

Tax Effect of the International Boycott Provisions

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

Name	Taxpayer identifying number
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1 Method used in computing loss of tax benefits under sections 908(a), 952(a)(3) and 995(b)(1)(F)(ii) (check one):

(a) International boycott factor

(b) Identification of specifically attributable taxes and income

2 Reduction of foreign tax credit (section 908(a)):

(a) International boycott factor method (to be completed by persons checking box 1(a) above and answering "Yes," to foreign tax credit question (line 6(d), Form 5713))—

(1) Foreign tax credit before adjustment (line 6, Part III, Schedule B, Form 1118 (corporations); or line 6, Schedule D, Form 1116 (individuals))

(2) International boycott factor (from Schedule A (Form 5713), line 5)

(3) Reduction of foreign tax credit (multiply line 2(a)(1) by line 2(a)(2)). Enter here and on line 7, Part III, Schedule B, Form 1118 (corporations); or enter here and on line 7, Schedule D, Form 1116 (individuals)

(4) Adjusted foreign tax credit (subtract line 2(a)(3) from line 2(a)(1))

(b) Specific identification of taxes and income method (to be completed by persons checking box 1(b) above and answering "Yes," to foreign tax credit question (line 6(d), Form 5713)). Enter 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 has not been clearly demonstrated to be attributable to operations in which there was no participation in or cooperation with an international boycott. (See instructions.)

Note: Enter the appropriate amount of disallowed boycott taxes on line 3, Part II, Schedule B, of all applicable Form(s) 1118 (corporations); or enter the appropriate amount of disallowed boycott taxes in column 5, Schedule B, of all applicable Form(s) 1116 (individuals).

3 Denial of deferral under Subpart F (section 952(a)(3)):

(a) International boycott factor method (to be completed by persons checking box 1(a) above and answering "Yes," to controlled foreign corporation question (line 6(b), Form 5713))—

(1) Pro rata share of total income of controlled foreign corporation (line 9, Schedule H, Form 3646)

(2) Less pro rata share of income attributable to earnings and profits of the controlled foreign corporation included in income under sections 951(a)(1)(A)(ii), 951(a)(1)(A)(iii), 951(a)(1)(B), 952(a)(1), 952(a)(2), 952(a)(4), and 952(b)

(3) Subtract line 3(a)(2) from line 3(a)(1)

(4) International boycott factor (from Schedule A (Form 5713), line 5)

(5) Pro rata share of Subpart F international boycott income (section 952(a)(3) amount) (multiply line 3(a)(3) by line 3(a)(4)). (Enter here and on line 5, Schedule B, Form 3646)

(b) Specific identification of taxes and income method (to be completed by persons checking box 1(b) above and answering "Yes," to controlled foreign corporation question (line 6(b), Form 5713)). Enter pro rata share of total 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))) that has not been clearly demonstrated to be attributable to operations in which there was no participation in or cooperation with an international boycott. (See instructions.) (Also, enter this amount on line 5, Schedule B, Form 3646)

4 Denial of DISC benefits (section 995(b)(1)(F)(ii)):

(a) International boycott factor method (to be completed by persons checking box 1(a) above and answering "Yes," to DISC question (line 6(c), Form 5713))—

(1) Pro rata share of section 995(b)(1)(F)(i) amount. (Pro rata share of line 10, Part I, Schedule J, Form 1120-DISC)

(2) International boycott factor (from Schedule A (Form 5713), line 5)

(3) Pro rata share of DISC international boycott income (multiply line 4(a)(1) by line 4(a)(2)). (Enter here and on line 11, Part I, Schedule J, Form 1120-DISC)

(b) Specific identification of taxes and income method (to be completed by persons checking box 1(b) above and answering "Yes," to DISC question (line 6(c), Form 5713)). Enter 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 has not been clearly demonstrated to be attributable to operations in which there was no participation in or cooperation with an international boycott. (See instructions.) (Also, enter this amount on line 11, Part I, Schedule J, Form 1120-DISC)

General Instructions

(Partnerships and DISCs need not complete Schedule C (Form 5713). However, partners and shareholders in DISCs must complete Schedule C (Form 5713).)

Application of the International Boycott Factor and Specifically Attributable Taxes and Income As Applied to Controlled Groups.—Once an international boycott factor has been computed for a controlled group (within the meaning of section 993(a)(3)), that international boycott factor is applied separately under sections 908(a), 952(a), and 995(b)(1) to each member of the controlled group.

Further, if a person applies the international boycott factor to one operation during the taxable year, the factor must be applied to all operations during the taxable year under each of sections 908(a), 952(a), and 995(b)(1).

If a person identifies specifically attributable taxes and income under section 999(c)(2), that method must be applied to all operations during the taxable year under sections 908(a), 952(a), and 995(b)(1).

However, unless a consolidated return is filed, each member of a controlled group (within the meaning of section 993(a)(3)) may independently choose either to apply the international boycott factor under section 999(c)(1) or to identify specifically attributable taxes and income under section 999(c)(2). The method chosen by each member for determining the loss of tax benefits must be applied consistently to determine the loss of tax benefits of that member.

For example, if a member chooses to use the international boycott factor, then it must apply the international boycott factor to determine its loss of the section 902 indirect foreign tax credit in respect of a dividend paid to it by another member of the controlled group, even if that other member determines its loss of tax benefits by identifying specifically attributable taxes and income.

Specific Instructions

(Numbered to correspond with line numbers on Schedule C (Form 5713).)

2(b). If your taxable year included November 3, 1976, enter the amount from line 26, Schedule B (Form 5713).

If your taxable year did not include November 3, 1976, enter the amount from column 4, line 22, Schedule B (Form 5713).

3(b). If your taxable year included November 3, 1976, enter the amount from line 27, Schedule B (Form 5713).

If your taxable year did not include November 3, 1976, enter the amount from column 5, line 22, Schedule B (Form 5713).

4(b). If taxable year of the DISC included November 3, 1976, enter the amount from line 28, Schedule B (Form 5713).

If your taxable year did not include November 3, 1976, enter the amount from column 6, line 22, Schedule B (Form 5713).