

U.S. Income Tax Return of a Foreign Sales Corporation

1989

Department of the Treasury
Internal Revenue Service

(Please type or print.)

For calendar year 1989 or other tax year beginning _____, 1989 and ending _____, 19_____

A Date of incorporation	Name	D Country or U.S. possession of incorporation (See specific instructions.)
B Date of FSC or Small FSC election	Number and street (or P.O. box number if mail is not delivered to street address)	E Employer identification number
C Check type of election made: <input type="checkbox"/> FSC <input type="checkbox"/> Small FSC	City or town, state, ZIP code, or country	F Total assets (See specific instructions.) \$ _____

G Refer to the last page of the instructions and enter the principal:

(1) Business code number ▶ (2) Business activity ▶ (3) Product or service ▶

H Complete the following for the shareholder (individual, corporation, partnership, trust, or estate) who at the beginning of the FSC tax year was the principal shareholder. If two or more shareholders owned equal amounts of stock, enter the information for the shareholder that has the same tax year as the tax year of the corporation.

(1) Name			(2) Identifying number
(3) Address			(4) Total assets (corporations only) \$ _____
(5) Percentage of voting stock owned	(6) Tax year end (month and year)	(7) Service Center where return was (or is to be) filed	(8) Foreign owner? <input type="checkbox"/> Yes <input type="checkbox"/> No

Note: If the FSC is a member of a controlled group of corporations as defined in section 927(d)(4) and the principal shareholder for which information is provided in H(1) through H(8) above is not the common parent of the group, complete H(9) through H(15) below for the common parent of the group. (See specific instructions.)

(9) Name of common parent	(10) Identifying number	(11) Service Center where return was (or is to be) filed
(12) Address		
(13) Percentage of voting stock owned	(14) Tax year end (month and year)	(15) Total assets (consolidated if applicable) \$ _____

I Enter the amount of tax-exempt interest income received or accrued during the tax year \$ _____

J Administrative Pricing Rules:

- (1) Check the appropriate box(es) to indicate the pricing rule(s) used in determining the taxable income on transactions resulting in foreign trading gross receipts:
- (a) 1.83% of foreign trading gross receipts (b) 23% of combined taxable income (c) Marginal costing (d) Section 482 method
- (2) Check here if the FSC and the related supplier(s) have met the payment arrangement requirements of Temporary Regulations section 1.925(a)-1T(b)(2)(ii) and are thereby electing under that Regulations section to have met the requirements for use of the administrative pricing rules . . .

Computation of Tax Due or Overpayment

1 Total tax (Schedule J, line 8)	1	
2 Payments:		
a 1988 overpayment credited to 1989	2a	
b 1989 estimated tax payments	2b	
c Less 1989 refund applied for on Form 4466	2c ()	
d Tax deposited with Form 7004	2d	
e Credit for Federal tax on fuels (attach Form 4136)	2e	
f U.S. income tax paid or withheld at source (attach Form 1042S)	2f	
g Total payments—Add lines 2d through 2g	2g	
h Total payments—Add lines 2d through 2g	2h	
3 Enter any penalty for underpayment of estimated tax—check <input type="checkbox"/> if Form 2220 is attached	3	
4 Tax due —If the total of lines 1 and 3 is larger than line 2h, enter amount owed	4	
5 Overpayment —If line 2h is larger than the total of lines 1 and 3, enter amount overpaid	5	
6 Enter amount of line 5 you want: a Credited to 1990 estimated tax ▶	6	
	b Refunded ▶	

Please Sign Here Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Paid Preparer's Use Only	Preparer's signature ▶	Date	Check if self-employed <input type="checkbox"/>	Preparer's social security no.
	Firm's name (or yours if self-employed) and address ▶	E.I. No. ▶	ZIP code ▶	

Schedule A Cost of Goods Sold and/or Operations Related to Foreign Trading Gross Receipts (See instructions.)

Table with 2 main columns: (a) Using Administrative Pricing Rules, (b) Not Using Administrative Pricing Rules. Rows 1-7 for inventory and cost of goods sold.

- 8a Check all methods used for valuing closing inventory: (i) Cost, (ii) Lower of cost or market, (iii) Writedown of "subnormal" goods, (iv) Other.
b Check if the LIFO inventory method was adopted this tax year for any goods.
c If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO.
d Do the rules of section 263A apply to the FSC?
e Was there any change in determining quantities, cost, or valuations between opening and closing inventory?

Additional Information Required (continued from page 1)

Form with Yes/No columns for questions K through Q regarding FSC requirements, foreign management tests, and foreign economic process requirements.

Schedule B Taxable Income (or Loss)

Part I—Income Attributable to Foreign Trade Income

Type of Receipt (see specific instructions)	(a) Using Administrative Pricing Rules		(b) Not Using Administrative Pricing Rules	
1 Sale, exchange, or other disposition of export property. (Include only 50% of military property sales. Include the other 50% on line 1, Schedule F.)				
2 Lease or rental of export property for use outside the U.S.				
3 Services related and subsidiary to:				
a Sale, exchange, or other disposition of export property. (Include only 50% of services related to the sale or other disposition of military property. Include the other 50% on line 1, Schedule F.)				
b Lease or rental of export property				
4 Engineering or architectural services for construction projects outside the U.S.				
5 Managerial services for an unrelated FSC or DISC. (See specific instructions for determination of qualifying amount.)				
6 Total Foreign Trading Gross Receipts:				
a All FSCs—Add lines 1 through 5. (FSCs that are not small FSCs, skip lines 6b through 6h and go to line 7. Small FSCs, complete lines 6b through 6h to determine your foreign trading gross receipts.)				
b Small FSC limitation (section 924(b)(2)(B))	\$5,000,000	00		
c Controlled group member's share of line 6b (see specific instructions)				
d Enter smaller of: (a) number of days in tax year divided by 365, or (b) 1 (one)				
e Proration of limitation—Line 6b or line 6c (whichever applies) times line 6d				
f Enter total of columns (a) and (b), line 6a. (If commission income is included on line 6a, see special computation rule in specific instructions for line 6f.)				
g Small FSC foreign trading gross receipts that may be taken into account in determining exempt foreign trade income (enter the smaller of line 6e or 6f)				
Note: If line 6f exceeds line 6e, enter the excess on line 7 of Schedule F. See specific instructions for line 6h if commission income is involved.				
h Allocate the amount from line 6g to columns (a) and (b)—See specific instructions.				
7 Cost of goods sold (Schedule A, line 7) (Small FSCs, enter only the portion of cost of goods sold that is attributable to the receipts on line 6h above.) (See specific instructions for Schedule A.)				
8 Foreign trade income—Line 6a or 6h (whichever applies) less line 7				
9a Exemption percentage from line 3d, Schedule E			%	
b Exemption percentage from line 2d, Schedule E				%
10 Exempt foreign trade income—Multiply line 8 by lines 9a and 9b.				
11 Nonexempt foreign trade income—Line 8 less line 10				
12 Enter nonexempt foreign trade income from line 6, Schedule F				
13 Add lines 11 and 12				
14 Enter deductions from line 18, Schedule G, that are attributable to nonexempt foreign trade income				
15 Net income attributable to nonexempt foreign trade income—Line 13 less line 14				

Part II—Taxable Income (or Loss)

16 Taxable income attributable to foreign trade income—Enter total of columns (a) and (b), line 15, reduced by any nontaxable income included in line 15, column (b). Attach a schedule that shows the computation of the taxable portion of line 15, column (b)				
17 Taxable nonforeign trade income from line 19, Schedule F				
18 Taxable income (or loss) before net operating loss deduction and dividends-received deduction—Add lines 16 and 17				
19 Less: a Net operating loss deduction (see specific instructions—attach schedule)				
b Dividends-received deduction (see specific instructions—attach schedule)				
c Add lines 19a and 19b				
20 Taxable income (or loss)—Line 18 less line 19c (enter here and see specific instructions for Schedule J for figuring the tax on this income)				

Schedule E Percentages (expressed as decimals to 5 places) To Be Used in Figuring Exempt Foreign Trade Income—Sections 923(a)(2) and (3), and 291(a)(4)

Note: If all shareholders of the FSC are C corporations, enter .30000 on line 2d and .65217 on line 3d and skip all other lines. If all shareholders are other than C corporations, enter .32000 on line 2d and .69565 on line 3d and skip all other lines.

1	Percentage (express as decimal to 5 places) of voting stock owned by shareholders that are C corporations	1	
2	Exemption for foreign trade income determined without regard to administrative pricing rules:		
a	Difference between section 923(a)(2) and section 291(a)(4)(A) percentage	2a	.02000
b	Section 923(a)(2) percentage	2b	.32000
c	Line 2a times line 1.	2c	
d	Exemption percentage—Line 2b less line 2c. (Enter here and on line 9b, Schedule B; and on line 16b, Schedule G.)	2d	
3	Exemption percentage for foreign trade income determined under administrative pricing rules:		
a	Difference between section 923(a)(3) fraction and section 291(a)(4)(B) fraction (16/23 – 15/23 = 1/23) expressed as a decimal	3a	.04348
b	Section 923(a)(3) fraction (16/23) expressed as a decimal	3b	.69565
c	Line 3a times line 1.	3c	
d	Exemption percentage—Line 3b less line 3c. (Enter here and on line 9a, Schedule B; and on line 16a, Schedule G.)	3d	

Schedule F Nonexempt Foreign Trade Income (excluded from section 923) and Nonforeign Trade Income
Part I—Nonexempt Foreign Trade Income (excluded from section 923)

	(a) Using Administrative Pricing Rules	(b) Not Using Administrative Pricing Rules
1	Enter the remaining 50% of total receipts attributable to the sale, exchange, or other disposition of military property and related services. (Note: The first 50% of these receipts was reported on lines 1 and 3 of Schedule B.)	
2	International boycott income (see specific instructions)	
3	Illegal bribes and other payments (see specific instructions)	
4	Add lines 1, 2, and 3	
5	Enter cost of goods sold and other expenses related to above income	
6	Nonexempt foreign trade income—Line 4 less line 5. (Enter here and on line 12, columns (a) and (b), Schedule B.)	

Part II—Nonforeign Trade Income

7	Small FSCs—If line 6f of Schedule B exceeds line 6e of Schedule B, enter the excess. (Include the deduction for cost of goods sold attributable to the excess on line 18 below.)	7	
8	Interest income	8	
9	Dividend income (attach schedule—see specific instructions)	9	
10	Carrying charges	10	
11	Royalties	11	
12	Other investment income	12	
13	Receipts excluded under section 924(f) on basis of use, subsidized receipts and receipts from related parties	13	
14	Income from excluded property under sections 927(a)(2) and (3)	14	
15	Income from transactions that did not qualify as foreign trade income because the “economic process requirements” (see General Instruction C3 for definition) were not met	15	
16	Other income	16	
17	Total—Add lines 7 through 16	17	
18	Enter deductions allocated or apportioned to line 17 income (attach schedule—see specific instructions)	18	
19	Taxable nonforeign trade income—Line 17 less line 18. (Enter here and on line 17, Schedule B.)	19	

Schedule G Deductions Allocated or Apportioned to Foreign Trade Income (See specific instructions for limitations on deductions before completing lines 1 through 14.)

	(a) Using Administrative Pricing Rules		(b) Not Using Administrative Pricing Rules	
1 Foreign direct costs:				
a Section 924(e)(1) (advertising and sales promotion)	1a			
b Section 924(e)(2) (certain processing and arranging costs)	1b			
c Section 924(e)(3) (certain transportation costs)	1c			
d Section 924(e)(4) (certain determination and transmittal costs)	1d			
e Section 924(e)(5) (assumption of credit risk)	1e			
f Add lines 1a through 1e	1f			
2 Advertising	2			
3 Interest	3			
4 Depreciation from Form 4562 (less depreciation claimed elsewhere on this return) (attach Form 4562)	4			
5 Salaries and wages	5			
6 Rents	6			
7 Sales commissions	7			
8 Warehousing	8			
9 Freight	9			
10 Compensation of officers	10			
11 Bad debts (see specific instructions)	11			
12 Pension, profit-sharing, etc., plans	12			
13 Employee benefit programs	13			
14 Other (list): ▶	14			
.....				
.....				
15 Total (add lines 1f through 14)	15			
16a Exemption percentage from line 3d, Schedule E	16a		%	
b Exemption percentage from line 2d, Schedule E	16b			%
17 Deductions relating to exempt foreign trade income—Line 15 (column (a)) times line 16a and line 15 (column (b)) times line 16b	17			
18 Total deductions relating to nonexempt foreign trade income—Line 15 less line 17. (Enter here and on line 14, columns (a) and (b), Schedule B.)	18			

Schedule J Tax Computation (See instructions.)

1 Check if you are a member of a controlled group (see section 927(d)(4))	▶ <input type="checkbox"/>			
2 If the box on line 1 is checked:				
a Enter your portion of the \$50,000 amount and \$25,000 amount (in that order) in each taxable income bracket:				
(i) \$ _____				
(ii) \$ _____				
b Enter your share of the additional 5% tax (not to exceed \$11,750)	\$ _____			
3 Income tax (see specific instructions to figure the tax). Check this box if the FSC is a qualified personal service corporation (see specific instructions) ▶ <input type="checkbox"/>		3		
4 Foreign tax credit (see specific instructions—attach Form 1118).		4		
5 Line 3 less line 4		5		
6 Personal holding company tax (attach Schedule PH (Form 1120))		6		
7a Alternative minimum tax (see specific instructions—attach Form 4626)		7a		
b Environmental tax (see specific instructions—attach Form 4626)		7b		
8 Total tax—Add lines 5, 6, 7a, and 7b. Enter here and on line 1, page 1		8		

Schedule L Balance Sheets	Beginning of tax year		End of tax year	
	(a)	(b)	(c)	(d)
Assets				
1 Cash				
2a Trade notes and accounts receivable				
b Commissions receivable				
c Less allowance for bad debts				
3 Inventories				
4 U.S. government obligations				
5 Tax-exempt securities (see instructions)				
6 Other current assets (attach schedule)				
7 Loans to stockholders				
8 Mortgage and real estate loans				
9 Other investments (attach schedule)				
10a Buildings and other depreciable assets				
b Less accumulated depreciation				
11a Depletable assets				
b Less accumulated depletion				
12 Land (net of any amortization)				
13a Intangible assets (amortizable only)				
b Less accumulated amortization				
14 Other assets (attach schedule)				
15 Total assets				
Liabilities and Stockholders' Equity				
16 Accounts payable				
17 Mtges., notes, bonds payable in less than 1 year				
18 Transfer prices payable				
19 Other current liabilities (attach schedule)				
20 Loans from stockholders				
21 Mtges., notes, bonds payable in 1 year or more				
22 Other liabilities (attach schedule)				
23 Capital stock				
24 Paid-in or capital surplus				
25 Retained earnings—Appropriated (attach schedule)				
26 Retained earnings—Unappropriated				
27 Less cost of treasury stock		()		()
28 Total liabilities and stockholders' equity				

Schedule M-1 Reconciliation of Income per Books With Income per Return		
1 Net income per books		7 Income recorded on books this year not included on this return (itemize):
2 Federal income tax		a Tax-exempt interest . . . \$
3 Excess of capital losses over capital gains		b Exempt foreign trade income \$
4 Income subject to tax not recorded on books this year (itemize):
.
5 Expenses recorded on books this year not deducted on this return (itemize):		8 Deductions on this return not charged against book income this year (itemize):
a Depreciation . . . \$		a Depreciation . . . \$
b Deductions attributable to exempt foreign trade income \$
c Travel and entertainment \$
.
6 Total of lines 1 through 5		9 Total of lines 7 and 8
		10 Taxable income (line 6 less line 9)

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (line 26 above)		
1 Balance at beginning of year		5 Distributions: a Cash
2 Net income per books		b Stock
3 Other increases (itemize):		c Property
.		6 Other decreases (itemize):
.
.		7 Total of lines 5a, b, c, and 6
4 Total of lines 1, 2, and 3		8 Balance at end of year (line 4 less line 7)