

# INSTRUCTIONS FOR PREPARING FORM 500EC

## VIRGINIA COOPERATIVE MODIFIED NET INCOME TAX RETURNS FOR 2012

### SPECIFIC INSTRUCTIONS FOR FORM 500EC

**Fiscal Year Filers or Short Year Filers:** Complete this line only if your taxable year is not from January 1 to December 31.

Complete the required information as requested in spaces provided at the top of page one. Be sure that name, address, federal employer identification number, etc., are correctly reported. Check the "Final Return" box if no further Virginia income tax return is required for any taxable year.

**Note:** It may be beneficial to compute the nonmember share of expenses by using Method 1 (Lines 18-22) or Method 2 (Lines 23-25) prior to completing the return.

**Line 1** Enter the total revenue received from electricity sales in Virginia.

**Line 2** Enter the total revenue received from electricity sales to members in Virginia.

**Line 3** Subtract Line 2 from Line 1.

**Line 4** Enter the nonmember share of ordinary and necessary expenses from Line 22 or Line 25.

**Line 5** Modified Net Income: Subtract Line 4 from Line 3.

**Line 6** Tax: Multiply the modified net income on Line 5 by 6%.

**Line 7** Enter the total tax credits (nonrefundable and refundable credits) from Schedule 500CR, Line 134 plus Line 142. **See special instructions at the end of these instructions for credit amount adjustment prior to finishing the computation on Schedule 500CR.**

**Line 8** Modified Net Income Tax: Subtract Line 7 from Line 6. Also, enter on Line 5 of Schedule 500MT.

**Line 8a** Enter the amount from Line 12, Schedule 500MT.

**Line 9** Payment Credits:

(a) Enter the total amount of estimated income tax paid for 2012.

(b) Enter any extension payment made or any other payment not included in (a).

**Line 9** Add Lines 9(a) and 9(b).

**Line 10** Tax Due: Subtract Line 9 from Line 8a (if applicable). This is the balance of the tax due.

**Line 11** Penalty:

(a) Late Filing Penalty: If the return is filed after the automatic 6-month extended due date, enter 30% of Line 10; or

(b) Extension Penalty: If the return is filed during the automatic 6-month extension period and the balance of tax due exceeds 10% of the actual tax liability (Line 10 divided by Line 8a is greater than 10%), then determine the number of months or fraction thereof past the original due date the return is being filed. Multiply the number of months or fraction thereof times

2%, not to exceed 12%, then multiply that percentage by Line 10 and enter on Line 11.

(c) Late Payment Penalty: Any balance of tax due not paid with the return is subject to a 6% per month Late Payment Penalty, not to exceed 30%. The total of the Late Payment and Late Filing Penalties cannot exceed 30%.

**Line 12** Interest: Enter the amount due at the underpayment rate established by Section 6621 of the Internal Revenue Code, plus 2%, from the due date of the return until payment. This underpayment rate is subject to quarterly adjustment. When penalty is entered under 11(a) above, interest is added from the due date to the date of payment.

**Line 13** Additional Charge: Enter the amount from Line 17, Form 500C.

**Line 14** Total Due: Enter the total of Lines 10, 11, 12 and 13. This is the total amount due and must be paid when the return is filed. Attach Form 500V with payment due.

**Line 15** Overpayment: Enter the amount of overpayment if Line 9 is larger than Line 8a.

**Line 16** Amount to be Credited to 2013: Enter the amount of overpayment (from Line 15) you want credited to your 2013 estimated tax, if any.

**Line 17** Amount to be Refunded: Subtract Line 16 from Line 15 and enter the amount to be refunded.

### Nonmember Ordinary and Necessary Expenses

#### Method 1

**Line 18** Enter expenses entirely attributable to electricity sales to nonmembers in Virginia. Please attach a schedule itemizing all expenses included in this figure.

**Line 19** Enter other expenses not entirely attributable to electricity sales to either members or nonmembers in Virginia.

**Line 20** Compute and Enter Nonmember Electricity Sales Ratio: nonmember electricity sales in Virginia divided by total electricity sales in Virginia.

**Line 21** Amount of other expenses allocated to electricity sales to nonmembers in Virginia. Multiply Line 19 by Line 20.

**Line 22** Nonmember share of expenses using method 1: Line 18 plus Line 21. (Enter here and on Line 4).

#### Method 2

**Line 23** Compute and Enter Nonmember Electricity Sales Ratio: nonmember electricity sales divided by total electricity sales.

**Line 24** Total expenses attributed to all electricity sales in Virginia.

**Line 25** Nonmember share of expenses using method 2 : Line 23 times Line 24. (Enter here and on Line 4 ).

**Special Instructions For Tax Credit Adjustment In  
Connection With Schedule 500CR (Credit Schedule)**

Each income tax credit available to the Electric Co-op must be prorated by the nonmember ratio of electricity sales for the taxable year in computing the allowable amount on Schedule 500CR. You may use the worksheet below to compute the proper amount to enter on Schedule 500CR (each credit must be prorated separately).

- 1) Enter the amount of qualifying credit from the appropriate Part of Schedule 500CR. (Do not include any carry-over credit on this line). \_\_\_\_\_
- 2) Enter the nonmember ratio of electricity sales for the taxable year \_\_\_\_\_
- 3) Multiply Line 1 by Line 2  
This is the current year credit amount. \_\_\_\_\_
- 4) Enter Carryover Credit From Prior Years. (Must be the prorated amount).  
If first year, enter 0. \_\_\_\_\_
- 5) Add Lines 3 and 4. This is the Credit Allowable This Year. Enter here and on the appropriate line of the claimed credit on Schedule 500CR. \_\_\_\_\_

The carryover amount for each credit should be computed in the appropriate Part of Schedule 500CR.