

**SCHEDULE B
(Form 5713)**

(Rev. April 1978)
Department of the Treasury
Internal Revenue Service

Specifically Attributable Taxes and Income (Section 999(c)(2))

(To be completed only by persons not computing loss of tax benefits by the international boycott factor on Schedule A (Form 5713).)

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

Name	Taxpayer identifying number
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Name of country being boycotted Israel Other (identify) ▶

Specifically Attributable Taxes and Income by Operation (Use a separate line for each operation)

Name of Country <small>(1)</small>	Principal business activity		Foreign tax credit	Subpart F income	DISC income
	Code <small>(2)</small>	Description <small>(3)</small>	Foreign taxes attributable to boycott operations <small>(4)</small>	Pro-rata share of international boycott income <small>(5)</small>	Taxable income attributable to boycott operations <small>(6)</small>
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15 Total ▶					

Note: *If you are involved in more than one international boycott, use a separate Schedule B (Form 5713) to compute the specifically attributable taxes and income for each boycott.*

General Instructions

A. General Information.—Schedule B (Form 5713) is to be completed only by persons who report acts of participation in or cooperation with an international boycott and who do not choose to compute the loss of tax benefits by applying the international boycott factor on Schedule A (Form 5713). Taxpayers using the specifically attributable taxes and income method for computing the loss of tax benefits are to report taxes and income for the period covered by their own income tax return. Under the specific attribution method, taxes and income are reported on this schedule on an individual basis and not for all members of the controlled group.

Since the benefits of deferral, DISC, and the deemed paid tax credits under section 902 are denied at the shareholders' level, shareholders of a DISC and of a foreign corporation must report on this schedule their pro-rata shares of the income of the DISC and of the foreign corporation that would have been deferrable, and the foreign taxes of the foreign corporation that would have been creditable, had there been no participation in or cooperation with an international boycott.

B. 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 (as defined in section 993(a)(3)) 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 effect of this taint is that the benefits of DISC, deferral, and the foreign tax credit attributable to all operations in boycotting countries for which the taint is not rebutted will be denied.

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. Since the presumption applies only to operations in countries associated in carrying out an international boycott, the presumption need not be rebutted for operations outside (but related to) those countries. If the presumption is rebutted with respect to a particular operation or does not apply to a particular operation, then the tax benefits resulting from that operation will not be lost.

C. Boycotting Operations.—For purposes of determining the tax benefits denied under the specifically attributable taxes and income method, all operations that are not in boycotting countries but in connection with which there is participation in or cooperation with an international boycott are considered boycotting operations. In addition, all operations that are in boycotting countries, other than those operations for which the presumption of boycott participation or cooperation has been rebutted in accordance with General Instruction B, are considered boycotting operations.

However, operations that would be considered boycotting operations in accordance with the preceding paragraph will not be considered boycotting operations if:

- (i) they are completed before November 4, 1976, or
- (ii) they are carried out in accordance with the terms of a binding contract entered into before September 2, 1976, and are completed on or before December 31, 1977.

D. Determination of Specifically Attributable Taxes and Income.—To compute the loss

of tax benefits under the specifically attributable taxes and income method, you must first identify those operations that are boycotting operations within the meaning of General Instruction C. Once those boycotting operations have been identified, the following tax benefits are denied:

(i) **DISC.**—The deferral of taxation of the taxable income of the DISC that is attributable to boycotting operations is denied. The shareholder of the DISC is treated as having received a distribution of his pro-rata share of one-half of the excess of the taxable income of the DISC for the taxable year, before reduction for any distributions during the year, over the sum of the amounts deemed distributed for the taxable year under subparagraphs (A), (B), (C), (D) and (E) of section 995(b)(1), to the extent that such income is attributable to boycotting operations.

(ii) **Deferral.**—The deferral of taxation of the income of controlled foreign corporations that is attributable to boycotting operations is denied. A United States shareholder of a controlled foreign corporation is required to take into gross income his pro-rata share of the income of the controlled corporation that is attributable to boycotting operations and that is not otherwise included in gross income under section 951 or excluded from subpart F income under section 952(b). In computing the amount of boycott income included in the gross income of the United States shareholder, a reasonable allowance may be made for deductions (including foreign taxes) properly allocable to that income.

(iii) **Foreign Tax Credit.**—The portion of the foreign tax credit for foreign taxes paid, accrued, or deemed paid attributable to boycotting operations is denied. See Part N of the Treasury Department's International Boycott Guidelines for the computation of the portion of the foreign tax credit that is denied.

Transitional Rules.—The following transitional rules apply in determining the tax benefits denied under the specifically attributable taxes and income method:

(a) In the case of a boycotting operation not described in (b) below that began before November 4, 1976, but continues after that date, only a pro-rata portion of the benefits of deferral, DISC, and the foreign tax credit attributable to that operation is denied. The amount of benefits denied is the amount of such benefits that would be denied under (i) through (iii) above, multiplied by a fraction, the numerator of which is the number of days in the taxable year of the person engaging in the boycotting operation that remain after November 3, 1976, and the denominator of which is the number of days in that person's taxable year. (For example, in the case of a shareholder of a DISC computing the loss of DISC benefits resulting from a boycotting operation of a DISC that began before November 4, 1976 but continued after that date, the numerator of the fraction is the number of days in the DISC's taxable year that remain after November 3, 1976. If that shareholder also owns stock of a second DISC or of a controlled foreign corporation that has a taxable year that differs from that of the first DISC, the benefits of DISC or deferral that are denied for the boycotting operations of the second DISC or of the controlled foreign corporation are computed by using as the numerator of the fraction the number of days of the taxable year of the second DISC or the controlled foreign corporation that remain after November 3, 1976.)

(b) In the case of a boycotting operation carried out in accordance with the terms of a binding contract entered into before September 2, 1976, that continues after December 31, 1977, only a pro-rata portion of the bene-

fits of deferral, DISC, and the foreign tax credit attributable to that operation is denied. The amount of benefits denied is the amount of such benefits that would be denied under (i) through (iii) above, multiplied by a fraction, the numerator of which is the number of days in the taxable year of the person engaging in the boycotting operation that remain after December 31, 1977, and the denominator of which is the number of days in that person's taxable year. (The examples in (a) above, apply, except that "December 31, 1977" is substituted for "November 3, 1976.")

Specifically Attributable Taxes and Income by Operation

Column (1).—Enter, for each boycotting operation, the name of a country on the list maintained by the Secretary under section 999(a)(3) (or any other country that you know or have reason to know requires participation in or cooperation with an international boycott) to which your international boycott operation relates. For example, if you have an operation in Country Z (which is not a boycotting country) and the operation relates to Country X (which is a boycotting country), enter the name of Country X.

Column (2).—Enter, for each boycotting operation, the principal business activity code (see page 4 of instructions for Form 5713).

Column (3).—Enter, for each boycotting operation, a brief description of the principal business activity.

DISCs.—Enter, for each boycotting operation, in parentheses, the product code and description. (See Instructions for Schedule N (Form 1120-DISC).)

Column (4).—Enter, for each boycotting operation, the amount of foreign taxes paid, accrued, or deemed paid (other than foreign taxes otherwise disallowed by reason of the provisions of sections 901-907, 911, 1503 (b), or 6038) that is attributable to that boycotting operation. (See Part N of the Treasury Department's International Boycott Guidelines.)

Enter this amount on line 2(b), Schedule C (Form 5713).

Column (5).—Enter, for each boycotting operation, your pro rata share of the income of the controlled foreign corporation (other than income attributable to earnings and profits of the foreign corporation included in gross income under section 951 (other than by reason of section 952(a)(3)) or excluded from Subpart F income under section 952 (b)) that is attributable to that boycott operation. In computing your pro rata share of the boycott income of a controlled foreign corporation, a reasonable allowance may be made for deductions (including foreign taxes) properly allocable to that income.

Enter this amount on line 3(b), Schedule C (Form 5713).

Column (6).—Enter, for each boycotting operation, your pro rata share of one-half of the excess of the taxable income of the DISC for the taxable year, before reduction for any distributions during the year, over the sum of the amounts deemed distributed for the taxable year under subparagraphs (A), (B), (C), (D), and (E) of section 995(b)(1), that is attributable to that boycott operation. The taxable income of the DISC attributable to that boycotting operation is the gross income of the DISC for the taxable year specifically attributable to that operation minus the deductions which are properly apportioned or allocated to such income.

Enter this amount on line 4(b), Schedule C (Form 5713).