

# 2019

## Instructions for Form 1120-L

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### U.S. Life Insurance Company Income Tax Return

Volume 2 of 2



Department of the Treasury  
**Internal Revenue Service**

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## **Disallowance of deduction for employee compensation in excess of \$1 million.**

Publicly held corporations cannot deduct compensation to a covered employee to the extent that the compensation exceeds \$1 million. Generally, a covered employee is:

- The principal executive officer of the corporation (or an individual acting in that capacity) as of the end of the tax year, or
- An employee whose total compensation must be reported to shareholders under the Securities Exchange Act of 1934 because the employee is among the three highest compensated officers for that tax year (other than the principal executive officer).

For this purpose, compensation does not include the following.

- Income from certain employee trusts, annuity plans, or pensions.
- Any benefit paid to an employee that is excluded from the employee's income.

The deduction limit does not apply to:

- Commissions based on individual performance;
- Qualified performance-based compensation; and
- Income payable under a written binding contract in effect on February 17, 1993.

The \$1 million limit is reduced by amounts disallowed as excess parachute payments under section 280G.

For details, see section 162(m) and Regulations section 1.162-27. Also, see Notice 2007-49, 2007-25 I.R.B. 1429.

**Limitations on tax benefits for executive compensation under the Treasury Troubled Asset Relief Program (TARP).**

The \$1 million compensation limit is reduced to \$500,000 for executive remuneration and deferred deduction executive remuneration paid to covered executives by any entity that receives or has received financial assistance under TARP. The limit applies for each period in which obligations arising from financial assistance under TARP remain outstanding. The \$500,000 is reduced by any amounts

disallowed as excess parachute payments. See section 162(m)(5) for definitions and other special rules. Also, see Notice 2008-94, 2008-44 I.R.B. 1070, for additional guidance.

In addition, a portion of any parachute payments made to a covered executive by an applicable employer participating in a TARP program is not deductible as compensation if the payments are made because of a severance from employment during an applicable tax year. For this purpose, a parachute payment is any payment to a senior executive officer for departure from a company for any reason, except for payments for services performed or benefits accrued. These limits do not apply to a payment already treated as a parachute payment. See section 280G(e) and Notice 2008-94.

***Salaries and wages.*** Include the total salaries and wages paid for the tax year. Do not include salaries and wages deductible elsewhere on the return, such as amounts included in officers' compensation, elective contributions to a section 401(k) cash or deferred arrangement, or amounts

contributed under a salary reduction SEP agreement or a SIMPLE IRA plan.



*If the corporation provided taxable fringe benefits to its employees, such as personal use of a car, do not deduct as wages the amount allocated for depreciation and other expenses claimed under Other Deductions on line 18.*

**Limitation on tax benefits for remuneration under the Patient Protection and Affordable Care Act.** The \$1 million compensation limit is reduced to \$500,000 for remuneration for services provided by individuals for or on behalf of certain health insurance providers in tax years beginning after December 31, 2009. The \$500,000 limitation applies to remuneration that is deductible in the tax year during which the services were performed and remuneration for services during the year that is deductible in a future tax year (called "deferred deduction remuneration"). The \$500,000 limitation is reduced by any amounts disallowed as excess parachute payments. See section 162(m)(6)

and Regulations section 1.162-31 for definitions and other special rules. Also, see Notice 2011-2, 2011-2 I.R.B. 260.

***Employment credits.*** If the corporation claims a credit on any of the forms listed below, it may need to reduce its deduction for salaries and wages. See the applicable form(s).

- Form 5884, Work Opportunity Credit;
- Form 8844, Empowerment Zone Employment Credit, if applicable;
- Form 8845, Indian Employment Credit, if applicable; and
- Form 8932, Credit for Employer Differential Wage Payments.

***Pension, profit-sharing, etc., plans.*** Enter the deduction for contributions to qualified pension, profit-sharing, or other funded deferred compensation plans. Employers who maintain such a plan must generally file one of the forms listed below unless exempt from filing under regulations or other applicable guidance, even if the plan is not a qualified

plan under the Internal Revenue Code. The filing requirement applies even if the corporation does not claim a deduction for the current tax year. There are penalties for failure to file these forms on time and for overstating the pension plan deduction. See sections 6652(e) and 6662(f). Also, see the instructions for the applicable form.

**Form 5500**, Annual Return Report of Employee Benefit Plan.

**Form 5500-SF**, Short Form Annual Return/Report of Small Employee Benefit Plan, instead of Form 5500, generally if under 100 participants at the beginning of the plan year.

**Note.** Form 5500 and Form 5500-SF must be filed electronically under the computerized ERISA Filing Acceptance System (EFAST2). For more information, see the EFAST2 website at [www.efast.dol.gov](http://www.efast.dol.gov).

**Form 5500-EZ**, Annual Return of One-Participant (Owners and Their Spouses) Retirement Plan. File this form for a plan that only covers the owner (or the owner and his



or her spouse) but only if the owner (or the owner and his or her spouse) owns the entire business.

***Charitable contributions.*** Enter contributions or gifts actually paid within the tax year to or for the use of charitable and governmental organizations described in section 170(c) and any unused contributions carried over from prior years. Special rules and limits apply to contributions to organizations conducting lobbying activities. See section 170(f)(9).

Life insurance companies reporting LICTI on the accrual method can elect to treat as paid during the tax year any contributions paid by the due date for filing the corporations' tax return (not including extensions), if the contributions were authorized by the board of directors during the tax year. Attach a declaration to the return stating that the resolution authorizing the contributions was adopted by the board of directors during the tax year. The declaration must include the date the resolution was adopted. See Regulations section 1.170A-11.

**Limitation on deduction.** The total amount claimed cannot be more than 10% of LICTI computed without regard to the following.

- Any deduction for contributions.
- The deduction for policyholder dividends.
- The deduction for dividends received.
- Any NOL carryback to the tax year under section 172.
- Any capital loss carryback to the tax year under section 1212(a)(1).

**Carryover.** Charitable contributions over the 10% limitation cannot be deducted for the tax year but may be carried over to the next 5 tax years.

A contributions carryover is not allowed, however, to the extent that it increases an NOL.

**Cash contributions.** For contributions of cash, check, or other monetary gifts (regardless of the amount), the corporation must maintain a bank record, or a receipt, letter, or other written communication from

the donee organization indicating the name of the organization, the date of the contribution, and the amount of the contribution.

**Contributions of \$250 or more.** A corporation can deduct a contribution of \$250 or more only if it gets a written acknowledgment from the donee organization that shows the amount of cash contributed, describes any property contributed, and either gives a description and a good faith estimate of the value of any goods or services provided in return for the contribution or states that no goods or services were provided in return for the contribution. The acknowledgment must be obtained by the due date (including extensions) of the corporation's return, or, if earlier, the date the return is filed. Do not attach the acknowledgment to the tax return but keep it with the corporation's records.

**Contributions of property other than cash.** If a corporation contributes property other than cash and claims over a \$500 deduction for the property, it must, generally, attach a statement to the return describing

the kind of property contributed and the method used to determine its fair market value (FMV). Attach Form 8283, Noncash Charitable Contributions, to the return for contributions of property (other than money) if the total claimed deduction for all property contributed was more than \$5,000. Special rules apply to the contribution of certain property. See the Instructions for Form 8283.

**Qualified conservation contributions.**

Special rules apply to qualified conservation contributions, including contributions of certain easements on buildings located in a registered historic district. See section 170(h) and Pub. 526, Charitable Contributions. For special rules applicable to certain qualified conservation contributions made by Native corporations, see section 170(b)(2)(C).

**Other special rules.** See section 170 for special rules, limitations, and requirements.

**Travel, meals, and entertainment.** Subject to limitations and restrictions discussed below, a corporation can deduct ordinary and necessary travel, meal, and non-entertainment expenses paid or incurred in its

trade or business. Generally, entertainment expenses, membership dues, and facilities used in connection with these activities cannot be deducted. In addition, no deduction is generally allowed for qualified transportation fringe benefits. Special rules apply to deductions for gifts, luxury water travel, and convention expenses. See section 274 and Pub. 463, Travel, Gift, and Car Expenses.

***Travel.*** The corporation cannot deduct travel expenses of any individual accompanying a corporate officer or employee, including a spouse or dependent of the officer or employee, unless:

- That individual is an employee of the corporation, and
- His or her travel is for a bona fide business purpose and would otherwise be deductible by that individual.

***Meals and entertainment.*** Generally, the corporation can deduct only 50% of the amount otherwise allowable for non-entertainment related meal expenses paid or

incurred in its trade or business. Meals not separately stated from entertainment are generally not deductible. In addition (subject to exceptions under section 274(k)(2)):

- Meals must not be lavish or extravagant,
- An employee of the corporation must be present at the meal.

See section 274(n)(3) for a special rule that applies to expenses for meals consumed by individuals subject to the hours of service limits of the Department of Transportation.

***Qualified transportation fringes (QTFs).***

Generally, no deduction is allowed under section 274(a)(4) for QTFs provided by employers to their employees. QTFs are defined in section 132(f)(1) and include:

- Transportation in a commuter highway vehicle between the employee's residence and place of employment,
- Any transit pass, and
- Qualified parking.

See section 274, Pub. 15-B, and Pub. 535 for details.

***Membership dues.*** The corporation can deduct amounts paid or incurred for membership dues in civic or public service organizations, professional organizations (such as bar and medical associations), business leagues, trade associations, chambers of commerce, boards of trade, and real estate boards. However, no deduction is allowed if a principal purpose of the organization is to entertain or provide entertainment facilities for members or their guests. In addition, corporations cannot deduct membership dues in any club organized for business, pleasure, recreation, or other social purpose. This includes country clubs, golf and athletic clubs, airline and hotel clubs, and clubs operated to provide meals under conditions favorable to business discussion.

***Entertainment facilities.*** The corporation cannot deduct an expense paid or incurred for a facility (such as a yacht or hunting lodge)

used for an activity usually considered entertainment, amusement, or recreation.

***Amounts treated as compensation.***

Generally, the corporation may be able to deduct otherwise nondeductible entertainment, amusement, or recreation expenses if the amounts are treated as compensation to the recipient and reported on Form W-2 for an employee or on Form 1099-MISC for an independent contractor.

However, if the recipient is an officer, director, beneficial owner (directly or indirectly), or other “specified individual” (as defined in section 274(e)(2)(B) and Regulations section 1.274-9(b)), special rules apply. See section 274(e)(2) and Regulations sections 1.274-9 and 1.274-10.

**Fines, penalties, and other amounts.**

Generally, no deduction is allowed for amounts paid to a government or specified nongovernmental entity for the violation of any law except:

- Amounts that constitute restitution or remediation of property,



- Amounts paid to come into compliance with the law,
- Amounts paid or incurred as the result of certain court orders in which no government or specified nongovernmental agency is a party, and
- Amounts paid or incurred for taxes due.

No deduction is allowed for the amount paid as restitution, remediation of property, or to come into compliance with the law unless the amounts are established as such and specifically identified in the settlement agreement or court order. Also, any amount paid or incurred as reimbursement to the government for the costs of any investigation or litigation are not eligible for the exceptions and are nondeductible.

**Lobbying expenses.** Generally, lobbying expenses are not deductible. These expenses include:

- Amounts paid or incurred in connection with influencing federal, state, or local legislation (but not amounts paid or

incurred before December 22, 2017, in connection with local legislation); or

- Amounts paid or incurred in connection with any communication with certain federal executive branch officials in an attempt to influence the official actions or positions of the officials. See Regulations section 1.162-29 for the definition of “influencing legislation.”

Dues and other similar amounts paid to certain tax-exempt organizations may not be deductible. If certain in-house lobbying expenditures do not exceed \$2,000, they are deductible.

**Line 21b. NOL deduction.** The NOL deduction is the lesser of the aggregate of the NOL carryovers to the tax year, plus the NOL carrybacks to the tax year, but limited to 80% of taxable income computed without regard to the NOL deduction (section 172.) If this deduction is taken, show its computation on an attached statement. Generally, a life insurance company can carryover an NOL to each tax year following the tax year of the loss. After applying the NOL to the first tax

year to which it may be carried, the portion of the loss the corporation may carry to each of the remaining tax years is the excess, if any, of the loss over the sum used as an NOL deduction in the carryover year. See section 172 for special rules, limitations, and definitions pertaining to the NOL deduction and carryover.

A corporation may elect under section 965(n) to reduce the amount of the NOL for a tax year determined under section 172 and the amount of taxable income reduced by NOL carryovers or carrybacks to such tax year under section 172. The amount of the reduction (reduction amount) is equal to the amount of the section 965(a) inclusion (net of the section 965(c) deduction) plus, in the case of a domestic corporation that claims a credit for deemed paid foreign taxes, the section 78 gross-up with respect to the foreign taxes deemed paid with respect to the section 965(a) inclusion. If, as a result of an election under section 965(n), the amount of the NOL for the tax year is reduced, the reduction amount is included in other income on line 7. If, as a result of an election under

section 965(n), the taxable income reduced by NOL carryovers or carrybacks is reduced, the NOL deduction on line 21b is reduced by the reduction amount. See section 965(n) and the regulations thereunder for more information.

If an ownership change (described in section 382(g)) occurs, the amount of the taxable income of a loss corporation that may be offset by the pre-change loss carryovers may be limited. (See section 382 and the related regulations.) A loss corporation must include the information statement as provided in Regulations section 1.382-11(a), with its income tax return for each tax year that it is a loss corporation in which an ownership shift, equity structures shift, or other transaction described in Temporary Regulations section 1.382-2T(a)(2)(i) occurs. If the corporation makes the closing-of-the-books election, see Regulations section 1.382-6(b).

The limitations under section 382 do not apply to certain ownership changes after February 17, 2009, made pursuant to a restructuring plan under the Emergency

Economic Stabilization Act of 2008. See section 382(n).

For guidance in applying section 382 to loss corporations whose instruments were acquired by Treasury under certain programs under the Emergency Economic Stabilization Act of 2008, see Notice 2010-2, 2010-2 I.R.B. 251.

If a corporation elects the alternative tax on qualifying shipping activities under section 1354, no deduction is allowed for an NOL attributable to the qualifying shipping activities to the extent that the loss is carried forward from a tax year preceding the first tax year for which the alternative tax election was made. See section 1358(b)(2).

**Line 24. Phased inclusion of balance of policyholders surplus account.** Section 13514(d) of Public Law 115-97 requires a one-eighth per year phased inclusion of any December 31, 2017, balance of the policyholders surplus account starting in 2018. This amount cannot be reduced by an NOL.

**Line 25. Total taxable income.** The total taxable income reported on line 25 cannot be less than line 24 of the Form 1120-L.

Also, line 25 cannot be less than the largest of the following amounts.

- The inversion gain of the corporation for the tax year, if the corporation is an expatriated entity or a partner in an expatriated entity. For details, see section 7874.
- The sum of the corporation's excess inclusions from Schedule Q (Form 1066), line 2c, and the corporation's taxable income determined solely with respect to its ownership and high-yield interests in FASITs. For details, see sections 860E(a) and 860J (repealed).

**Line 27. 2019 Net 965 tax liability paid from Form 965-B, Part II, column (k), line 2.** Complete and attach Form 965-B.

## **Tax and Payments**

**Line 28c. 2019 estimated tax payments.** Enter any estimated tax payments the

corporation made for the tax year. Do not include any amount being applied on line 28e.

**Line 28d. Overpaid estimated tax.** If the corporation overpaid estimated tax, it may be able to get a quick refund by filing Form 4466. The overpayment must be at least 10% of the corporation's expected income tax liability and at least \$500. File Form 4466 after the end of the corporation's tax year, and no later than the due date for filing the corporation's tax return. Form 4466 must be filed before the corporation files its tax return. See the Instructions for Form 4466.

**Line 28e.** Enter the total of lines 28a through 28c less line 28d.

**Line 28g. Credits.** Enter the applicable credit on line 28g.

**Credit for tax paid on undistributed capital gains.** Enter any credit from Form 2439, Notice to Shareholder of Undistributed Long-Term Capital Gains, for the corporation's share of the tax paid by a regulated investment company (RIC) or a real estate investment trust (REIT) on undistributed

long-term capital gains included in the corporation's income. Attach Form 2439 to Form 1120-L.

**Credit for federal tax on fuels.** Enter the total income tax credit claimed on Form 4136, Credit for Federal Tax Paid on Fuels. Attach Form 4136 to Form 1120-L.

**Credit for tax on ozone-depleting chemicals.** Include on line 28g any credit the corporation is claiming under section 4682(g)(2) for tax on ozone-depleting chemicals. Enter "ODC" next to the entry space.

**Line 28h. U.S. income tax paid or withheld at source.** Enter the amount of any U.S. income tax paid or withheld as reported on Form 1042-S, Foreign Person's U.S. Source Income Subject to Withholding.

**Line 28i. 2019 Net 965 tax liability from Form 965-B, Part I, column (d), line 3.** Complete and attach Form 965-B.

**Line 28j. Refundable credits from Form 8827.** If the corporation elected to claim certain unused minimum tax credits instead



of claiming any additional first-year special depreciation allowance for eligible property, see the Instructions for Form 8827. Enter on line 28j the amount from line 5c of Form 8827, if applicable. See the Instructions for Form 8827 for more information.

**Line 28k. Total payments.** Add the amounts on lines 28e through 28j and enter the total on line 28k.

**Backup withholding.** If the corporation had federal income tax withheld from any payments it received because, for example, it failed to give the payer its correct EIN, include the amount withheld in the total for line 28k. Write the amount withheld and the words "Backup Withholding" in the blank space above line 28k.

**Line 29. Estimated tax penalty.** Generally, the corporation does not have to file Form 2220 with its income tax return because the IRS will figure the amount of any penalty and notify the corporation of any amount due. However, see the Instructions for Form 2220 at [IRS.gov/Form2220](https://www.irs.gov/Form2220) for circumstances

where the corporation must file Form 2220 even if it owes no penalty.

If Form 2220 is attached, check the box on line 29 and enter the amount of any penalty on that line. See *Estimated tax penalty*, earlier.

**Line 30. Amount owed.** If the corporation cannot pay the full amount of tax owed, it can apply for an installment agreement online. See [IRS.gov/OPA](https://www.irs.gov/opa) for the latest information.

**Line 32. Refunded electronic deposit of tax refund of \$1 million or more.** If the corporation is due a refund of \$1 million or more and wants it electronically deposited into its checking or savings account at any U.S. bank or other financial institution instead of having a check sent to the corporation, complete Form 8302 and attach it to the corporation's tax return.

# **Schedule A—Dividends, Inclusions, Dividends-Received Deduction, and Other Special Deductions**

For purposes of the 20% ownership test on lines 1 through 7, the percentage of stock owned by the corporation is based on voting power and value of the stock. Preferred stock described in section 1504(a)(4) is not taken into account.

**Consolidated returns.** Corporations filing a consolidated return should see Regulations sections 1.1502-13, 1.1502-26, and 1.1502-27 before completing Schedule A.

Corporations filing a consolidated return must not report as dividends on Schedule A any amounts received from corporations within the tax consolidation group. Such dividends are eliminated in consolidation rather than offset by the dividends-received deduction.

**Line 1, column (a).** Enter dividends (except those received on certain debt-financed stock

acquired after July 18, 1984 (see section 246A)) that are:

- Received from less-than-20%-owned domestic corporations subject to income tax, and
- Qualified for the 50% deduction under section 243(a)(1).

Also include on line 1 the following.

- Taxable distributions from an IC-DISC or former DISC that are designated as eligible for the 50% deduction and certain dividends of Federal Home Loan Banks. See section 246(a)(2).
- Dividends (except those received on certain debt-financed stock acquired after July 18, 1984) from a regulated investment company (RIC). The amount of dividends eligible for the dividends-received deduction under section 243 is limited by section 854(b). The corporation should receive a notice from the RIC specifying the amount of dividends that qualify for the deduction.

Report so-called dividends or earnings received from mutual savings banks, etc., as interest. Do not treat them as dividends.

**Line 2, column (a).** Enter on line 2:

- Dividends (except those received on debt-financed stock acquired after July 18, 1984) that are received from 20%-or-more-owned domestic corporations subject to income tax and that are subject to the 65% deduction under section 243(c), and
- Taxable distributions from an IC-DISC or former DISC that are considered eligible for the 65% deduction.

**Line 3, column (a).** Enter the following.

- Dividends received on certain debt-financed stock acquired after July 18, 1984, from domestic and foreign corporations subject to income tax that would otherwise be subject to the dividends-received deduction under section 243(a)(1), 243(c), or 245(a). Generally, debt-financed stock is stock that the corporation acquired by incurring

a debt (for example, it borrowed money to buy the stock).

- Dividends received from a RIC on debt-financed stock. The amount of dividends eligible for the dividends-received deduction is limited by section 854(b). The corporation should receive a notice from the RIC specifying the amount of dividends that qualify for the deduction.

**Line 3, columns (b) and (c).** Dividends received on certain debt-financed stock acquired after July 18, 1984, are not entitled to the full 50% or 65% dividends-received deduction under section 243 or 245(a). The 50% or 65% deduction is reduced by a percentage that is related to the amount of debt incurred to acquire the stock. See section 246A. Also, see section 245(a) before making this computation for an additional limitation that applies to certain dividends received from foreign corporations. Attach a statement showing how the amount on line 3, column (c), was figured.

**Line 4, column (a).** Enter dividends received on preferred stock of a less-than-20%-owned

public utility that is subject to income tax and is allowed the deduction provided in section 247 (as affected by Public Law 113-295, Div. A, section 221(a)(41)(A), Dec. 19, 2014, 128 Stat. 4043) for dividends paid.

**Line 5, column (a).** Enter dividends received on preferred stock of a 20%-or-more-owned public utility that is subject to income tax and is allowed the deduction provided in section 247 (as affected by Public Law 113-295, Div. A, section 221(a)(41)(A), Dec. 19, 2014, 128 Stat. 4043) for dividends paid.

**Line 6, column (a).** Enter the U.S.-source portion of dividends that:

- Are received from less-than-20%-owned foreign corporations, and
- Qualify for the 50% deduction under section 245(a). To qualify for the 50% deduction, the corporation must own at least 10% of the stock of the foreign corporation by vote and value.

Also include dividends received from a less-than-20%-owned FSC that:

- Are attributable to income treated as effectively connected with the conduct of a trade or business within the United States (excluding foreign trade income), and
- Qualify for the 50% deduction under section 245(c)(1)(B).

**Line 7, column (a).** Enter the U.S.-source portion of dividends that:

- Are received from 20%-or-more-owned foreign corporations, and
- Qualify for the 65% deduction under section 245(a) and 243 by reference.

Also include dividends received from a 20%-or-more-owned FSC that:

- Are attributable to income treated as effectively connected with the conduct of a trade or business within the United States (excluding foreign trade income), and
- Qualify for the 65% deduction under section 245(c)(1)(B).



**Line 8, column (a).** Enter dividends received from wholly owned foreign subsidiaries that are eligible for the 100% deduction under section 245(b) but that do not qualify as “100% dividends” under section 805(a)(4)(C).

In general, the deduction under section 245(b) applies to dividends paid out of the earnings and profits of a foreign corporation for a tax year during which:

- All of its outstanding stock is directly or indirectly owned by the domestic corporation receiving the dividends, and
- All of its gross income from all sources is effectively connected with the conduct of a trade or business within the United States.

Do not include dividends received from a life insurance company.

Also, include on line 8, column (a), dividends from FSCs that are attributable to foreign trade income and that are eligible for the 100% deduction provided in section 245(c)(1)(A).

**Line 9, column (a).** Enter only those dividends that qualify under section 243(b) for the 100% dividends-received deduction described in section 243(a)(3) but that do not qualify as “100% dividends” under section 805(a)(4)(C). Corporations taking this deduction are subject to the provisions of section 1561. Do not include dividends received from a life insurance company.

The 100% deduction does not apply to affiliated group members that are joining in the filing of a consolidated return.

**Line 10, column (c). Limitation on dividends-received deduction.** Generally, line 10 of column (c) cannot exceed the amount from the Worksheet for Schedule A, line 10. However, in a year in which an NOL occurs, this limitation does not apply even if the loss is created by the dividends-received deduction. See section 246(b).

**Line 13, column (a).** In general, enter “100% dividends” as defined in section 805(a)(4)(C). That is, in general, enter dividends that qualify for the 100% dividends-received deduction under sections

243, 244 (as affected by Public Law 113-295, Div. A, section 221(a)(41)(A), Dec. 19, 2014, 128 Stat. 4043) and 245(b), and were not reported on line 8 or 9 because they were (a) not distributed out of tax-exempt interest or out of dividends that do not qualify as 100% dividends, or (b) paid by a life insurance company.

**Note.** Certain dividends received by a foreign corporation are not subject to proration. Attach a statement showing computations.

**Line 14, column(a).** Enter the foreign-source portion of dividends:

- Received from specified 10%-owned foreign corporations (as defined in section 245A(b)), including gain from the sale of stock of a foreign corporation that is treated as a dividend under section 1248(a) and (i); and
- Qualify for the 100% deduction under section 245A(a).

**Line 15, column (a).** Enter foreign dividends not reportable on line 3, 6, 7, 8, or 14 of column (a).

- Include on line 15 any hybrid dividends from a controlled foreign corporation (CFC). Hybrid dividends are generally dividends received from a CFC that would otherwise be reported on line 14 except the CFC receives a deduction (or other tax benefit) with respect to any income, war profits, or excess profits taxes imposed by any foreign country or possession of the United States.
- Also, include on line 15 the corporation's share of distributions from a section 1291 fund from Form 8621, to the extent that the amounts are taxed as dividends under section 301. See Form 8621 and the Instructions for Form 8621.

**Line 16, column (a).** Enter the section 965(a) inclusions from Form 965, line 3, on Schedule A, line 16, column (a). You must also complete and attach Form 965, Inclusion of Deferred Foreign Income Upon Transition to Participation Exemption System and applicable schedules. Also, complete and attach Form 965-B.

**Line 16, column (c).** Enter the section 965(c) deductions amount from Form 965, line 17, on Schedule A, line 16, column (c).

**Line 17a, column (a).** Enter the foreign-source portion of any subpart F inclusions attributable to the sale or exchange by a CFC of stock in another foreign corporation described in section 964(e)(4). This should equal the U.S. shareholder's pro rata share of the amount reported on line 1a, Schedule I, on Form 5471, Information Return(s) of U.S. Persons With Respect to Certain Foreign Corporations.

**Line 17b, column (a).** Enter the pro rata share of subpart F inclusions attributable to hybrid dividends of tiered corporations under section 245A(e)(2). This should equal the U.S. shareholder's pro rata share of the amount reported on line 1b, Schedule I, on Form(s) 5471.

**Line 17c, column (a).** Enter all other amounts included in income under section 951, which should equal the U.S. shareholder's pro rata share of the sum of the

amounts reported on lines 1(f), 2, 3, and 4 of Schedule I on Form(s) 5471.

**Line 18, column (a).** Enter amounts included in income under the section 951A GILTI provision. See Form 8992, Part II, line 5, and the Instructions for Form 8992. Also, consider the applicability of section 951A with respect to controlled foreign corporations owned by domestic partnerships in which the filer has an interest. If you also have a Form 5471 reporting requirement, please attach Form 5471.

Worksheet for Schedule A, line 10

Keep for Your Records



- 1. Refigure Form 1120-L, page 1, line 8, without any adjustment under section 1059, and without any capital loss carryback to the tax year under section 1212(a)(1). Add this refigured line 8 amount to the amount on line 25, page 1. Subtract from that total the sum of lines 9 through 18, page 1
- 2. Complete lines 13, 14, 16, and 17a of column (c), and enter the total of that amount; line 9, column (c); and the portion of the deduction on line 8, column (c), that is attributable to dividends from FSCs that are attributable to foreign trade income
- 3. Subtract line 2 from line 1
- 4. Multiply line 3 by 65%
- 5. Add lines 2, 5, and 7, column (c); the portion of the deduction on line 8, column (c), that is attributable to wholly owned foreign subsidiaries; and the portion of the deduction on line 3, column (c), that is attributable to dividends received from 20%-or-more-owned corporations
- 6. Enter the smaller of line 4 or line 5. If line 5 is greater than line 4, stop here and enter the amount from line 6 on line 10, column (c), and do not complete the rest of the worksheet
- 7. Enter the total amount of dividends from 20%-or-more-owned corporations that are included on lines 2, 3, 5, and 7, column (a), and the portion of the deduction on line 8, column (a), that is attributable to wholly owned subsidiaries
- 8. Subtract line 7 from line 3
- 9. Multiply line 8 by 50%
- 10. Subtract line 5 above from line 10 of column (c)
- 11. Enter the smaller of line 9 or line 10
- 12. **Dividends-received deduction after limitation (section 246(b)).** Add lines 6 and 11. Enter the result here and on line 10, column (c)

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**Line 19, column (a).** Include the following.

1. Include gross-up for taxes deemed paid under section 902 (for dividends paid in pre-2019 tax years of foreign corporations) and 960.
2. Dividends (other than capital gain distributions reported on Schedule D (Form 1120) and exempt-interest dividends) that are received from RICs and that are not subject to the 50% deduction.
3. Dividends from tax-exempt organizations.
4. Dividends (other than capital gain distributions) received from a REIT that, for the tax year of the trust in which the dividends are paid, qualifies under sections 856 through 860.
5. Dividends not eligible for a dividends-received deduction, which include the following.
  - a. Dividends received on any share of stock held for less than 46 days

during the 91-day period beginning 45 days before the ex-dividend date. When counting the number of days the corporation held the stock, you cannot count certain days during which the corporation's risk of loss was diminished. See section 246(c)(4) and Regulations section 1.246-5 for more details.

- b. Dividends attributable to periods totaling more than 366 days that the corporation received on any share of preferred stock held for less than 91 days during the 181-day period that began 90 days before the ex-dividend date. When counting the number of days the corporation held the stock, you cannot count certain days during which the corporation's risk of loss was diminished. See section 246(c)(4) and Regulations section 1.246-5 for more details. Preferred dividends attributable to periods totaling less than 367 days are

subject to the 46-day holding period rule above.

- c. Dividends on any share of stock to the extent the corporation is under an obligation (including a short sale) to make related payments with respect to positions in substantially similar or related property.

- 6. Any other taxable dividend income not properly reported above.

**Line 21, column (c).** Enter the section 250 deduction claimed for FDII and GILTI. This should equal the sum of line 8 and line 9 of Form 8993, Part IV.

## **Schedule B—Investment Income**

**Line 1. Interest.** Enter the total taxable interest received or accrued during the tax year, less any amortization of premium, plus any accrual of discount required by section 811(b). Generally, the appropriate amortization of premium and accrual of

discount for the tax year on bonds, notes, debentures, or other evidence of indebtedness held by a life insurance company should be determined:

1. Under the method regularly employed by the company, if reasonable; and
2. In all other cases, under the regulations.

For bonds (as defined in section 171(d)) issued after September 27, 1985, the appropriate amount of amortization of premium must be determined using the yield to maturity method described in section 171(b) (3). Market discount is not required to be accrued under section 811(b). Attach a statement showing the method and computation used.

**Note.** The Small Business Job Protection Act of 1996 repealed section 133, which provided for the 50% interest income exclusion with respect to ESOP loans. The Act also repealed section 812(g), which provided for the exclusion of interest income from ESOP loans for company/policyholder proration. The

repeal of these exclusions is effective for ESOP loans made after August 20, 1996. See Act section 1602 for special rules for binding contract agreements in effect prior to June 10, 1996, and certain refinancing made after August 20, 1996.

**Line 3. Rents.** Enter the rents received or accrued during the tax year. Related expenses, such as repairs, taxes, and depreciation, should be reported as “Other deductions” on line 18, page 1.

**Line 4. Royalties.** Enter the royalties received or accrued during the tax year. Report the depletion deduction on line 18, page 1.

**Line 5. Leases, terminations, etc.** Enter the income received from entering into, altering, or terminating any lease, mortgage, or other instrument from which the corporation derives interest, rents, or royalties.

## **Schedule F—Increase (Decrease) in Reserves (Section 807)**

**Note.** Attach a statement to the tax return that reconciles lines 1 through 6 of Schedule F to the annual statement used to prepare the tax return. If the annual statement used to prepare the tax return is different from the NAIC annual statement filed with the state of domicile, include a separate reconciliation of lines 1 through 6 of Schedule F to the annual statement filed with the state of domicile.

Schedule F is used to determine if, under section 807, certain reserves decreased or increased for the tax year. A net decrease will be includible in gross income, while a net increase will be a deduction in computing LICTI.

The net increase or net decrease in reserves is figured by comparing the opening balance for reserves to the closing balance for reserves reduced by the policyholders' share of tax-exempt interest (and the increase in

policy cash value of section 264(f) policies as defined in section 805(a) (4)(F)).

Reserve adjustments are not treated as interest expenses for allocation purposes under section 864(c). See section 818(f).

There are special rules for computing reserves of unearned premiums of certain nonlife contracts. See section 807(e)(5)(A).

**Note.** If the basis for determining the amount of any item referred to in section 807(c) (life insurance reserves, etc.) at the end of the tax year differs from the basis for the determination at the beginning of the tax year, see section 807(f).

**Line 1. Life insurance reserves.** For rules on how to compute life insurance reserves, see sections 807(d) and (e).

**Line 2. Unearned premiums and unpaid losses.** For purposes of sections 807 and 805(a)(1), the amount of the unpaid losses (other than losses on life insurance contracts) must be the amount of the discounted unpaid losses determined under section 846.

Section 846 provides that the amount of the discounted unpaid losses must be figured separately by each line of business (multiple peril lines must be treated as a single line of business) and by each accident year and must be equal to the present value of those losses determined by using the:

1. Amount of the undiscounted unpaid losses,
2. Applicable interest rate, and
3. Applicable loss payment pattern.

Special rules apply to:

- Unpaid losses related to disability insurance (other than credit disability insurance),
- Noncancelable accident and health insurance,
- Cancelable accident and health insurance, and
- The international and reinsurance lines of business.



With regard to the special rules for discounting unpaid losses on accident and health insurance (other than disability income insurance), unpaid losses are assumed to be paid in the middle of the year following the accident year.

Generally, the amount of undiscounted unpaid losses means the unpaid losses shown in the annual statement. The amount of discounted unpaid losses with respect to any line of business for an accident year cannot exceed the total amount of unpaid losses with respect to any line of business for an accident year as reported on the annual statement.

The applicable interest rate for each calendar year and the applicable loss payment patterns for each accident year for each line of business are determined by the IRS. The applicable interest rate and loss payment patterns for 2019 are published in Rev. Proc. 2019-31, 2019-33 I.R.B. 643. The applicable interest rate and loss payment patterns for 2018 and earlier years are published in Rev. Proc. 2019-31 (for use in tax years beginning after December 31, 2017) and Rev. Proc.

2019-6, 2019-2 I.R.B. 284 (for optional use in tax years beginning after December 31, 2017, and ending before June 17, 2019, in accordance with Rev. Proc. 2019-31). Rev. Proc. 2019-30, 2019-33 I.R.B. 638, and Rev. Proc. 2018-13, 2018-7 I.R.B. 356, provide additional information regarding adjustments related to changes in the applicable interest rates and loss payment patterns for 2018 and earlier years due to the amendment of section 846 by Public Law 115-97.

**Line 3. Supplementary contracts.** Enter the amount (discounted at the appropriate rate of interest) necessary to satisfy the obligations under insurance and annuity contracts, but only if the obligations do not involve (at the time the computation is made) life, accident, or health contingencies.

For this item, the appropriate rate of interest is the highest rate or rates permitted to be used to discount the obligations by the NAIC as of the date the reserve is determined. In no case shall the amount determined under section 807(c)(3) for any contract be less than the net surrender value of such contract.

**Line 4. Dividend accumulations and other amounts.** Enter the total dividend accumulations and other amounts held as interest in connection with insurance and annuity contracts.

**Line 5. Advance premiums.** Enter the total premiums received in advance and liabilities for premium deposit funds. See section 807(e)(5)(A) for special rules for treatment of certain nonlife reserves.

**Line 6. Special contingency reserves.** Enter the total reasonable special contingency reserves under contracts of group term life insurance or group accident and health insurance, which are established and maintained for the provision of insurance on retired lives, premium stabilization, or for a combination thereof.

**Line 8. Increase (decrease) in reserves under section 807.** In figuring the amount on line 8, any decrease in reserves must be computed without any reduction of the closing balance of section 807 reserves by the policyholders' share of tax-exempt interest.

**Line 11.** Do not include the exempt portion of any of the interest income received on an ESOP loan made prior to August 21, 1996. For binding contract and refinancing rules, see Public Law 104-188, section 1602.

## **Schedule G—Policy Acquisition Expenses**

For purposes of section 848(b), all life insurance company members of the same controlled group are treated as one company. Any deduction determined for the group must be allocated among the life insurance companies in the group in such a manner as the IRS may prescribe.

**Note.** Policy acquisition expenses for an annuity or life insurance contract that includes a qualified long-term care insurance contract as part of, or as a rider on, the annuity or life insurance contract, must be capitalized using the net premium percentage for contracts that are not described in sections 848(c)(1)(A) or 848(c)(1)(B). See section 848(e)(6) for more information.

**Line 1. Gross premiums and other consideration.** Generally, gross premiums and other consideration is the total of:

1. All premiums and other consideration (other than amounts on reinsurance agreements), and
2. Net positive consideration for any reinsurance agreement (see Regulations section 1.848-2(b)).

Also include on this line:

- Advanced premiums,
- Amounts in a premium deposit fund or similar account, as permitted by Regulations section 1.848-2(b)(3),
- Fees,
- Assessments,
- Amounts that the insurance company charges itself representing premiums with respect to benefits for its employees (including full-time insurance salesmen treated as employees under section 7701(a) (20)), and

- The value of a new contract issued in an exchange described in Regulations section 1.848-2(c)(2) or (3).

**Line 2. Return premiums and premiums and other consideration incurred for reinsurance.** For purposes of section 848(d)(1)(B) and Regulations section 1.848-2(e), return premiums means amounts (other than policyholder dividends or claims and benefit payments) returned or credited to the policyholder. See Regulations sections 1.848-2(f) and 1.848-3 for how to treat amounts returned to another insurance company under a reinsurance agreement.

**Line 4.** Enter the applicable net premium percentage as defined in section 848(c)(1).

**Line 5.** The entries in columns 5(a), (b), or (c) may be positive or negative.

**Line 6.** If the sum of columns 5(a), (b), and (c) is negative, enter this negative amount on line 6 and enter -0 on lines 7 and 8. The result is a negative capitalization amount under section 848(f).

**Line 9. General deductions.** These are deductions under sections 161 through 198, relating to itemized deductions, and sections 401 through 424, relating to pension, profit-sharing, stock bonus plans, etc. Also, include on this line ceding commissions incurred for the reinsurance of a specified insurance contract. Do not include amortization deductions of specified policy acquisition expenses under section 848(a) or (b). Skip line 9 if the corporation has elected out of the general deductions limitation. See Regulations section 1.848-2(g)(8).

**Note.** If interest expense is included on line 9, do not also include it on page 1, line 15a.

**Line 13. Unamortized specified policy acquisition expenses from prior years.** Enter the balance of unamortized specified policy acquisition expenses from prior years as of the beginning of the tax year. See section 848(f)(1)(B).

**Line 16. Phase-out amount.** The amount of amortization for members of a controlled group and the phase-out of the group's specified policy acquisition expenses under

section 848(b) must be allocated to each member in proportion to that member's specified policy acquisition expenses for the tax year.

## **Schedule K—Tax Computation**

**Line 1.** If the corporation is a member of a controlled group, check the box on line 1. Complete and attach Schedule O (Form 1120), Consent Plan and Apportionment Schedule for a Controlled Group. Component members of a controlled group must use Schedule O (Form 1120) to report the apportionment of certain tax benefits between the members of the group. See Schedule O (Form 1120) and the instructions for Schedule O for more information.

**Line 2.** Corporations figure their tax by multiplying taxable income by 21% (0.21).

***Deferred tax under section 1291.*** If the corporation was a shareholder in a passive foreign investment company (PFIC) and received an excess distribution or disposed of



its investment in the PFIC during the year, it must include the total increase in taxes due under section 1291(c)(2) (from Form 8621) in the total for line 2. On the dotted line to the left of line 2, enter "Sec. 1291" and the amount.

Do not include on line 2 any interest due under section 1291(c)(3). Instead, include the amount of interest owed on Schedule K, line 9.

For more information on reporting the deferred tax and interest, see the Instructions for Form 8621.

***Increase in tax attributable to partner's audit liability under section 6226.*** ***If*** the corporation is filing Form 8978 to report adjustments shown on Form 8986 they received from partnerships which have been audited and have elected to push out imputed underpayments to their partners, include any increase in taxes due from Form 8978, line 14, in the total for Form 1120-L, Schedule K, line 2. On the dotted line next to line 2, enter "FROM FORM 8978" and the amount. Attach Form 8978. If Form 8978, line 14, shows a

decrease in tax, see the instructions for Schedule K, line 6.

***Additional tax under section 197(f).*** A corporation that elects to recognize gain and pay tax on the sale of a section 197 intangible under the related person exception to the anti-churning rules should include any additional tax due in the total for line 2. On the dotted line next to line 2, enter “Section 197” and the amount. See section 197(f)(9)(B)(ii).

**Line 3. Base erosion minimum tax amount.** If the corporation had gross receipts of at least \$500 million in any 1 of the 3 preceding tax years, see section 59A and the Instructions for Form 8991 for further guidance on the determination of the amount of base erosion minimum tax.

**Line 5a. Foreign tax credit.** To find out if a corporation can take this credit for payment of income tax to a foreign country or U.S. possession, see Form 1118, Foreign Tax Credit—Corporations.

**Line 5b. Credit from Form 8834.** Enter any qualified electric vehicle passive activity credits from prior years allowed for the current year from Form 8834, Electric Vehicle Credit. Attach Form 8834.

**Line 5c. General business credit.** Enter on line 5c the corporation's allowable credit from Form 3800, Part II, line 38.

The corporation is required to file Form 3800 to claim most business credits. See the Instructions for Form 3800 for exceptions. For a list of allowable credits, see Form 3800. Also, see the applicable credit form and its instructions.

**Line 5d. Credit for prior year minimum tax.** To figure the minimum tax credit and any carryforward of that credit, complete and attach Form 8827.

**Line 5e. Bond credits from Form 8912.** Enter the allowable credits from Form 8912, Credit to Holders of Tax Credit Bonds, line 12.

**Line 6. Total credits.** Add lines 5a through 5e and enter the total on line 6.

***Decrease attributable to partner's audit liability under section 6226.*** If the corporation is filing Form 8978 to report adjustments shown on Form 8986 they received from partnerships which have been audited and have elected to push out imputed underpayments to their partners, include any decrease in taxes due (negative amount) from Form 8978, line 14, in the total for Form 1120-L, Schedule K, line 6. On the dotted line next to line 6, enter "FROM FORM 8978" and the amount. Attach Form 8978. If Form 8978, line 14, shows an increase in tax, see the instructions for Schedule K, line 2.

**Line 8. Foreign corporations.** A foreign corporation carrying on a life insurance business in the United States is taxed as a domestic life insurance company on its income effectively connected with the conduct of a trade or business in the United States (see sections 864(c) and 897 for definition).

Generally, any other U.S.-source income received by the foreign corporation is taxed at 30% (or at a lower treaty rate) under section 881. If the corporation has this income,

attach a statement showing the kind and amount of income, the tax rate, and the amount of tax. Enter the tax on line 8. However, see *Reduction of section 881 tax*, later.

**Note.** Interest received from certain portfolio debt investments that were issued after July 18, 1984, is not subject to the tax. See section 881(c).

See section 842 for more information.

***Minimum effectively connected net investment income.*** See section 842(b) and Notice 89-96, 1989-2 C.B. 417, for the general rules for computing this amount. Also, see Rev. Proc. 2019-36, 2019-38 I.R.B. 729, for the domestic asset/liability percentages and domestic yields needed to compute this amount.

Any additional income required by section 842(b) must be included in LICTI (for example, line 7, page 1).

***Reduction of section 881 tax.*** Additional taxes resulting from the net investment income adjustment may offset a corporation's

section 881 tax on U.S.-source income. The tax reduction is determined by multiplying the section 881 tax by the ratio of the amount of income adjustment to income subject to the section 881 tax, computed without the exclusion for interest on state and local bonds or income exempted from taxation by treaty (section 842(c)(2)). Attach a statement showing how the reduction of section 881 tax was figured. Enter the net tax imposed by section 881 on line 8.

**Line 9. Other taxes.** Include any of the following taxes and interest in the total on line 9. Check the appropriate box(es) for the form, if any, used to figure the total.

***Recapture of investment credit.*** If the corporation disposed of investment credit property or changed its use before the end of its useful life or recovery period, it may owe tax. See Form 4255, Recapture of Investment Credit.

***Recapture of low-income housing credit.*** If the corporation disposed of property (or there was a reduction in the qualified basis of the property) for which it took the low-income

housing credit and the corporation did not follow the procedures that would have prevented recapture of the credit, it may owe a tax. See Form 8611, Recapture of Low-Income Housing Credit.

***Alternative tax on qualifying shipping activities.*** Enter any alternative tax on qualifying shipping activities from Form 8902. Check the “Other” box and attach Form 8902.

***Other.*** Additional taxes and interest amounts can be included in the total entered on line 9. Check the box for “Other” if the corporation includes any additional taxes and interest such as the items discussed below. See *How to report* below for details on reporting these amounts on an attached statement.

- Recapture of Indian employment credit. Generally, if an employer terminates the employment of a qualified employee less than 1 year after the date of initial employment, any Indian employment credit allowed for a prior tax year because of wages paid or incurred to that employee must be recaptured. For details, see Form 8845 and section 45A.

- Recapture of new markets credit (see Form 8874, New Markets Credit).
- Recapture of employer-provided childcare facilities and services credit (see Form 8882, Credit for Employer-Provided Childcare Facilities and Services).
- Interest on deferred tax attributable to certain nondealer installment obligations (section 453A(c)).
- Interest due on deferred gain (section 1260(b)).
- Interest due under section 1291(c) (3). See Form 8621 and the Instructions for Form 8621.

***How to report.*** If the corporation checked the “Other” box, attach a statement showing the computation of each item included in the total for line 9 and identify the applicable Code section and the type of tax or interest.

**Line 10. Total tax.** Include any deferred tax on the termination of a section 1294 election applicable to shareholders in a qualified



electing fund in the amount entered on line 10.

Subtract any deferred tax on the corporation's share of undistributed earnings of a qualified electing fund (see Form 8621).

***How to report.*** Attach a statement showing the computation of each item included in, or subtracted from, the total for line 10. On the dotted line next to line 10, specify (a) the applicable Code section, (b) the type of tax, and (c) the amount of tax.

## **Schedule L**

All filers must complete Parts I and II of Schedule L.

**Note.** Foreign life insurance companies should report assets and insurance liabilities for their U.S. business only.

### **Part I—Total Assets**

For Schedule L, assets mean all assets of the corporation. In valuing real property and stocks, use fair market value; for other assets, use the adjusted basis as determined

under section 1011 and related sections, without regard to section 818(c). An interest in a partnership or trust is not itself treated as an asset of the corporation. Instead, the corporation is treated as actually owning its proportionate share of the assets held by the partnership or trust. The value of the corporation's share of these assets should be listed on line 3.

## **Part II—Total Assets and Total Insurance Liabilities**



*The information provided in Part II should conform with the "Assets" and "Liabilities, Surplus, and Other Funds" sections of the NAIC Annual Statement.*

Foreign life insurance companies must maintain a minimum surplus of U.S. assets over their U.S. insurance liabilities. The minimum required surplus is determined by multiplying their U.S. insurance liabilities by a percentage determined by the IRS. The IRS determines the percentage from data supplied by domestic life insurance companies in Schedule L, Part II. See section 842.

For Schedule L, total insurance liabilities means the sum of the following amounts as of the end of the tax year.

1. Total reserves as defined in section 816(c); plus
2. The items referred to in paragraphs (3), (4), (5), and (6) of section 807(c), to the extent such amounts are not included in total reserves.

Foreign life insurance companies see Notice 89-96 for more information on determining total insurance liabilities on U.S. business.

## **Schedule M—Other Information**

Complete the items that apply to the corporation.

**Question 6.** Check the “Yes” box if:

- The corporation is a subsidiary in an affiliated group (defined below) but is not filing a consolidated return for the tax year with that group, or

- The corporation is a subsidiary in a parent-subsubsidiary controlled group. For a definition of a parent-subsubsidiary controlled group, see the Instructions for Schedule O (Form 1120).

Any corporation that meets either of the requirements above should check the “Yes” box. This applies even if the corporation is a subsidiary member of one group and the parent corporation of another.

**Note.** If the corporation is an “excluded member” of a controlled group (see definition in the Instructions for Schedule O (Form 1120)), it is still considered a member of a controlled group for this purpose.

**Affiliated group.** An affiliated group is one or more chains of includible corporations (section 1504(a)) connected through stock ownership with a common parent corporation. The common parent must be an includible corporation and the following requirements must be met.

1. The common parent must own directly stock that represents at least 80%

(0.80) of the total voting power and at least 80% (0.80) of the total value of the stock of at least one of the other includible corporations.

2. Stock that represents at least 80% (0.80) of the total voting power and at least 80% (0.80) of the total value of the stock of each of the other corporations (except for the common parent) must be owned directly by one or more of the other includible corporations.

For this purpose, “stock” generally does not include any stock that (a) is nonvoting, (b) is nonconvertible, (c) is limited and preferred as to dividends and does not participate significantly in corporate growth, and (d) has redemption and liquidation rights that do not exceed the issue price of the stock (except for a reasonable redemption or liquidation premium). See section 1504(a)(4).

**Question 8.** Check the “Yes” box if one foreign person owned at least 25% (0.25) of the total voting power of all classes of stock of the corporation entitled to vote, or at least

25% (0.25) of the total value of all classes of stock of the corporation.

The constructive ownership rules of section 318 apply in determining if a corporation is foreign owned. See section 6038A(c)(5) and the related regulations.

Enter on line 8a the percentage owned by the foreign person specified in question 8. On line 8b, write the name of the owner's country.

**Note.** If there is more than one 25%-or-more foreign owner, complete lines 8a and 8b for the foreign person with the highest percentage of ownership.

**Foreign person.** The term “foreign person” means:

- An individual who is not a citizen or resident of the United States;
- An individual who is a citizen or resident of a U.S. possession who is not otherwise a citizen or resident of the United States;
- Any partnership, association, company, or corporation that is not created or organized in the United States;

- Any foreign estate or trust within the meaning of section 7701(a)(31); or
- A foreign government (or one of its agencies or instrumentalities) to the extent that it is engaged in the conduct of a commercial activity as described in section 892.

However, the term "foreign person" does not include any foreign person who consents to the filing of a joint income tax return.

**Owner's country.** For individuals, the term "owner's country" means the country of residence. For all others, it is the country where incorporated, organized, created, or administered.

**Requirement to file Form 5472.** If the corporation checked "Yes" to question 8, it may have to file Form 5472, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business. Generally, a 25% foreign-owned corporation that had a reportable transaction with a foreign or domestic related party during the tax year

must file Form 5472. See the Instructions for Form 5472 for filing instructions and penalties for failure to file.

**Item 11.** Enter the amount of the NOL carryover to the tax year from prior years, even if some of the loss is used to offset income on this return. The amount to enter is the total of all NOLs generated in prior years but not used to offset income (either as a carryback or carryover) in a tax year prior to 2019. Do not reduce the amount by any NOL deduction reported on line 21b, page 1.

**Item 12.** Complete item 12 to identify the state where the annual statement used to prepare the tax return was filed.

**Question 13.** A corporation that files Form 1120-L must file Schedule UTP (Form 1120), Uncertain Tax Position Statement, with its 2019 income tax return if:

- For 2019, the corporation's total assets equal or exceed \$10 million;
- The corporation or a related party issued audited financial statements reporting all or a portion of a corporation's operations



for all or a portion of the corporation's tax year; and

- The corporation has one or more tax positions that must be reported on Schedule UTP.

Attach Schedule UTP to the corporation's income tax return. Do not file it separately. A taxpayer that files a protective Form 1120-L must also file Schedule UTP if it satisfies the requirements set forth above.

For details, see the Instructions for Schedule UTP.

**Question 14.** If the corporation had gross receipts of at least \$500 million in any one of the 3 preceding tax years, complete and attach Form 8991. For this purpose, the corporation's gross receipts include the gross receipts of all persons aggregated with the corporation as specified in section 59A(e)(3). See the Instructions for Form 8991 to determine if the corporation is subject to the base erosion minimum tax.

**Question 15.** Section 267A disallows a deduction for certain interest and royalty

payments or accruals. In general, section 267A applies when:

1. The interest or royalty is paid or accrued to a related party;
2. Under its tax laws, the related party either;
  - a. Does not include the full amount in income, or
  - b. Is allowed a deduction with respect to the amount; and
3. The amount is paid or accrued pursuant to a hybrid transaction or by, or to, a hybrid entity.

When section 267A applies, the deduction generally is disallowed to the extent the related party does not include the amount in income or is allowed a deduction with respect to the amount. However, the deduction is not disallowed to the extent the amount is included in the gross income of a U.S. shareholder under section 951(a).

For definitions of terms, see section 267A.

**Question 16.** The limitation on business interest expense applies to every taxpayer with a trade or business, unless the taxpayer meets certain specified exceptions. A taxpayer may elect out of the limitation for certain businesses otherwise subject to the business interest expense limitation.

Certain real property trades or businesses and farming businesses qualify to make an election not to limit business interest expense. This is an irrevocable election. If you make this election, you are required to use the alternative depreciation system to depreciate any nonresidential real property, residential rental property, and qualified improvement property for an electing real property trade or business, and any property with a recovery period of 10 years or more for an electing farming business. See section 168(g)(1)(F). Also, you are not entitled to the special depreciation allowance for that property. For a taxpayer with more than one qualifying business, the election is made with respect to each business.

Check "Yes" if the corporation has an election in effect to exclude a real property trade or business or a farming business from section 163(j). For more information, see section 163(j) and the Instructions for Form 8990.

**Question 17.** Generally, a taxpayer with a trade or business must file Form 8990 to claim a deduction for business interest. In addition, Form 8990 must be filed by any taxpayer that owns an interest in a partnership with current year, or prior year carryover, excess business interest expense allocated from the partnership.

**Exclusions from filing.** A taxpayer is not required to file Form 8990 if the taxpayer is a small business taxpayer and does not have excess business interest expense from a partnership. A taxpayer is also not required to file Form 8990 if the taxpayer only has business interest expense from these excepted trades or businesses:

- An electing real property trade or business,
- An electing farming business, or

- Certain utility businesses.

**Small business taxpayer.** A small business taxpayer is not subject to the business interest expense limitation and is not required to file Form 8990. A small business taxpayer is a taxpayer that (a) is not a tax shelter (as defined in section 448(d)(3)) and (b) meets the gross receipts test of section 448(c), discussed next.

**Gross receipts test.** A taxpayer meets the gross receipts test if the taxpayer has average annual gross receipts of \$26 million or less for the 3 prior tax years. A taxpayer's average annual gross receipts for the 3 prior tax years is determined by adding the gross receipts for the 3 prior tax years and dividing the total by 3. Gross receipts include the aggregate gross receipts from all persons treated as a single employer, such as a controlled group of corporations, commonly controlled partnerships, or proprietorships, and affiliated service groups. See section 448(c) and the Instructions for Form 8990 for additional information.

**Member of controlled group, business under common control, or affiliated group.** For purposes of the gross receipts test, all members of a controlled group of corporations (as defined in section 52(a)) and all members of a group of businesses under common control (as defined in section 52(b)), are treated as a single person, and all employees of the members of an affiliated service group (as defined in sections 414(m) and (o)) shall be treated as employed by a single person. If required, attach Form 8990 to the corporation's income tax return. Do not file it separately. See Limitations in the instructions for line 15a.

**Paperwork Reduction Act Notice.** We ask for the information on these forms to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act

unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated burden for business taxpayers filing this form is approved under OMB control number 1545-0123 and is included in the estimates shown in the instructions for their business income tax return.

If you have comments or suggestions for making this form and related schedules simpler, we would be happy to hear from you. You can send us comments from [IRS.gov/FormsPubs](https://www.irs.gov/FormsPubs). Click on "More Information" and then on "Give us feedback." Or you can write to:

Internal Revenue Service  
Tax Forms and Publications  
1111 Constitution Ave. NW, IR-6526  
Washington, DC 20224

Do not send the tax form to this address.  
Instead, see *Where To File*, earlier.



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