation of income would not result. In such cases, the matter should be called to the attention of the Tax Commission for a determination of what adjustments should be made.

3. PROPERTY FACTOR. Show the average value during the taxable year of real and tangible personal property used in the business within this state (including leased property) and the average value during the taxable year of such property used in the business everywhere. Property owned by the taxpayer is valued at its original cost. Property rented by the taxpayer is valued at eight times the net annual rental rate. Net annual rental rate is the annual rental rate paid by the taxpayer less any annual rental rate received by the taxpayer from sub-rentals. The average value of property shall be determined by averaging the values at the beginning and ending of the tax period but the Commission may require the averaging of monthly values during the tax period if reasonably required to reflect properly the average value of the taxpayer's property. If, in the computation of the property factor, the average values of properties are made up of a combination of values, for example the use of original cost on owned properties plus the value of rental or leased facilities based upon a capitalization of rents paid, or of everywhere values which cannot be checked against the balance sheets, a schedule should be attached to the return showing how these average values were computed.

4. WAGE FACTOR. Wages, salaries, and other compensation to employes for personal services to the unitary business must be included in the Utah factor to the extent that the services for which the compensation was paid were rendered in the state. Compensation is paid in the state if (1) the individual's service is performed entirely within the state: or (2) the individual's service is performed both within and without the state, but the service performed without the state is incidental to the individual's service within the state; or (3) some of the service is performed in the state and (a) the base of operations or, if there is no base of operations, the place from which the service is directed or controlled is in the state, or (b) the base of operations or the place from which the service is directed or controlled is not in any state in which some part of the service is performed, but the individual's residence is in this state. Amounts reportable for employment security purposes may ordinarily be used to determine the payroll fraction.

5. SALES FACTOR. The sales factor is the percentage that the sales or charges for services within the state for the taxable year bear to the sales or charges for services both within and without the state for the taxable year.

Sales are classed as being within Utah if the property is shipped or delivered to a purchaser within this state, regardless of the f.o.b. point or other conditions of the sale.

Charges for services are in this state to the extent that the services are performed in this state.

For purposes of this sales factor definition, a taxpayer is taxable in another state if the taxpayer would be required to pay a tax based upon or measured by net income in that state if that state adopted the tax laws of this state. State means any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, any Territory or possession of the United States, and any foreign country or political division thereof.

6. NONBUSINESS INCOME. Effective for tax years beginning on and after January 1, 1967, Utah has adopted the Uniform Division of Income for Tax Purposes Act. To the extent they constitute nonbusiness income, the following types of income will be allocated in this way:

(1) Net rents and royalties from real property located in this state are allocable to this state. Net rents and royalties from tangible personal property are allocable to this state (a) if and to the extent that the property is utilized in this state, or (b) in their entirety if the taxpayer's commercial domicile is in this state and the taxpayer is not organized under the laws of or taxable in the state in which the property is utilized.

(2) Gains and losses from sales of real property located in this state are allocable to this state. Gains and losses from sales of tangible personal property are allocable to this state if (a) the property had a situs in this state at the time of the sale, or (b) the taxpayer's commercial domicile is in this state and the taxpayer is not taxable in the state in which the property had a situs. Gains and losses from sales of intangible personal property are allocable to this state if the taxpayer's commercial domicile is in this state.

(3) Interest and dividends are allocable to this state if the taxpayer's commercial domicile is in this state.

(4) Patent and copyright royalties are allocable to this state (a) if and to the extent that the patent or copyright is utilized by the taxpayer in this state, or (b) if and to the extent that the patent or copyright is utilized by the taxpayer in a state in which the taxpayer is not taxable and the taxpayer's commercial domicile is in this state. A patent is utilized in a state to the extent that it is employed in production, fabrication, manufacturing, or other processing in the state, or to the extent that a patented product is produced in the state. A copyright is utilized in a state to the extent that printing or other publication originates in the state.

(5) Rents and royalties, interest and capital gains and losses from the sale or exchange of real and tangible or intangible personal property which are an integral part of the unitary business operations are not subject to specific allocation, and are includible within the meaning of business income. Examples are interest on customers' accounts; rental income from the subleasing of portions of the regular business premises; rental, royalty or lease income from real and tangible or intangible personal property which constitutes the taxpayer's regular trade or business or which relates thereto; management of government owned properties; and income from the disposition of real and tangible or intangible personal property used in the trade or business of the taxpayer, including gain or loss from the disposition of land and buildings, machinery and equipment, claims and leases, working interests, franchises, patents, etc. This business income must be apportioned with other income rather than specifically allocated.

7. RELATED EXPENSES. From the items of gross income from rents, interest, dividends and capital gains being specifically allocated to or outside Utah there shall be deducted the expenses related thereto. The term "expenses related thereto" as used in this paragraph means any allowable deduction or portion thereof (including Federal and state income taxes) directly attributable to such rents, interest, dividends, and capital gains, and a ratable part of any other allowable deductions (including Federal and state income taxes) which cannot definitely be allocated to some item or class of income.

The amount to be allocated to or outside Utah is the gross income from such rents, interest, dividends, and capital gains less the related expenses.

A schedule must be submitted with the return showing (1) the gross income from each class of income being specifically allocated, (2) the amount of each class of related expenses together with explanation or computations showing how amounts were arrived at. (3) the total amount of the related expenses for each income class, and (4) the net income for each income class. The schedules should, of course, provide appropriate columns as set forth above for items specifically assigned to Utah and also for items specifically assigned outside Utah.

In the assignment of Federal Taxes, losses and the so-called tax savings resulting therefrom are to be ignored, and the actual Federal tax paid or accrued is to be assigned to profit items and operations, i.e., to black figure income allocations only. (See Corporation Franchise Tax Regulation No. 13.)

STATE TAX COMMISSION OF UTAH
INSTRUCTIONS FOR CORPORATION FRANCHISE TAX RETURN 1971

1. LIABILITY FOR FILING RETURNS. A 1971 corporation franchise tax return must be filed (1) by every national bank or national banking association located within this state during any part of the year 1971. (2) by every bank or corporation not exempt under section 59-13-4 Utah Code Annotated 1953, doing business, or commencing to do business, in this state during 1971, whether qualified or not, and (3) by every bank or corporation qualified to do business in this state, not specifically exempt under section 59-13-4, and not legally dissolved or withdrawn prior to January 1, 1972, whether or not doing business in 1971.

2. PERIOD COVERED. In the case of a first return the bank or other corporation shall make its return on the basis of its annual accounting period (fiscal year or calendar year as the case may be) on which its books are kept. See tax commission regulation No. 2 regarding period to be covered by the first return.

Except in the case of the first return, the bank or other corporation shall make its return on the basis upon which the return was made for the taxable year immediately preceding unless, with the approval of the tax commission, a change is made in the accounting period.

If a bank or other corporation desires to change its accounting period from the fiscal year to calendar year, from calendar year to fiscal year, or from one fiscal year to another fiscal year, an application for such change shall be made and forwarded to the tax commission prior to thirty days before the close of the proposed taxable year.

3. TIME AND PLACE FOR FILING. The return must be filed with the tax commission on or before the fifteenth day of April following the close of the calendar year for which the return is filed; or if the return is for a fiscal year, on or before the fifteenth day of the fourth month following the close of such fiscal year. The tax commission may grant a reasonable extension of time not exceeding six months for filing a return, if application therefor is made before the date prescribed above for filing such return, whenever in its judgment good cause exists.

4. SIGNATURES AND VERIFICATION. The return shall be signed by a responsible officer of the corporation the signature of whom need not be notarized but when signed shall be deemed made under oath.

5. COMPUTATION OF TAX. If all of the net income (item 24) is assignable to business done in Utah, enter as item 26 the amount which is six per cent of item 24. If all of the net income is not assignable to business done in Utah enter as item 26 the amount which is six per cent of item 25, but in no case shall the tax be less than $25.00.

6. PAYMENT OF TAX. Make check or money order payable to the State Tax Commission. Do not send cash by mail, nor pay it in person, except at an office of the tax commission.

The tax may be paid when the return is filed, or in four equal installments (providing the return is filed on or before the date fixed for filing the return, without regard to a granted extension of time for filing) as follows: the first installment shall be paid on or before the fifteenth day of April, the second installment shall be paid on or before the fifteenth day of June, the third installment shall be paid on or before the fifteenth day of September, and the fourth installment shall be paid on or before the fifteenth day of December, following the close of the calendar year for which the return is made, or, if the return is made for a fiscal year, the first installment shall be paid on or before the fifteenth day of the fourth month, the second installment on or before the fifteenth day of the sixth month, the third installment on or before the fifteenth day of the ninth month, and the fourth installment on or before the fifteenth day of the twelfth month following the close of such fiscal year.

7. FOR FAILURE TO MAKE AND FILE A RETURN ON TIME. Penalty, 25% of the amount of the tax (section 59-13-27). Additional penalty, $100.00 (section 59-13-55). Interest at 1% per month to date of payment (section 59-13-30). No limitation date (section 59-13-41).

8. FOR WILLFUL REFUSAL TO MAKE A RETURN OR FOR WILLFULLY MAKING A FALSE OR FRAUDULENT RETURN. Penalty, 50% of the amount of tax (section 59-13-29). Additional penalty of $1000.00 (section 59-13-56), interest at 1% per month to date of payment (section 59-13-30). No limitation date (section 59-13-41). $500.00 fine or imprisonment for not more than six months or both (section 59-13-56).

9. FOR DEFICIENCY IN TAX. Interest on deficiency at 6% per annum to the date the deficiency is assessed (section 59-13-28) and, in addition, 5% of the amount of the deficiency if due to negligence or intentional disregard of the rules and regulations without intent to defraud, or 50% of the amount of the deficiency if due to fraud (section 59-13-29).

10. FOR NON-PAYMENT OF TAX. Interest at 1% per month to date of payment (section 59-13-30), and if taxes due are not paid before 5 o'clock p.m. on the last day of the eleventh month after date of delinquency, suspension of corporate rights (section 59-13-61).

11. CONSOLIDATED RETURNS. Subject to the provisions of section 59-13-23, Utah Code Annotated 1953, an affiliated group of corporations liable to taxation under the code is given the privilege of making a consolidated return in lieu of separate returns. This privilege, however, is given upon the condition that all corporations which have been members of the affiliated group at any time during the taxable year for which the return is made consent to the regulations prescribed pursuant to the authority of subsection (2) of section 59-13-23, Utah Code Annotated 1953. Tax commission regulation No. 4 covering consolidated returns will be furnished upon request. The term "affiliated group" means three or more banks or corporations, one of which may be the parent company, connected through stock ownership with a common parent bank or corporation if, at least ninety-five per cent of the stock of each of the banks or corporations, except the common parent bank or corporation, is owned directly by one or more of the other banks or corporations, and the common parent bank or corporation owns directly at least ninety-five per cent of the stock of at least one of the other banks or corporations; but it does not include any corporation which is not subject to tax under the act, nor does it include a corporation commencing to do business in this state for the period which is the basis of computing its first and second years' taxes under section 59-13-21. The term "stock" as used herein does not include non-voting stock which is both limited and preferred as to dividends.

12. NET INCOME ASSIGNABLE TO BUSINESS DONE IN UTAH. If the corporation during the taxable year was taxable in another state complete schedule N page 3 of return. Enter as item 25 page 1 the amount shown as item 18 on schedule N.

A corporation is taxable in another state if (1) in that state it is subject to a net income tax, a franchise tax measured by net income, a franchise tax for the privilege of doing business, or a corporate stock tax, or (2) that state has jurisdiction to subject the taxpayer to a net income tax regardless of whether, in fact, the state does or does not. See instructions on reverse side. Also see tax commission reg. 8.

13. BAD DEBTS. Bad debts may be treated in either of two ways —

(1) By a deduction from income in respect to debts ascertained to be worthless in whole or in part and charged off within the taxable year, or

(2) By a deduction from income of a reasonable addition to a reserve for bad debts.

The method selected must be used in returns for all subsequent years unless permission is granted to change to the other method. Application for permission to change the method shall be made in writing at least 30 days prior to the close of the taxable year for which it is desired to effect the change.

A taxpayer filing a first return of income may select either of the two methods mentioned above subject to approval by the tax commission, upon examination of the return. If the method selected is approved, it must be followed in returns for subsequent years, except as permission may be granted by the tax commission to change to the other method.

In the case of banks, see tax commission regulation No. 11, and in the case of building and loan associations, see tax commission regulation No. 11-A.

14. TAXES. Enter as item 18 taxes paid or accrued during the taxable year, Do not include any taxes paid or accrued under this act or any taxes assessed against local benefits tending to increase the value of the property assessed, nor taxes imposed upon sales by the manufacturer.

List in schedule E each class of taxes deducted.

The amount of federal income tax which may be deducted against total corporate income for Utah income or franchise tax purposes is the amount of the federal tax after all credits such as investment tax credits (current and carry-over), foreign tax credits, etc., have been deducted See tax commission regulation No. 13.

15. DEPRECIATION. The Tax Commission ordinarily will allow a corporation to deduct for Utah corporation franchise tax purposes in any given year the same amounts for depreciation and amortization as it is permitted to deduct for federal income tax purposes. The Federal Guidelines for Depreciation will in general be followed. See tax commission regulation No. 9.

16. DEPLETION. See tax commission regulation No. 12. The amount deductible on account of depletion as item 21 in the case of mines, oil and gas wells, other natural deposits, and timber, may be based on (1) the cost of the property with respect to which depletion is claimed, or, if the property was acquired prior to January 1, 1931, on the cost or the fair market value of the property on January 1, 1931, whichever is greater, or (2) thirty-three and one-third percent of the net income of the taxpayer from the property during the taxable year computed without allowance for depletion, as the taxpayer may elect. The basis, either (1) or (2) above, elected for any taxable year must be used as the basis for computing the amount of depletion deductible for subsequent years unless consent of the tax commission is obtained to change to the other basis. Application for permission to change the method shall be made in writing at least 30 days prior to the close of the taxable year for which it is desired to effect the change. See tax commission regulation No. 10.

Net income from the property as a basis for percentage depletion must be computed by deducting from gross income from the property all deductions allowed by statute in computing taxable net income (excluding any allowance for depletion) to the extent that they are applicable to the property.

17. CONTRIBUTIONS. Contributions or gifts made within the taxable year to or for the use of the United States, or District of Columbia, for exclusively public purposes and to or for the use of any corporation, association, trust, community chest, fund or foundation, organized and operated exclusively for religious, charitable, scientific, literary or educational purposes, or for the prevention of cruelty to children, if no part of the net earnings inures to the benefit of any shareholder or individual will be allowed as a deduction from income. The aggregate amount of contributions and gifts deductible shall not exceed five per cent of the corporation's net income computed without benefit of this deduction. A schedule should be submitted with the return showing the name of the organization to whom the payments were made and the amount of such contribution.