

**SCHEDULE PH
(Form 1120)**

U.S. Treasury Department
Internal Revenue Service

Computation of U.S. Personal Holding Company Tax

For the year January 1–December 31, 1966, or other taxable year

beginning _____, 1966, and ending _____, 19_____

1966

Name and address

Employer Identification No.

UNDISTRIBUTED PERSONAL HOLDING COMPANY INCOME COMPUTATION

- 1 Taxable income before net operating loss deduction and special deductions (line 28, Form 1120)
- Additions:**
- 2 Contributions deducted in computing line 1 (line 19, 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, 3, and 4
- 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) (attach schedule)
- 8 Contributions deductible under section 545(b)(2) (attach schedule—see instructions for limitation)
- 9 Net operating loss for the preceding taxable year deductible under section 545(b)(4)
- 10 (a) Excess of net long-term capital gain over net short-term capital loss (line 14, separate Schedule D, Form 1120)
(b) Less: Income tax attributable to such excess (attach computation if amount is different from line 22, separate Schedule D, Form 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 (attach schedule—see instructions)
- 13 Amounts used or irrevocably set aside to pay or retire qualified indebtedness. (Schedule C-1)
- 14 Amount of a lien in favor of the United States. (See instructions for limitation)
- 15 Deduction for dividends paid (excluding dividends paid after close of taxable year). (Schedule B)
- 16 Total of lines 7 through 15
- 17 Undistributed personal holding company income before the deduction shown on line 18 (line 6 less line 16)
- 18 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 17 or 10 percent of line 1, Schedule B
- 19 Undistributed personal holding company income (line 17 less line 18)

COMPUTATION OF TAX

- 20 Personal Holding Company tax due (amount on line 19 multiplied by 70 percent). Enter here and on Form 1120 (line 10, Tax Computation Schedule, page 3) or Form 1120-F (line 10, page 2, or line 8, Tax Computation Schedule, page 5), whichever is applicable

INFORMATION REQUIRED UNDER SECTION 6501(f) (See page 6)**(1) Personal Holding Company Income**

1 Dividends	
2 Interest	
(a) Less: Amount excluded under section 543(b)(2)(C) (attach schedule)	
3 Royalties (other than mineral, oil, or gas royalties or copyright royalties)	
4 Annuities	
5 Rents	
(a) Less: Adjustments described in section 543(b)(2)(A) (attach schedule)	
6 Mineral, oil, and gas royalties	
(a) Less: Adjustments described in section 543(b)(2)(B) (attach schedule)	
7 Copyright royalties	
8 Produced film rents	
9 Amounts received as compensation for use of corporation property by shareholder	
10 Amounts received under personal service contracts and from the sale thereof	
11 Amounts received from estates and trusts	
12 Total personal holding company income	

(2) Stock Ownership

Enter the names and addresses of the individuals who owned, in the aggregate, 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. Total of Columns 4 and 5	7. Income from Rent or other Compensation	8. Excess (Col. 6 less Col. 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.—DEDUCTION FOR DIVIDENDS PAID (See Instruction 15)

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 (attach schedule)	
3 Taxable distributions (total of lines 1 and 2)	
4 Dividend carryover from first and second preceding taxable years (attach computation)	
5 Deduction for dividends paid (total of lines 3 and 4). Enter here and on line 15, page 1	

(See page 4 for General Instructions)

Schedule C-1.—COMPUTATION OF DEDUCTION FOR AMOUNTS USED OR IRREVOCABLY SET ASIDE TO PAY OR RETIRE QUALIFIED INDEBTEDNESS (See Instruction 13)**1** Indicate separately:

- (a) Amount actually used during the taxable year covered by this return to pay or retire qualified indebtedness (except payments from amounts irrevocably set aside before the taxable year to pay or retire qualified indebtedness with respect to a contract, as described in section 545(c)(3)(C))
- (b) Amount irrevocably set aside during the taxable year covered by this return to pay or retire qualified indebtedness, but not actually used during the taxable year for such purpose
- (c) Total

2 Reduction for amounts described in section 545(c)(5) (attach schedule)**3** Line 1(c) less line 2**4** Portion of amount shown on line 3 which is treated as nondeductible by reason of the election provided in section 545(c)(4) (attach statement—see instructions)**5** Amount claimed as a deduction (line 3 less line 4). Enter here and on line 13, page 1

Schedule C-2.—COMPUTATION OF QUALIFIED INDEBTEDNESS. NOTE.—If you were a personal holding company for the preceding taxable year omit lines 1 through 6 and enter on line 7 the amount of qualified indebtedness as of the beginning of the taxable year covered by this return. If you were not a personal holding company for the preceding taxable year, complete all applicable lines.

1 Enter amount of indebtedness which was incurred after December 31, 1933, and before January 1, 1964, and which was outstanding as of the first day of the first taxable year beginning after December 31, 1963**2** Less: Amounts included in line 1 which were irrevocably set aside before the first day of the first taxable year beginning after December 31, 1963, to pay or retire indebtedness with respect to a contract (section 545(c)(3)(C))**3** Line 1 less line 2**4** Aggregate amount of indebtedness incurred after December 31, 1963, and before the taxable year covered by this return, for the purpose of making a payment or set-aside in the same taxable year, but, in the case of such a payment or set-aside, enter such indebtedness only to the extent the deduction otherwise allowed in section 545(c)(1) for such payment or set-aside was treated as nondeductible by reason of the election provided in section 545(c)(4). (See section 545(c)(3)(A)(ii))**5** Total of lines 3 and 4**6** Less: (a) Aggregate of amounts actually used or irrevocably set aside (including amounts which were treated as nondeductible by reason of the election provided in section 545(c)(4)) to pay or retire qualified indebtedness in taxable years beginning after December 31, 1963 (not including taxable year covered by this return)

(b) Aggregate amount of pro-rata reductions in taxable years beginning after December 31, 1963 (not including taxable year covered by this return) with respect to disposition of certain property after December 31, 1963 (section 545(c)(6))

(c) Aggregate of amounts which ceased to be outstanding during taxable years beginning after December 31, 1963 (not including taxable year covered by this return) other than as a result of a payment or set-aside (attach statement)

7 Line 5 less line 6**8** Total indebtedness incurred during the taxable year for the purpose of making a payment or set-aside in the same taxable year, but, in the case of such a payment or set-aside, enter such indebtedness only to the extent the deduction otherwise allowed in section 545(c)(1) for such payment or set-aside is treated as nondeductible by reason of the election provided in section 545(c)(4). (See section 545(c)(3)(A)(ii))**9** Line 7 plus line 8**10** Less: (a) Amounts included in line 9 which were, at any time after December 31, 1963, and before payment or set-aside, owed to a person who at such time owned (or was considered as owning within the meaning of section 318(a)) more than 10 percent in value of your outstanding stock. **NOTE.—If you were a personal holding company for the preceding taxable year, enter such amounts which were owed at any time on or after the first day of the taxable year covered by this return (section 545(c)(3)(B))**

(b) Pro-rata reduction with respect to disposition of certain property during the taxable year (section 545(c)(6))

11 Line 9 less line 10**12** Less: Amounts included in line 11 which ceased to be outstanding during the taxable year other than as a result of a payment or set-aside (attach statement)**13** Qualified indebtedness before payments and set-asides (line 11 less line 12)**14** Amounts used or irrevocably set aside (including amounts which were treated as nondeductible by reason of the election provided in section 545(c)(4)) during the taxable year to pay or retire amount shown on line 13**15** Qualified indebtedness as of end of taxable year (line 13 less line 14)

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 if at least 60 percent of its adjusted ordinary gross income (as defined in section 543(b)(2)) for the taxable year is personal holding company income (as defined in section 543(a)), 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 the last sentence of section 542(a)(2).

Corporations filing consolidated returns, see section 542(b).

For exceptions to the term "personal holding company," see section 542(c).

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 1120-F. 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.

Liquidation of certain corporations.—Section 333(g) provides special rules with respect to the one-month liquidation of a corporation which for at least one of the two most recent taxable years ending before February 26, 1964, was not a personal holding company under section 542, but would have been a personal holding company under section 542 for such taxable year if the law applicable for the first taxable year beginning after December 31, 1963, had been applicable to such taxable year.

Personal holding company income.—The term "personal holding company income" is defined by section 543(a) as the portion of the adjusted ordinary gross income (as defined in section 543(b)(2)) which consists of:

1. Dividends, interest, royalties (other than mineral, oil, or gas royalties or copyright royalties), and annuities;
2. The adjusted income from rents;
3. The adjusted income from mineral, oil, and gas royalties;
4. Copyright royalties;
5. Produced film rents;
6. Amounts received as compensation for use of corporation property by shareholder;
7. Amounts received under personal service contracts and from the sale thereof; and
8. Amounts received from estates and trusts.

For a more detailed explanation, see section 543(a).

Stock ownership.—Section 544 contains the following provisions 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)(7), section 543(a)(6), or section 543(a)(4)—

(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)(7) (relating to personal service contracts), of section 543(a)(6) (relating to the use of property by shareholders), or of section 543(a)(4) (relating to copyright royalties), 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)(7) (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;

(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; and

(4) for purposes of section 543(a)(4) (relating to copyright royalties), 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), (3), and (4) 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.

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 28, page 1, 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 or domestic iron ore royalties, 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).

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 of, 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 result in a profit, or that the property was necessary to the conduct of the business.

The burden of proof will rest upon the taxpayer to sustain the deduction of the aggregate of the expenses and depreciation allowed in excess of the rent or other compensation derived from the property. A corporation claiming such excess deductions shall, in lieu of filling in Schedule A, attach to the return a statement setting forth its claim for allowance of the deductions together with a complete statement of facts, circumstances, and arguments on which it relies in support of the deductions. Such statement shall show:

- A description of the property;
- The cost or other basis to the corporation and the nature and value of the consideration paid for the property;
- The name and address of the person from whom the property was acquired and the date thereof;
- The name and address of the person to whom the property was leased or rented, or the person permitted to use the property, and the number of shares of stock, if any, held by such person and the members of his family;
- The nature (cash, securities, services, etc.) and gross amount of the rent or other compensation received or accrued for the use of, or the right to use, the property during the taxable year and for each of the 5 preceding years and the amount of the expenses incurred with respect to, and the depreciation sustained on, the property for such years;
- Evidence that the rent or other compensation was the highest obtainable and if none was received or accrued, a statement of the reasons therefor;
- A copy of the contract, lease, or rental agreement;
- The purpose for which the property was used;
- The business carried on by the corporation with respect to which the property was held and the gross income, expenses, and net income derived from the conduct of such business for the taxable year and for each of the 5 preceding years;
- A statement of any reasons which existed for expectation that the operation of the property would be profitable, or a statement of the necessity for the use of the property in the business of the corporation, and the reasons why the property was acquired; and
- Any other information on which the corporation relies.

4. Amount added to taxable income where lien in favor of the United States is satisfied or released.—The sum of the amounts deducted from taxable income under section 545(b)(9) with respect to any lien in favor of the United States must be added to taxable income, in computing undistributed personal holding company income, in the taxable year in which the lien is satisfied or released. Similarly, in the case of a partial satisfaction or release of such lien, to the extent satisfied or released. Where an amount is so added to taxable income, the shareholders of the corporation may, pursuant to regulations prescribed by the Secretary or his delegate, elect to compute the income tax with respect to such dividends as are attributable to such amount as though they were received ratably over the period the lien was in effect. See Instruction 14.

7. Federal and foreign income, war profits, and excess profits taxes.—Attach a schedule showing the nature of the tax,

the taxable year, and the amount. 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 or deemed to be paid by a domestic corporation under section 902(a)(1) or 960(a)(1)(C) for 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 deductible under section 545(b)(2).—For purposes of the personal holding company tax, section 545(b)(2) provides a different limitation on deductions for charitable contributions than the 5-percent limitation for purposes of determining the corporate tax. The limitations on charitable deductions of individuals are applicable but are to be applied to the amount of taxable income to which the 5-percent limitation applied. (See Instruction 19, Form 1120.) However, taxable income shall be computed without the deduction of the amount disallowed under section 545(b)(8) (relating to expenses and depreciation applicable to property of the taxpayer).

For purposes of the personal holding company tax, the contribution carryover under the provisions of sections 170(b)(2) and 170(b)(5) is not allowed (section 545(b)(2)).

9. Net operating loss for the preceding year deductible under section 545(b)(4).—Section 545(b)(4) provides that in lieu of the net operating loss deduction provided in section 172 there shall be allowed the amount of the net operating loss (as defined in section 172(c)) for the preceding taxable year computed without the deductions provided in Part VIII (except organizational expenses, section 248) of subchapter B.

12. Amounts used or irrevocably set aside to pay or retire indebtedness of any kind incurred prior to January 1, 1934.—Section 545(b)(7) provides that in determining undistributed personal holding company income there shall be allowed as a deduction amounts used or irrevocably set aside to pay or retire indebtedness of any kind incurred before January 1, 1934, if such amounts are reasonable with reference to the size and terms of such indebtedness.

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, a description of the indebtedness, the date incurred or assumed, the date due, 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. Such statement shall also include (1) The amount of indebtedness on January 1, 1934; (2) Aggregate of amounts used or irrevocably set aside to pay or retire such indebtedness in prior taxable years beginning on and after January 1, 1934; (3) Amount actually used during the taxable year to pay or retire the indebtedness; and (4) Amount irrevocably set aside during the taxable year to pay or retire the indebtedness but not actually used during the taxable year for such purpose. In addition, the statement shall indicate whether the deduction claimed represents (a) an amount actually used during the taxable year to pay or retire the indebtedness, (b) an amount irrevocably set aside during the taxable year to pay or retire the indebtedness, or (c) a combination of both (a) and (b).

If the amount claimed as a deduction on line 12 or 13, 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.

13. Amounts used or irrevocably set aside to pay or retire qualified indebtedness (section 545(c)).—Enter the amount shown on line 5, Schedule C-1. Subject to the limitations described in section 545(c), section 545(c)(1) provides that in determining undistributed personal holding company income there shall be allowed as a deduction amounts used, or amounts irrevocably set aside (to the extent reasonable with reference to the size and terms of the indebtedness), to pay or retire qualified indebtedness (as defined in section 545(c)(3)). Section 545(c)(2) states that this deduction shall be applicable only with respect to a corporation—

(A) which for at least one of the two most recent taxable years ending before February 26, 1964, was not a personal holding company under section 542 but would have been a personal holding company under section 542 for such taxable year if the law applicable for the first taxable year beginning after December 31, 1963, had been applicable to such taxable year, or

(B) to the extent that it succeeds to the deduction referred to in section 545(c)(1) by reason of section 381(c)(15).

Any corporation that claims a deduction for amounts used or irrevocably set aside to pay or retire qualified indebtedness must submit detailed information and any necessary computation showing that it is a corporation described in paragraph (A) above, or to the extent that it succeeds to such deduction by reason of section 381(c)(15), it must submit detailed information showing that the distributor or transferor corporation was a corporation described in paragraph (A) above. Corporations succeeding to the deduction for qualified indebtedness by reason of section 381(c)(15) should make necessary adjustments to Schedule C-2 to take into account such indebtedness.

Schedule C-2 should be completed in all cases where qualified indebtedness has changed during the taxable year, even though no payments or set-asides were made and no deduction is being claimed.

See Instruction 12 for additional information which must be submitted to establish the reasonableness of amounts irrevocably set aside to pay or retire qualified indebtedness.

Election to Treat as Nondeductible Certain Amounts Used or Irrevocably Set Aside to Pay or Retire Qualified Indebtedness Which Are Otherwise Deductible Under Section 545(c)(1).—The election to treat such amounts as nondeductible must be made on or before the 15th day of the third month following the close of the taxable year with respect to which the election applies and shall be irrevocable after such date. The election must be made on or before such date whether or not an extension of time for filing Form 1120 has been granted. The election must be in the form of a signed statement and shall include the following:

- (1) Taxpayer's name, address, and employer identification number;
- (2) A statement that the taxpayer wishes to elect in accordance with section 545(c)(4);
- (3) The amounts paid or set aside which are to be treated as nondeductible under section 545(c)(4);
- (4) All information necessary to identify the qualified indebtedness with respect to which such amounts were paid or set aside;
- (5) The date on which such payments or set-asides were made; and
- (6) All information necessary to identify the indebtedness referred to in section 545(c)(3)(A)(ii) incurred for the purpose of making the payments or set-asides which the taxpayer elects to treat as nondeductible, including—
 - (a) The date on which such indebtedness was incurred,
 - (b) The amount of such indebtedness,
 - (c) The person or persons to whom such indebtedness is owed, and
 - (d) A statement that such person or persons do not own more than 10 percent in value of the taxpayer's outstanding stock.

14. Lien in favor of the United States.—The taxpayer may deduct the amount of any lien in favor of the United States (notice of which has been filed as provided in section 6323(a)(1), (2), or (3)) to which the taxpayer is subject at the close of the taxable year. However, the amount deducted may not exceed taxable income as adjusted under sections 545(b) and 545(c), computed without regard to this deduction. Thus the amount to be entered on line 14 shall not exceed line 6 less the total of lines 7 through 13, inclusive.

15. Deduction for dividends paid.—Enter the amount of the dividends-paid deduction as computed in Schedule B. The deduction for dividends paid is the sum of (1) the dividends paid during the taxable year, (2) the consent dividends for the taxable year, and (3) the dividend carryover from the 2 preceding taxable years.

For purposes of determining the deduction for dividends paid to be entered on line 15, the rules provided in section 562 (relating to rules applicable in determining dividends eligible for dividends-paid deduction) shall be applicable.

In general, a consent dividend is not an actual corporate distribution but is a hypothetical distribution evidenced by shareholders' consents to treat as a dividend an amount which would constitute a dividend if distributed in money to such shareholders on the last day of the taxable year of such corporation. Such consent dividend may be availed of only if the person filing such consent owns common stock (or participating preferred stock, the participating rights of which are unlimited), and the amount specified in the consent is pro rata, with no preference to any share of stock as compared with other shares of the same class, and with no preference to one class of stock as compared with another class except to the extent that the former is entitled to such preference. The effect of the consent is that the amount of the consent dividend is treated both as a dividend and as a 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.

18. Dividends paid after close of taxable year (excluding deficiency dividends as defined in section 547(d)).—Enter on line 18 and not in Schedule B, the amount of the dividends paid after the close of the taxable year and on or 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 17 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 1, Schedule B). (See section 563.)

Neither line 15 nor line 18 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.

Information 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 and adjusted ordinary gross income, described in section 543, 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.