SCHEDULE PH
Form 1120
U. S. Treasury Department
Internal Revenue Service

COMPUTATION OF U. S. PERSONAL HOLDING COMPANY TAX

1958

FOR CALENDAR YEAR 1958

or other taxable year beginning , 1958, and ending , 195

Name and address

UNDISTRIBUTED PERSONAL HOLDING COMPANY INCOME COMPUTATION

Instruction and Line No.

1. Taxable income before net operating loss deduction and special deductions from Form 1120 (line 32, page 3) ..... $

Additions:

2. Contributions or gifts deducted in computing line 1 (line 23, page 2, Form 1120) ..... $

3. Excess of expenses and depreciation under section 545 (b) (8). (Schedule A) .....

4. Amount added to taxable income where lien in favor of the United States is satisfied or released .....

5. Total of lines 2 to 4, inclusive .....

6. Total of lines 1 and 5 ..... $

Deductions:

7. Federal and foreign income, war-profits, and excess profits taxes. (Not deducted in computing line 1) (Schedule B) ..... $

8. Contributions or gifts deductible under section 545 (b) (2). (Schedule C) .....

9. Net operating loss for the preceding taxable year deductible under section 545 (b) (4) .....

10. Excess of net long-term capital gain over net short-term capital loss (line 13 (b), page 2, Form 1120) ..... $

Less: Income tax attributable to such excess. (Attach computation if amount is different from line 17, separate Schedule D, 1120) .....

11. Special deduction for bank affiliates allowable under section 545 (b) (6) .....

12. Amounts used or irrevocably set aside to pay or retire indebtedness of any kind incurred prior to January 1, 1934. (Schedule D) .....

13. Amount of a lien in favor of the United States. (See instructions for limitations) .....

14. Deduction for dividends paid (excluding dividends paid after close of taxable year). (Schedule E) .....

15. Total of lines 7 to 14, inclusive .....

16. Undistributed personal holding company income before the deduction shown on line 17 (line 6, minus line 15) ..... $

17. Less: Dividends paid after close of taxable year (excluding deficiency dividends as defined in section 547 (d)) but not in excess of the lesser of line 16 or 10% of line 1, Schedule E .....

18. Undistributed personal holding company income (line 16 minus line 17) ..... $

COMPUTATION OF TAX

19. Tax on portion of line 18 not in excess of $2,000, at 75% ..... $

20. Tax on portion of line 18 in excess of $2,000, at 85% .....

21. Total Personal Holding Company tax due (total of lines 19 and 20). (Enter here and on line 49, page 3, Form 1120, or on line 5, page 1, Form 1120NB, whichever is applicable) ..... $

SCHEDULE REQUIRED UNDER SECTION 6501 (f) (See page 6)

(a) Personal Holding Company Income

1. Dividends	$
2. Interest	
3. Royalties (other than mineral, oil, or gas royalties)	
4. Annuities	
5. Net gains from sale or exchange of stock or securities	
6. Net gains from futures transactions	
7. Amounts received from estates and trusts and gains from the sale or other disposition of any interest in an estate or trust	
8. Amounts received under personal service contracts and from the sale thereof	
9. Amounts received as compensation for use of corporation property by shareholder	
10 Rents	
11. Mineral, oil, or gas royalties	
12. Total personal holding company income	$

(b) Stock Ownership

Enter below the names and addresses of the **individuals** who owned, directly or indirectly, at any time during the last half of the taxable year, more than 50 percent in value of the outstanding stock of the corporation:

Name	Address	Highest percentage of shares owned during last half of taxable year	
		Preferred	Common
(1)			
(2)			
(3)			
(4)			
(5)			

Schedule A.—EXCESS OF EXPENSES AND DEPRECIATION OVER INCOME FROM PROPERTY NOT ALLOWABLE UNDER SECTION 545 (b) (8) (See Instruction 3)

1. Kind of Property	2. Date Acquired	3. Cost or Other Basis	4. Depreciation	5. Repairs, Insurance, and Other Expenses (section 162) (Itemize below)	6. Aggregate of Expenses and Depreciation in Columns 4 and 5	7. Income from Rent or Other Compensation	8. Excess (Column 6 minus Column 7)
(a)		$	$	$	$	$	$
(b)							
(c)							
(d)							

Total excess of expenses and depreciation over rent or other compensation. (Enter here and on line 3, page 1) ..... $

Explanation of expenses entered in column 5

State the names and addresses of persons from whom rent or other compensation was received for the use of, or the right to use, each property

Schedule B.—FEDERAL AND FOREIGN INCOME, WAR PROFITS, AND EXCESS PROFITS TAXES (See Instruction 7)

Nature of Tax	Taxable Year	Amount	Nature of Tax	Taxable Year	Amount
		$			$

Total. (Enter here and on line 7, page 1) ..... $

Schedule C.—CONTRIBUTIONS OR GIFTS PAID. (See Instruction 8)

Name and Address of Organization	Amount	Name and Address of Organization	Amount
	$		$
Total. (Enter here and on line 8, page 1, subject to appropriate percentage limitations)			$

Schedule D.—AMOUNT USED OR SET ASIDE TO PAY OR RETIRE INDEBTEDNESS INCURRED PRIOR TO JANUARY 1, 1934. (See Instruction 12)

	I	II	III
1. Description of indebtedness			
2. Date incurred or assumed			
3. Date due			
4. Original amount of indebtedness	$	$	$
5. Amount used or set aside prior to January 1, 1934, to pay or retire such indebtedness			
6. Excess of indebtedness on January 1, 1934, over total amount used or set aside prior to that date to pay or retire such indebtedness	$	$	$
7. Aggregate of amounts used or set aside to retire such indebtedness in taxable years beginning on and after January 1, 1934 (not including taxable year covered by this return)	$	$	$
8. Amount used or irrevocably set aside during the taxable year covered by this return to pay or retire such indebtedness	$	$	$
9. Total of lines 7 and 8	$	$	$
10. Balance of indebtedness (line 6 minus line 9)	$	$	$
11. Indicate separately:			
(a) Amount actually used during the taxable year covered by this return to pay or retire the indebtedness	$	$	$
(b) Amount irrevocably set aside during the taxable year covered by this return to pay or retire the indebtedness, but not actually used during the taxable year for such purpose	$	$	$
12. Portions of amounts entered on line 8 above, claimed as deductions for the taxable year covered by this return. (Enter portions of amounts here and total of such portions on line 12, page 1)	$	$	$

Indicate by check mark whether the deduction claimed on line 12, page 1 of this return, represents:

A ☐ Amount actually used during the taxable year to pay or retire the indebtedness;

B ☐ Amount irrevocably set aside during the taxable year to pay or retire the indebtedness; or

C ☐ Combination of both A and B.

There must be furnished all of the facts and circumstances upon which the taxpayer relies to establish the reasonableness of the amount claimed as a deduction. Describe fully in an attached statement the plan for payment or retirement of the obligations, indicating date and method of adoption, and, where the plan is covered by a mandatory sinking fund agreement or similar arrangement, submit a copy of the indenture or agreement by which the fund was established and under which it is maintained.

If the amount claimed as a deduction on line 12, page 1 of this return, represents an amount irrevocably set aside to pay or retire the indebtedness, explain fully in an attached statement the circumstances and method by which it was irrevocably set aside.

Schedule E.—DEDUCTION FOR DIVIDENDS PAID. (See Instruction 14)

1. Taxable dividends paid, excluding (a) dividends considered as paid in the preceding taxable year under section 563, and (b) deficiency dividends as defined in section 547	$
2. Consent dividends. **(Submit schedule)**	
3. Taxable distributions (total of lines 1 and 2)	$
4. Dividend carryover from first and second preceding taxable years. **(Submit schedule of computation)**	$
5. Deduction for dividends paid (total of lines 3 and 4). (Enter here and on line 14, page 1)	$

(See page 4 for General Instructions)

Corporations which must file Schedule PH (1120).—Every corporation which comes within the classification of a "personal holding company" must file a Schedule PH. The term "personal holding company" means any corporation, other than those listed in the exceptions below, if at least 80 percent of its gross income for the taxable year is personal holding company income and if at any time during the last half of the taxable year more than 50 percent in value of its outstanding stock is owned, directly or indirectly, by or for not more than 5 individuals. For purposes of determining such stock ownership, an organization described in section 503 (b) or a portion of a trust permanently set aside or to be used exclusively for the purposes described in section 642 (c) or a corresponding provision of a prior income tax law shall be considered an individual, unless such organization or trust meets the requirements of section 542 (a) (2).

In the case of corporations filing consolidated returns, see section 542 (b).

The term "personal holding company," as referred to above, does not include any of the following:

(1) A corporation exempt from tax under subchapter F (sec. 501 and following);
(2) a bank as defined in section 581;
(3) a life insurance company;
(4) a surety company;
(5) a foreign personal holding company as defined in section 552;
(6) a licensed personal finance company as defined in section 542 (c) (6);
(7) a lending company as defined in section 542 (c) (7);
(8) a loan or investment corporation as defined in section 542 (c) (8);
(9) a finance company as defined in section 542 (c) (9); and
(10) a foreign corporation the gross income and stock ownership of which falls within the provisions of section 542 (c) (10).

A foreign corporation, whether resident or nonresident, which is classified as a personal holding company under section 542 (not including a foreign personal holding company as defined in section 552) is subject to the tax imposed by section 541 with respect to its income from sources within the United States even though such income is not fixed or determinable annual or periodical income specified in section 881 (a). (See section 861.) In the case of a nonresident foreign corporation, Schedule PH shall be attached to Form 1120NB. The term "personal holding company" as used in subtitle (A) does not include a foreign corporation if (1) its gross income from sources within the United States for the period specified in section 861 (a) (2) (B) is less than 50 percent of its total gross income from all sources and (2) all of its stock outstanding during the last half of the taxable year is owned by nonresident alien individuals, whether directly or indirectly through other foreign corporations.

Personal holding company income.—The term "personal holding company income" is defined by section 543 as the portion of the gross income which consists of:

(1) DIVIDENDS, ETC.—Dividends, interest, royalties (other than mineral, oil, or gas royalties), and annuities. This paragraph shall not apply to interest constituting rent as defined in paragraph (7) or to interest on amounts set aside in a reserve fund under section 511 or 607 of the Merchant Marine Act, 1936.

(2) STOCK AND SECURITIES TRANSACTIONS.—Except in the case of regular dealers in stock or securities, gains from the sale or exchange of stock or securities.

(3) COMMODITIES TRANSACTIONS.—Gains from futures transactions in any commodity on or subject to the rules of a board of trade or commodity exchange. This paragraph shall not apply to gains by a producer, processor, merchant, or handler of the commodity which arise out of bona fide hedging transactions reasonably necessary to the conduct of its business in the manner in which such business is customarily and usually conducted by others.

(4) ESTATES AND TRUSTS.—Amounts includible in computing the taxable income of the corporation under part I of subchapter J (sec. 641 and following, relating to estates, trusts, and beneficiaries); and gains from the sale or other disposition of any interest in an estate or trust.

(5) PERSONAL SERVICE CONTRACTS.—

(A) Amounts received under a contract under which the corporation is to furnish personal services; if some person other than the corporation has the right to designate (by name or by description) the individual who is to perform the services, or if the individual who is to perform the services is designated (by name or by description) in the contract; and

(B) amounts received from the sale or other disposition of such a contract. This paragraph shall apply with respect to amounts received for services under a particular contract only if at some time during the taxable year 25 percent or more in value of the outstanding stock of the corporation is owned, directly or indirectly, by or for the individual who has performed, is to perform, or may be designated (by name or by description) as the one to perform, such services.

(6) USE OF CORPORATION PROPERTY BY SHAREHOLDER.—Amounts received as compensation (however designated and from whomsoever received) for the use of, or right to use, property of the corporation in any case where, at any time during the taxable year, 25 percent or more in value of the outstanding stock of the corporation is owned, directly or indirectly, by or for an individual entitled to the use of the property; whether such right is obtained directly from the corporation or by means of a sublease or other arrangement. This paragraph shall apply only to a corporation which has personal holding company income for the taxable year, computed without regard to this paragraph and paragraph (7), in excess of 10 percent of its gross income.

(7) RENTS.—Rents, unless constituting 50 percent or more of the gross income. For purposes of this paragraph, the term "rents" means compensation, however designated, for the use of, or right to use, property, and the interest on debts owed to the corporation, to the extent such debts represent the price for which real property held primarily for sale to customers in the ordinary course of its trade or business was sold or exchanged by the corporation; but does not include amounts constituting personal holding company income under paragraph (6).

(8) MINERAL, OIL, OR GAS ROYALTIES.—Mineral, oil, or gas royalties, unless—

(A) such royalties constitute 50 percent or more of the gross income, and

(B) the deductions allowable under section 162 (relating to trade or business expenses) other than compensation for personal services rendered by the shareholders, constitute 15 percent or more of the gross income.

Stock ownership.—Section 544 contains the following provision with reference to stock ownership.

(a) CONSTRUCTIVE OWNERSHIP.—For purposes of determining whether a corporation is a personal holding company, insofar as such determination is based on stock ownership under section 542 (a) (2), section 543 (a) (5), or section 543 (a) (6)—

(1) STOCK NOT OWNED BY INDIVIDUAL.—Stock owned, directly or indirectly, by or for a corporation, partnership, estate, or trust shall be considered as being owned proportionately by its shareholders, partners, or beneficiaries.

(2) FAMILY AND PARTNERSHIP OWNERSHIP.—An individual shall be considered as owning the stock owned, directly or indirectly, by or for his family or by or for his partner. For purposes of this paragraph, the family of an individual includes only his brothers and sisters (whether by the whole or half blood), spouse, ancestors, and lineal descendants.

(3) OPTIONS.—If any person has an option to acquire stock, such stock shall be considered as owned by such person. For purposes of this paragraph, an option to acquire such an option and each one of a series of such options, shall be considered as an option to acquire such stock.

(4) APPLICATION OF FAMILY-PARTNERSHIP AND OPTION RULES.—Paragraphs (2) and (3) shall be applied—

(A) for purposes of the stock ownership requirement provided in section 542 (a) (2), if, but only if, the effect is to make the corporation a personal holding company;

(B) for purposes of section 543 (a) (5) (relating to personal service contracts), or of section 543 (a) (6) (relating to the use of property by shareholders), if, but only if, the effect is to make the amounts therein referred to includible under such paragraph as personal holding company income.

(5) CONSTRUCTIVE OWNERSHIP AS ACTUAL OWNERSHIP.—Stock constructively owned by a person by reason of the application of paragraph (1) or (3) shall, for purposes of applying paragraph (1) or (2), be treated as actually owned by such person; but stock constructively owned by an individual by reason of the application of paragraph (2) shall not be treated as owned by him for purposes of again applying such paragraph in order to make another the constructive owner of such stock.

(6) OPTION RULE IN LIEU OF FAMILY AND PARTNERSHIP RULE.—If stock may be considered as owned by an individual under either paragraph (2) or (3) it shall be considered as owned by him under paragraph (3).

(b) CONVERTIBLE SECURITIES.—Outstanding securities convertible into stock (whether or not convertible during the taxable year) shall be considered as outstanding stock—

(1) for purposes of the stock ownership requirement provided in section 542 (a) (2), but only if the effect of the inclusion of all such securities is to make the corporation a personal holding company;

(2) for purposes of section 543 (a) (5) (relating to personal service contracts), but only if the effect of the inclusion of all such securities is to make the amounts therein referred to includible under such paragraph as personal holding company income; and

(3) for purposes of section 543 (a) (6) (relating to the use of property by shareholders), but only if the effect of the inclusion of all such securities is to make the amounts therein referred to includible under such paragraph as personal holding company income.

The requirement in paragraphs (1), (2), and (3) that all convertible securities must be included if any are to be included shall be subject to the exception that, where some of the outstanding securities are convertible only after a later date than in the case of others, the class having the earlier conversion date may be included although the others are not included, but no convertible securities shall be included unless all outstanding securities having a prior conversion date are also included.

(See pages 5 and 6 for Specific Instructions)

SPECIFIC INSTRUCTIONS

The following instructions are numbered to correspond with line numbers on page 1 of this schedule

1. Taxable income before net operating loss deduction and special deductions, Form 1120.—Enter here the amount shown on line 32, page 3, Form 1120, computed in accordance with the provisions of subtitle A, but without regard to section 443 (b) (relating to income placed on an annual basis). In the event such taxable income on line 1 includes any amount with respect to coal royalties to which section 631 (c) is applicable, see section 631 (c) and the regulations thereunder.

In the case of a nonresident foreign corporation (not engaged in trade or business within the United States) which qualifies as a personal holding company under section 542 but not as a foreign personal holding company under section 552, the amount to be entered on line 1 must be computed under section 861 rather than under section 881 (a). The taxable income so computed will reflect, in addition to income from all other sources within the United States, gains from sales or exchanges made within the United States of capital assets including stocks, securities, and commodities. Although such gains may not be subject to tax under section 881 (a), they are subject to the tax imposed by section 541.

3. Expenses and depreciation applicable to property of the taxpayer in excess of amount allowable under section 545 (b) (8).—If the corporation derived rent or other compensation for the use or right to use property which was less than the sum of the expenses incurred in connection therewith and deductible under section 162 and the depreciation allowable under section 167, Schedule A should be filled in and the excess of the expenses and depreciation over the rent or other compensation shown therein should be entered on line 3, page 1. This adjustment must be made unless the taxpayer establishes, in accordance with section 545 (b) (8), that the rent or other compensation received was the highest obtainable, or, if none was received, that none was obtainable; that the property was held in the course of a business carried on bona fide for profit; and either that there was reasonable expectation that the operation of the property would

7. Federal and foreign income, war profits, and excess profits taxes.—Section 545 (b) (1) provides that there shall be allowed as a deduction from taxable income Federal income and excess profits taxes accrued during the taxable year, but not including the accumulated earnings tax imposed by section 531, the personal holding company tax imposed by section 541, or the taxes imposed by corresponding sections of a prior income tax law. However, a taxpayer shall deduct Federal income and excess profits taxes under this paragraph when paid if for each taxable year in which it was subject to tax imposed by section 500 of the Internal Revenue Code of 1939 it deducted such taxes when paid, unless it elects, in its return for a taxable year ending after June 30, 1954, to deduct the taxes described in this paragraph when accrued, in which case only taxes accrued may be deducted. Such an election shall be irrevocable and shall apply to the taxable year for which the election is made and all subsequent taxable years.

The credit allowed to domestic corporations by section 901 for income, war profits, and excess profits taxes of foreign countries and United States possessions is not allowed as a credit with respect to the personal holding company tax. There shall be allowed as a deduction from taxable income, however, the income, war profits, and excess profits taxes accrued during the taxable year to foreign countries and possessions of the United States if the taxpayer claims a credit for such taxes in computing its income tax.

Foreign corporations should treat such taxes as deductions to be allocated in accordance with section 861 in computing income from sources within the United States, and in such cases taxes of this nature will be reflected in taxable income stated on line 1 instead of being stated separately as a deduction on line 7.

8. Contributions or gifts deductible under section 545 (b) (2).—For purposes of the personal holding company tax, section 545 (b) (2) provides for a different limitation on deductions for charitable contributions than the 5 percent limitation for purposes of determining the corporate tax. The

contribution to the capital of the corporation by the shareholder on the last day of the taxable year of the corporation. A consent shall be filed in duplicate on Form 972 at any time but not later than the due date of the corporation's income tax return for the taxable year for which credit is claimed. In addition, Form 973 must be filed by the taxpayer corporation.

The dividend carryover to a taxable year shall be determined as follows:

(1) For each of the 2 preceding taxable years there shall be determined the taxable income computed with the adjustments provided in section 545 (relating to the computation of undistributed personal holding company income) (whether or not the taxpayer was a personal holding company for either of such preceding taxable years), and there shall also be determined for each such year the deduction for dividends paid during such year as provided in section 561 (but determined without regard to the dividend carryover to such year).

(2) There shall be determined for each such taxable year whether there is an excess of such taxable income over such deduction for dividends paid or an excess of such deduction for dividends paid over such taxable income, and the amount of each such excess.

(3) If there is an excess of such deductions for dividends paid over such taxable income for the first preceding taxable year, such excess shall be allowed as a dividend carryover to the taxable year.

(4) If there is an excess of such deduction for dividends paid over such taxable income for the second preceding taxable year, such excess shall be reduced by the amount determined in paragraph (5), and the remainder of such excess shall be allowed as a dividend carryover to the taxable year.

(5) The amount of the reduction specified in paragraph (4) shall be the amount of the excess of the taxable income, if any, for the first preceding taxable year over such deduction for dividends paid, if any, for the first preceding taxable year.

17. Dividends paid after close of taxable year (excluding deficiency dividends as defined in section 547 (d)).—Enter on line 17 and not in Schedule E, the amount of the dividends paid after the close of the taxable year and before the 15th day of the third month thereafter, if the taxpayer elects in its return for the taxable year to have such dividends considered as paid during such taxable year. The amount allowed as a dividend under this paragraph with respect to any taxable year shall not exceed either the undistributed personal holding company income of the corporation for the taxable year, computed without regard to the dividends paid pursuant to this paragraph (line 16 of page 1 of this Schedule) or 10 percent of the sum of the dividends paid during the taxable year, computed without regard to this paragraph (i. e., 10 percent of line 3, Schedule E).

Neither line 14 nor line 17 should include "deficiency dividends." The term "deficiency dividends" means in general only those dividends which are paid by a corporation pursuant to a specific procedure set forth in section 547, which includes a requirement that there must first be a determination by a court, by closing agreement, or (under regulations) a written agreement signed by the District Director and by or on behalf of the taxpayer relating to the liability of the corporation for personal holding company tax.

Schedule required under section 6501 (f).—Section 6501 (f) provides as follows:

(f) Personal Holding Company Tax.—If a corporation which is a personal holding company for any taxable year fails to file with its return under chapter 1 for such year a schedule setting forth—

(1) the items of gross income, described in section 543 (a), received by the corporation during such year, and

(2) the names and addresses of the individuals who owned, within the meaning of section 544 (relating to rules for determining stock ownership), at any time during the last half of such year more than 50 percent in value of the outstanding capital stock of the corporation,

the personal holding company tax for such year may be assessed, or a proceeding in court for the collection of such tax may be begun without assessment, at any time within 6 years after the return for such year was filed.

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