

Instructions for Form 1120-L

U.S. Life Insurance Company Income Tax Return

Volume 2 of 2



Department of the Treasury
Internal Revenue Service

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If the corporation claims a credit for any wages paid or incurred, it may need to reduce any corresponding deduction for officers' compensation and salaries and wages. See Reducing certain expenses for which credits are allowable, earlier.



Also, reduce the amounts deducted as compensation of officers and salaries and wages by the nonrefundable and refundable portions of the CARES Act and the ARP employee retention credit claimed on the corporation's employment tax return(s).

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 8882, Credit for Employer-Provided Childcare Facilities and Services.

- Form 8932, Credit for Employer Differential Wage Payments.
- Form 8994, Employer Credit for Paid Family and Medical Leave.

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.

Form 5500-EZ, Annual Return of A One-Participant (Owners/Partners and Their Spouses) Retirement Plan or A Foreign Plan. File this form for a plan that only covers the owner (or the owner and their spouse) but only if the owner (or the owner and their 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's 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 net operating loss (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 (or the 25% limitation, if elected; see below) 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 nonentertainment 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
- Their travel is for a bona fide business purpose and would otherwise be deductible by that individual.

Meals. 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, and
- 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 and Pub. 15-B, Employer's Tax Guide to Fringe Benefits, 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. Generally, 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, Wage and Tax Statement, for an employee or on Form 1099-NEC, Nonemployee Compensation, for an independent contractor.

However, if the recipient is an officer, a director, a 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.

Fines or similar penalties. Generally, no deduction is allowed for fines or similar penalties paid, or incurred to, or at the direction of, a government or governmental entity for violating any law, or for the

investigation or inquiry into the potential violation of a 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 or agreements in which no government or specified nongovernmental agency is a party, and
- Amounts paid or incurred for taxes due.

No deduction is allowed unless the amounts are specifically identified in the order or agreement and the corporation establishes that the amounts were paid for that purpose. 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. See section 162(f).

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. If this deduction is taken, show its computation on an attached statement. Generally, a life insurance company can carry over 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.

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 the Department of the Treasury under certain programs under the Emergency Economic Stabilization Act of 2008, see Notice 2010-2, 2010-2 I.R.B. 251.

For more details on the NOL deduction, see section 172 and the Instructions for Form 1139, Corporation Application for Tentative Refund.

Line 24. Phased inclusion of balance of policyholders surplus account. Section 13514(d) of P.L. 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).

Tax and Payments

Line 27b. Estimated tax payments. Enter any estimated tax payments the corporation made for the current tax year.

Line 27c. Current year's refund applied for on Form 4466. 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 27d. Combine lines 27a through 27c.

Line 27f. 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.

Line 27g. 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.

Line 27h. 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 27i. Elective payment election amount from Form 3800. Enter the elective payment election amount from Form 3800, General Business Credit, Part III, line 6, column (i). See the Instructions for Form 3800.

Line 27z. Other credits and payments. Include on line 27z any other refundable credit or payment the corporation is claiming. Attach a statement listing the type of credit and the amount of the credit or payment.

Credit for tax on ozone-depleting chemicals. Include on line 27z any credit the corporation is claiming under section 4682(g)(2) for tax on ozone-depleting chemicals.

Line 28. Total payments and credits.

Combine the amounts on lines 27d through 27z and enter the total on line 28.

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 28. Write the amount withheld and the words "Backup Withholding" in the blank space above line 28.

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 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.



If the corporation's tax liability includes a CAMT liability, the corporation must complete and attach Form 2220. The affected corporation must also include an amount of estimated tax penalty on Form 1120-L, line 29, even if that amount is zero. Failure to follow these instructions could result in the corporation receiving a penalty notice that will require an abatement request to apply any penalty relief. See [Notice 2023-42](#).

Line 30. Amount owed. If the corporation cannot pay the full amount of tax owed, it can apply for an installment agreement online. Go to [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, Electronic Deposit of Tax Refund of \$1 Million or More, 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 interest charge domestic international sales corporation (IC-DISC) or former domestic international sales corporation (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 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 P.L. 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 P.L. 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 foreign sales corporation (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 sections 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 P.L. 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 sections 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 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 territory 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). Reserved for future use. **Line 16, column (c).** Reserved for future use.

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 Form(s) 5471, Information Return of U.S. Persons With Respect to Certain Foreign Corporations, Schedule I, line 1a.

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 Form(s) 5471, Schedule I, line 1b.

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

Line 18, column (a). Enter amounts included in income under the section 951A GILTI provision. See Form 8992, U.S. Shareholder Calculation of Global Intangible Low-Taxed Income (GILTI), Part II, line 5; and the Instructions for Form 8992. Also, consider the applicability of section 951A with respect to CFCs owned by domestic partnerships in which the filer has an interest.

If you also have a Form 5471 reporting requirement, attach Form 5471.

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

1. Include gross-up for taxes deemed paid under section 902 (for dividends paid in pre-2022 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, Section 250 Deduction for Foreign-Derived Intangible Income (FDII) and Global Intangible Low-Taxed Income (GILTI), Part IV.

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 page 1, line 25. Subtract from that total the sum of page 1, lines 9 through 18
2. Add lines 9, 13, 14, and 17a, 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% (0.65)
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% (0.50)
10. Subtract line 5 above from line 10, 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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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 refinancings 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 page 1, line 18.

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

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, and
- Cancelable accident and health insurance.

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 2023 are published in Rev. Proc. 2023-41, 2023-52 I.R.B 1607, available at [IRS.gov/irb/2023-52_IRB#REVPROC-2023-41](https://www.irs.gov/irb/2023-52_IRB#REVPROC-2023-41). Rev. Proc. 2023-41 also provides, for convenience, the discount factors for losses incurred in earlier accident years for use in tax years beginning in 2023.

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 section 1602 of P.L. 104-188.

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 section 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 column 5(a), 5(b), or 5(c) may be positive or negative.

Line 6. If the sum of columns 5(a), 5(b), and 5(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. 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 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 1. On the dotted line to the

left of line 1, enter "Section 1291" and the amount.

Do not include on line 1 any interest due under section 1291(c)(3). Instead, include the amount of interest owed on Schedule K, line 11.

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, Partner's Share of Adjustment(s) to Partnership-Related Item(s), 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 1. On the dotted line next to line 1, 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 1. On the dotted line next to line 1, enter "Section 197" and the amount. See section 197(f)(9)(B)(ii).

Line 2. 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, Tax on Base Erosion Payments of Taxpayers With Substantial Gross Receipts, for further guidance on the determination of the amount of base erosion minimum tax.

Line 3. Corporate alternative minimum tax. Enter on Schedule K, line 3, the amount from Form 4626, Alternative Minimum Tax—Corporations, Part II, line 13, if applicable. See the Instructions for Form 4626.

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. territory, 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, Qualified Electric Vehicle Credit, line 7. Attach Form 8834.

Line 5c. General business credit. Use Form 3800 to claim any general business credits. Enter on line 5c the allowable credit from Form 3800, Part II, line 38. See the Instructions for Form 3800.

Line 5d. Credit for prior year minimum tax. Enter any allowable credit from Form 8827, Credit for Prior Year Minimum Tax—Corporations. 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 1.

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. 2021-41, 2021-39 I.R.B. 443, available at [IRS.gov/2021-39 IRB](https://www.irs.gov/2021-39-IRB), 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, page 1, line 7).

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. See section 842(c)(1). 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. Recapture of investment credit. If the corporation disposed of investment credit property or changed its use before the end of the 5-year recapture period under section 50(a), enter the increase in tax from Form 4255, Recapture of Investment Credit. See Instructions for Form 4255.

Line 10. 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. Complete and attach Form 8611.

Line 11. Other taxes. Include any of the following taxes and interest in the total on line 11. Attach a statement showing the computation of each item included in the total for line 11 and identify the applicable Code section and the type of tax or interest.

- 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, and Form 8874-B, Notice of Recapture Event for New Markets Credit).
- Recapture of employer-provided childcare facilities and services credit (see Form 8882).

- 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.

Line 12. Total tax. Include any deferred tax on the termination of a section 1294 election applicable to shareholders in a QEF in the amount entered on line 12.

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

How to report. Attach a statement showing the computation of each item included in, or subtracted from, the total for line 12. On the dotted line next to line 12, 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 FMV; 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 on 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-subsidiary controlled group. For a definition of a parent-subsidiary 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% of the total voting power and at least 80% of the total value of the stock of

at least one of the other includible corporations.

2. Stock that represents at least 80% of the total voting power and at least 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% of the total voting power of all classes of stock of the corporation entitled to vote, or at least

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. territory 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. 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 2023. Do not reduce the amount by any NOL deduction reported on page 1, line 21b.

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 2022 income tax return if:

- For 2023, 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 1 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 is generally 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 the following excepted trades or businesses.

- An electing real property trade or business.
- An electing farming business.
- 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. For tax years beginning in 2023, a taxpayer meets the gross receipts test if the taxpayer has average annual gross receipts of \$29 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 under *Line 15a*, earlier.

Question 18. If the corporation is a member of a controlled group, check the "Yes" box. 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 (Form 1120) for more information.

Question 19. Check the appropriate boxes to indicate if the corporation is required to file Form 4626. If the corporation does not meet the requirements of the safe harbor method, as provided under section 59(k)(3)(A) and Notice 2023-7, 2023-3 I.R.B. 390, available at [IRS.gov/irb/ 2023-03 IRB#NOT-2023-7](https://www.irs.gov/irb/2023-03_IRB#NOT-2023-7), for the current tax year, Form 4626 must be completed and attached to the corporation's return. See the Instructions for Form 4626.

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/FormComments](https://www.irs.gov/FormComments). 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.

Index

A

Accounting methods, change in 6

Accounting period (tax year) 6

Address change 9 Affiliated group 23

Amended return 9

Amortization 11

Annual Statement 4

Assembling the return 4

B

Backup withholding 16

Business start-up expenses 11

C

Charitable contributions 14

Consolidated return 7

Controlled group:

Member of 21

Parent-subsidiary 23

D

Deductions 10

Definitions:

Insurance company 3

Life insurance company 3

Reserves test 3

Depository methods of tax payment 5

E

Electronic deposit of tax refund of \$1 million or more 16

Electronic Federal Tax Payment System (EFTPS) 5

Electronic Filing 3

Employer identification number (EIN) 8

Estimated tax payments 16

Estimated tax penalty 5, 16

Extension of time to file 3

F

Final return 9 26

Foreign person 23

Foreign tax credit 21

Forms and publications, how to get 2

Future Developments 1

Foreign corporations 22

G

General business credit 21

Golden parachute payments 11

**Gross premiums and other
consideration 9**

I

Interest due on late payment of tax 5

L

Life insurance company taxable income 9

**Limitation on dividends-received
deduction 18**

Limitations on deductions 10

Losses incurred 11

M

Minimum tax:

Alternative minimum tax 21

Prior year, credit for 21

N

Name change 9

O

Operations loss deduction 15

Other deductions 12

Overpaid 16

Owner's country 23

P

Paid preparer authorization 4

Penalties 5, 6, 16

Pension, profit-sharing, etc. plans 13

Period covered 7

Private delivery services 3

R

Recordkeeping 6

Return premiums 9

S

Schedule:

A 16 B 19 F 19

G 20

K 21

L, Part I 22

L, Part II 22

M 23

Schedule M-3 (Form 1120-L) 8

Section 953 elections 9

T

Tax and payments:

Estimated tax payments 16

Prior year(s) special estimated tax payments to be applied 16

Taxpayer Advocate Service 2

Transactions between related taxpayers 11

Travel, meals, and entertainment:

Meals and entertainment 14

Membership dues 14

Travel 14

W

What's New 1

When to file 3

Where to file 4

Who must file 2

Foreign Life Insurance Companies 2

Mutual savings banks conducting life insurance business 2

Other insurance companies 3

Who must sign 3

Worksheet for Schedule A 17