

**Computation of the International Boycott Factor (Section 999(c)(1))**

(To be completed only by persons not computing loss of tax benefits by the specifically attributable taxes and income method on Schedule B (Form 5713).)

▶ **Attach to Form 5713.** ▶ **See Instructions on Back.**

Name	Taxpayer identifying number
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Name of country  (1)	Purchases, sales, and payroll in or related to countries associated in carrying out a particular international boycott, by country								
	Purchases			Sales			Payroll		
	Total (2)	Non-boycott (3)	Boycott (column 2 less column 3) (4)	Total (5)	Non-boycott (6)	Boycott (column 5 less column 6) (7)	Total (8)	Non-boycott (9)	Boycott (column 8 less column 9) (10)
(a)									
(b)									
(c)									
(d)									
(e)									
(f)									
(g)									
(h)									
(i)									
(j)									
(k)									
(l)									
(m)									
(n)									
(o)									
(p)									
(q)									
(r)									
(s)									
<b>Totals . . . . .</b>									

1 Numerator of boycott factor (add totals of columns 4, 7, and 10) . . . . .	
2 Denominator of boycott factor: (a) Total purchases from countries other than United States . . . . .	
(b) Total sales to or from countries other than United States . . . . .	
(c) Total payroll paid or accrued for services performed in countries other than United States . . . . .	
(d) Total of lines 2(a), (b), and (c) . . . . .	
3 International boycott factor (line 1 over line 2(d)) . . . . .	
4 Adjustment to boycott factor (see instructions):	
(a) Enter date of last day of the taxpayer's taxable year that included November 3, 1976 . . . . .	
(b) Enter number of days for the period after November 3, 1976 to the end of the taxpayer's taxable year . . . . .	
(c) Adjusted boycott factor $\left( \frac{\text{line 4(b)}}{\text{number of days in taxable year}} \times \text{line 3} \right)$ . . . . .	
5 Amount from line 3 or, if applicable, line 4(c). Enter here and on Schedule C (Form 5713) (see instruction 5) . . . . .	

**Note:** If you are involved in any boycott other than the boycott reported on this schedule, complete a separate Schedule A for each separate boycott and attach to Form 5713.

## General Instructions

**A. General Information.**—Schedule A is to be completed only by persons not computing the loss of tax benefits by the specifically attributable taxes and income method on Schedule B (Form 5713). The international boycott factor is intended for use primarily by taxpayers who cannot clearly separate boycott and nonboycott operations.

The international boycott factor reflects not only the purchases, sales, and payroll of the person filing Schedule A, but also those of each member of the controlled group (within the meaning of section 993 (a)(3)) of which that person is a member. In addition, for purposes of computing the international boycott factor, a person is deemed to have a pro rata share of the purchases, sales, and payroll of each partnership of which it is a partner, and of each trust of which it is treated as the owner under section 671. Thus, a person's international boycott factor may also reflect purchases, sales, and payroll of a partnership or a trust.

To determine the relevant taxable years for which a person filing Schedule A must report the purchases, sales, and payroll of members of controlled groups, partnerships, and trusts, see the rules set forth in the specific instructions to questions 6–12 of Form 5713. See instruction C below for a special transitional rule for members of a controlled group.

**B. Members of Controlled Groups.**—Because the international boycott factor of a person reflects the purchases, sales, and payroll not only of that person but also of each member of the controlled group of which that person is a member, all members of a controlled group generally share a single, common international boycott factor. However, the international boycott factor of a person that is a member of two or more controlled groups will reflect the purchases, sales, and payroll of that person and of all other members of the two or more controlled groups of which that person is a member.

**C. Transition Rule: Incomplete Taxable Year Which Includes November 3, 1976 for Controlled Groups.**—If the taxpayer filing Schedule A is a member of a controlled group and, as of the end of that taxpayer's taxable year, the controlled group's taxable year that includes November 3, 1976 has not ended, or the taxable year of any member of the controlled group that includes November 3, 1976 has not ended, then the numerator and the denominator of the international boycott factor for the 1976 transitional year for the taxpayer filing this Schedule will reflect only the purchases, sales, and payroll of the members of the controlled group whose taxable years have ended as of the end of the taxpayer's taxable year.

**D. Numerator of International Boycott Factor.**—As a general rule, the numerator of the international boycott factor will reflect all purchases, sales, and payroll of a person (and, if applicable, of members of a controlled group, partnerships, and trusts) in

or related to a group of countries associated in carrying out a particular international boycott. There are, however, two exceptions. First, purchases, sales, and payroll attributable to operations for which the presumption of boycott participation or cooperation has been rebutted need not be reflected in the numerator (see instruction F). Second, purchases, sales, and payroll attributable to operations carried out pursuant to certain binding contracts need be not reflected in the numerator (see instruction G).

**E. Denominator of International Boycott Factor.**—The denominator of the international boycott factor will reflect all purchases, sales, and payroll of a person (and, if applicable, of members of a controlled group, partnerships, and trusts) in or related to all countries other than the United States.

**F. Presumption.**—Generally one act of participation in or cooperation with an international boycott by a person will taint all the operations of that person and of each member of the controlled group of which that person is a member in each country that is associated with a group of countries in carrying out that particular international boycott unless rebutted as explained below.

The presumption of boycott participation or cooperation is rebutted for a particular operation if it is clearly demonstrated that that operation is a clearly separate and identifiable operation in connection with which there was no participation in or cooperation with an international boycott. If the presumption is rebutted with respect to a particular operation, then the purchases, sales, and payroll attributable to that operation are not reflected in the numerator of the international boycott factor. They will, however, be reflected in the denominator.

**G. Binding Contracts.**—Operations carried out in accordance with the terms of a binding contract entered into before September 2, 1976 do not constitute participation in or cooperation with an international boycott until after December 31, 1977. Therefore, the purchases, sales, and payroll attributable to such operations before January 1, 1978 are not reflected in the numerator of the international boycott factor. They will, however, be reflected in the denominator.

## Specific Instructions

**Note:** Compute a separate boycott factor and complete a separate Schedule A for each particular international boycott. Supply the relevant information for your operations and, if applicable, the operations of partnerships, trusts, and members of your controlled group.

**Column (1).** Enter, on a separate line, the name of each relevant boycotting country.

**Column (2).** Enter, by country, the amount of all purchases made from that country.

**Column (3).** Enter, by country, the amount of purchases made from that country that are clearly demonstrated to be attributable to clearly separate and identifiable opera-

tions in connection with which there was no participation in or cooperation with a particular boycott; or are attributable to operations carried out before January 1, 1978 in accordance with the terms of a binding contract entered into before September 2, 1976. (See instructions F and G.)

**Column (4).** Enter, by country, the amount of boycott purchases from that country. (Column (2) minus column (3).)

**Column (5).** Enter, by country, the amount of sales made to or from that country.

**Column (6).** Enter, by country, the amount of sales made to or from that country that are clearly demonstrated to be attributable to clearly separate and identifiable operations in connection with which there was no participation in or cooperation with a particular boycott; or are attributable to operations carried out before January 1, 1978 in accordance with the terms of a binding contract entered into before September 2, 1976. (See instructions F and G.)

**Column (7).** Enter, by country, the amount of boycott sales made to or from that country. (Column (5) minus column (6).)

**Column (8).** Enter, by country, the amount of payroll paid or accrued for services performed in that country.

**Column (9).** Enter, by country, the amount of payroll paid or accrued for services in that country that are clearly demonstrated to be attributable to clearly separate and identifiable operations in connection with which there was no participation in or cooperation with a particular boycott; or are attributable to operations carried out before January 1, 1978 in accordance with the terms of a binding contract entered into before September 2, 1976. (See instructions F and G.)

**Column (10).** Enter, by country, the amount of boycott payroll paid or accrued for services performed in that country. (Column (8) minus column (9).)

**Line 4.** All operations of the taxpayer (or members of the controlled group) during the taxable year must be reflected in the international boycott factor. However, for taxable years including November 3, 1976, the international boycott factor is to be adjusted to reflect the effective date of section 999 (November 3, 1976). Complete line 4 if your (or the controlled group's) taxable year includes November 3, 1976. If the taxable year does not include November 3, 1976, do not complete line 4.

**Line 5.** Enter the international boycott factor from line 5 on the appropriate line of Schedule C (Form 5713).

If you are reducing your foreign tax credit under section 908(a), enter the amount from line 5 on line 2(a)(2) of Schedule C (Form 5713).

If you are being denied a deferral of taxation of income under subpart F (Section 952(a)(3)), enter the amount from line 5 on line 3(a)(4) of Schedule C (Form 5713).

If you are being denied a deferral of taxation of DISC income, enter the amount from line 5 on line 4(a)(2) of Schedule C (Form 5713).