

Computation of U.S. Personal Holding Company Tax

For calendar year 1967, or other taxable year

1967

beginning 1967, and ending, 19.....

Name

Employer Identification Number

COMPUTATION OF UNDISTRIBUTED PERSONAL HOLDING COMPANY INCOME

ADDITIONS	1	Taxable income before net operating loss deduction and special deductions (line 28, Form 1120)	
	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 1 through 4	
DEDUCTIONS	6	Federal and foreign income, war profits, and excess profits taxes not deducted in computing line 1 (attach schedule)	
	7	Contributions deductible under section 545(b)(2) (attach schedule—see instructions for limitation)	
	8	Net operating loss for the preceding taxable year deductible under section 545(b)(4)	
	9	(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)	
	10	Special deduction for bank affiliates allowable under section 545(b)(6)	
	11	Amounts used or irrevocably set aside to pay or retire indebtedness of any kind incurred prior to January 1, 1934 (attach schedule—see instructions)	
	12	Amounts used or irrevocably set aside to pay or retire qualified indebtedness (Schedule C-1).	
	13	Amount of a lien in favor of the United States (see instructions for limitation)	
	14	Deduction for dividends paid (excluding dividends paid after close of taxable year) (Schedule B)	
	15	Total of lines 6 through 14	
	16	Undistributed personal holding company income before the deduction shown on line 17 (line 5 less 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 percent of line 1, Schedule B	
18	Undistributed personal holding company income (line 16 less line 17). Foreign corporations see instruction 18		
TAX	19	Personal holding company tax due (amount on line 18 multiplied by 70 percent)	

INFORMATION REQUIRED UNDER SECTION 6501(f). Section 6501(f) provides that if the information in (1) and (2) below is not submitted with the corporation's return, the limitation period for assessment and collection of personal holding company tax shall be 6 years.

(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 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 (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 14, page 1	



Schedule C-1.—COMPUTATION OF DEDUCTION FOR AMOUNTS USED OR IRREVOCABLY SET ASIDE TO PAY OR RETIRE QUALIFIED INDEBTEDNESS (See Instruction 12)

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 12, 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)



GENERAL INSTRUCTIONS

(References are to the Internal Revenue Code)

Corporations which must file Schedule PH (1120).—Every 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 five individuals.

For purposes of determining such stock ownership, an organization de-

scribed 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).

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

A foreign corporation (except one which has income to which section 543(a)(7) applies) is not a personal holding company if all of its outstanding stock during the last half of the taxable year is owned by nonresident alien individuals, whether directly or indirectly through foreign estates, foreign trusts, foreign part-

nerships, or other foreign corporations. See section 542(c)(7).

Failure of foreign corporation to file.—If a foreign corporation which is a personal holding company fails to file or cause to be filed a true and accurate return of the tax imposed by section 541, a penalty (in addition to any other applicable penalties) shall be imposed equal to 10 percent of the taxes imposed by chapter 1 of the Code (including personal holding company tax) on such foreign corporation for the taxable year. See section 6683.

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

SPECIFIC INSTRUCTIONS (Numbered to correspond with line numbers on page 1 of this schedule)

1. Taxable income before net operating loss deduction and special deductions.—Enter 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 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 foreign corporation (whether or not engaged in a 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).

In the case of a foreign corporation, all of whose outstanding stock during the last half of the taxable year is owned by nonresident alien individuals (whether directly or indirectly through foreign estates, foreign trusts, foreign partnerships, or other foreign corporations), taxable income for purposes of section 545(a) is that personal holding company income described in section 543(a)(7), reduced by deductions attributable to such income, and adjusted, with respect to such income, in the manner provided in section 545(b). See section 545(d).

3. Expenses and depreciation 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 shown therein should be entered on line 3.

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 excess deductions. A corporation claiming such excess deductions shall, in lieu of filling in Schedule A, attach 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 must show the information required by section 1.545-2(h)(2) of the regulations.

4. Amount added to taxable income where lien in favor of the United States is satisfied or released.—The sum of the amounts deducted under section 545(b)(9) for any lien in favor of the United States must be added to taxable 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 the shareholders may elect to compute the tax on dividends attributable to the added income as though they were received ratably over the period the lien was in effect. See instruction 13.

6. 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) allows a deduction for Federal income and excess profits taxes accrued or deemed to be paid under section 902(a)(1) or 960(a)(1)(C) but not including the accumulated earnings tax imposed by section 531 or the personal holding company tax imposed by section 541.

The foreign tax credit allowed by section 901 is not allowed as a credit against personal holding company tax. There shall be allowed as a deduction from taxable income, however, the income, war profits, and excess profits taxes accrued (or deemed paid under section 902(a)(1) or 960(a)(1)(C)) 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.

7. Contributions deductible under section 545(b)(2).—For purposes of the personal holding company tax, section 545(b)(2) provides a different limitation for charitable contributions than the 5-percent limitation for purposes of determin-

ing the corporate income 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 excess expenses and depreciation).

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

8. 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 sections 241 through 247.

11. 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.

The corporation must furnish all of the facts and circumstances upon which it 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 11 or 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.

12. Amounts used or irrevocably set aside to pay or retire qualified indebtedness.—Subject to the limitations described in section 545(c), section 545(c)(1) allows a deduction for 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)). This deduction applies only to corporations described in section 545(c)(2).

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 section 545(c)(2)(A) 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 section 545(c)(2)(A).

Corporations succeeding to the deduction 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 11 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).—Section 545(c)(4) provides that a taxpayer may elect to treat as nondeductible amounts otherwise deductible under section 545(c)(1)

for the taxable year. The election shall be in the form of a statement of election filed 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 statement must be attached to the corporation's income tax return for the year to which the election applies, if the return is filed on or before the 15th day of the third month following the close of the taxable year. If an extension of time is granted for filing the corporation's income tax return, the statement must show the corporation's name, address, and identifying number, be signed by a corporate officer, and filed with the internal revenue officer with whom the corporation would file its income tax return if it were filed on or before the 15th day of the third month following the close of the taxable year.

The statement must include the following information:

(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.

13. 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(f)) 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 deductions may not ex-

ceed line 5 less the total of lines 6 through 12, inclusive.

14. Deduction for dividends paid.—Enter the amount of the dividends-paid deduction as computed in Schedule B. Section 561 provides that 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, the rules provided in section 562 shall be applicable.

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 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.

Neither line 14 nor line 17 should include "deficiency dividends." The term "deficiency dividends" means in general only those dividends which are paid 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.

18. Undistributed personal holding company income of certain foreign corporations.—If 10 percent or less in value of the outstanding stock of a foreign corporation is owned (see section 958(a)) during the last half of the taxable year by United States persons, undistributed personal holding company income is the amount determined by multiplying the undistributed personal holding company income (as determined without regard to this instruction) by the percentage in value of the corporation's outstanding stock which is the greatest percentage in value of its outstanding stock so owned by United States persons on any one day during such period. See section 545(a).

In the case of a foreign corporation, all of whose outstanding stock during the last half of the taxable year is owned by nonresident alien individuals (whether directly or indirectly through foreign estates, foreign trusts, foreign partnerships, or other foreign corporations), taxable income for purposes of section 545(a) is that personal holding company income described in section 543(a)(7), reduced by deductions attributable to such income, and adjusted, with respect to such income, in the manner provided in section 545(b). See section 545(d).