

SCHEDULE C (Form 5713)

(Rev. October 1999) Department of the Treasury Internal Revenue Service

Tax Effect of the International Boycott Provisions

Attach to Form 5713.

See instructions on page 2.

OMB No. 1545-0216

For Paperwork Reduction Act Notice, see page 1 of Instructions for Form 5713.

Name Identifying number

- 1 Method used to compute loss of tax benefits (check one):
a International boycott factor from Schedule A (Form 5713). See items 2a, 3a, 4a, and 5a below.
b Identification of specifically attributable taxes and income from Schedule B (Form 5713). See items 2b, 3b, 4b, and 5b below.

2 Reduction of foreign tax credit (section 908(a)):
a International boycott factor. Complete if you checked box 1a above and answered "Yes" to foreign tax credit question on line 7d, Form 5713—
(1) Foreign tax credit before adjustment from Form 1116 or 1118. (See instructions.)
(2) International boycott factor from Schedule A (Form 5713), line 3
(3) Reduction of foreign tax credit. Multiply line 2a(1) by line 2a(2). Enter here and on Form 1116 or 1118. (See instructions.)
(4) Adjusted foreign tax credit. Subtract line 2a(3) from line 2a(1)
b Specifically attributable taxes and income. Complete if you checked box 1b above and answered "Yes" to foreign tax credit question on line 7d, Form 5713. Enter the amount from line o, column (4), Schedule B (Form 5713). Enter the appropriate part of this amount on Form 1116 or 1118. (See instructions.)

3 Denial of deferral under subpart F (section 952(a)(3)):
a International boycott factor. Complete if you checked box 1a above and answered "Yes" to controlled foreign corporation question on line 7b, Form 5713—
(1) Prorated share of total income of controlled foreign corporations (See instructions.)
(2) Prorated share of income attributable to earnings and profits of controlled foreign corporations 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), 952(a)(5), and 952(b)
(3) Subtract line 3a(2) from line 3a(1)
(4) International boycott factor from Schedule A (Form 5713), line 3
(5) Prorated share of subpart F international boycott income. Multiply line 3a(3) by line 3a(4). Enter here and on Worksheet A of the Form 5471 instructions. (See instructions.)
b Specifically attributable taxes and income. Complete if you checked box 1b above and answered "Yes" to controlled foreign corporation question on line 7b, Form 5713. Enter the amount from line o, column (5), Schedule B (Form 5713) here and on Worksheet A of the Form 5471 instructions. (See instructions.)

4 Denial of IC-DISC benefits (section 995(b)(1)(F)(iii)):
a International boycott factor. Complete if you checked box 1a above and answered "Yes" to IC-DISC question on line 7c, Form 5713—
(1) Prorated share of section 995(b)(1)(F)(i) amount. (See instructions.)
(2) International boycott factor from Schedule A (Form 5713), line 3
(3) Prorated share of IC-DISC international boycott income. Multiply line 4a(1) by line 4a(2). Enter this amount here and on Form 1120-IC-DISC. (See instructions.)
b Specifically attributable taxes and income. Complete if you checked box 1b above and answered "Yes" to IC-DISC question on line 7c, Form 5713. Enter the amount from line o, column (6), Schedule B (Form 5713) here and on Form 1120-IC-DISC. (See instructions.)

5 Denial of exemption of foreign trade income (section 927(e)(2)):
a International boycott factor. Complete if you checked box 1a above and answered "Yes" to FSC question on line 7i, Form 5713.
(1) Add amounts from columns (a) and (b), line 10, Schedule B (Form 1120-FSC)
(2) International boycott factor from Schedule A (Form 5713), line 3
(3) Exempt foreign trade income of an FSC attributable to international boycott operations. Multiply line 5a(1) by line 5a(2). Enter here and on Form 1120-FSC. (See instructions.)
b Specifically attributable taxes and income. Complete if you checked box 1b above and answered "Yes" to the question on line 7i, Form 5713. Enter the amount from line o, column (7), Schedule B (Form 5713) here and on Form 1120-FSC. (See instructions.)

Instructions

Section references are to the Internal Revenue Code.

Who Must File

Schedule C (Form 5713) is used to compute the loss of tax benefits attributable to participation in or cooperation with an international boycott. Complete Schedule C if you completed either Schedule A or Schedule B of Form 5713.

Partnerships. Complete Schedule C if you are a partner. Partnerships do not complete Schedule C.

Controlled groups. Unless a controlled group (described in section 993(a)(3)) files a consolidated return, each member may independently choose to either (1) apply the international boycott factor under section 999(c)(1), or (2) identify specifically attributable taxes and income under section 999(c)(2). Each member must consistently use a single method to figure the loss of tax benefits.

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

- A person who applies the international boycott factor to one operation must, however, apply the factor to all that tax year's operations under section 908(a), 952(a)(3), 995(b)(1)(F)(ii), or 927(e)(2).
- A person who identifies specifically attributable taxes and income under section 999(c)(2) must use that method for all that tax year's

operations under section 908(a), 952(a)(3), 995(b)(1)(F), or 927(e)(2).

- An IC-DISC whose tax year differs from the common taxable year of the controlled group of which it is a member does not need to amend its return to show on Schedule J (Form 1120-IC-DISC) the amount of IC-DISC benefits lost because of boycott participation. Because the IC-DISC benefits are lost at the shareholder level, the shareholder must include in income the prorated share of income attributable to boycott operations shown on line 4a(3).

Lines 2 through 5

Note: All line references are to 1999 forms unless otherwise noted.

Line 2a(1). Enter the foreign tax credit before adjustment from Form 1116 or 1118. Individual filers, enter the amount from line 30, Part IV, of Form 1116. Corporate filers, enter the amount from line 11, Part III, Schedule B, of Form 1118 (Rev. January 1999).

Line 2a(3). Enter the reduction of foreign tax credit from this line on either Form 1116 or 1118. Individual filers, enter this amount on line 31, Part IV, of Form 1116. Corporate filers, enter this amount on line 12, Part III, Schedule B, of Form 1118.

Line 2b. Enter the reduction of foreign taxes available for credit from line 2b on Form 1116 or 1118. Individual filers, enter this amount on line 12, Part III, of Form 1116. Corporations, enter this amount on line C, Schedule G, of Form 1118.

Line 3a(1). Enter your share of the income of the controlled foreign corporation on line 3a(1).

Nonexempt foreign trade income of a foreign sales corporation (FSC) that was computed without regard to the administrative pricing rules is subject to the subpart F rules. Enter your share of these types of income on line 3a(1).

Line 3a(5). Enter the prorated share of subpart F international boycott income on line 24 of Worksheet A in the Instructions for Form 5471 (Rev. January 1999).

Line 3b. Enter this amount on line 24 of Worksheet A in the Instructions for Form 5471.

Line 4a(1). Enter the prorated share of section 995(b)(1)(F)(i) amount on line 4a(1) as follows:

- **Shareholder that is not a C corporation.** Enter the pro rata share of line 8, Part I, Schedule J, Form 1120-IC-DISC.
- **Shareholder that is a C corporation.** Enter the pro rata share of line 8, Part I, Schedule J, Form 1120-IC-DISC, multiplied by 16/17.

Line 4a(3). Enter this amount on line 10, Part I, Schedule J, Form 1120-IC-DISC.

Line 4b. Enter the specifically attributable taxes and income on line 10, Part I, Schedule J, Form 1120-IC-DISC.

Line 5a(3). Enter this amount on line 2, Schedule F, Form 1120-FSC.

Line 5b. Enter this amount on line 2, Schedule F, Form 1120-FSC.

