

# U.S. Corporation Income Tax Return

For calendar year 2003 or tax year beginning \_\_\_\_\_, 2003, ending \_\_\_\_\_, 20\_\_\_\_

▶ Instructions are separate. See page 20 for Paperwork Reduction Act Notice.

**2003**

- A Check if a:**  
**1** Consolidated return (attach Form 851)   
**2** Personal holding co. (attach Sch. PH)   
**3** Personal service corp. (as defined in Regulations sec. 1.441-3(c)—see instructions)

**Use IRS label. Otherwise, print or type.**

Name \_\_\_\_\_

Number, street, and room or suite no. (If a P.O. box, see page 7 of instructions.) \_\_\_\_\_

City or town, state, and ZIP code \_\_\_\_\_

**B** Employer identification number \_\_\_\_\_

**C** Date incorporated \_\_\_\_\_

**D** Total assets (see page 8 of instructions) \_\_\_\_\_

**E** Check applicable boxes: (1)  Initial return (2)  Final return (3)  Name change (4)  Address change \$ \_\_\_\_\_

<b>Income</b>	<b>1a</b> Gross receipts or sales _____	<b>b</b> Less returns and allowances _____	<b>c</b> Bal ▶	<b>1c</b>		
	<b>2</b> Cost of goods sold (Schedule A, line 8)			<b>2</b>		
	<b>3</b> Gross profit. Subtract line 2 from line 1c			<b>3</b>		
	<b>4</b> Dividends (Schedule C, line 19)			<b>4</b>		
	<b>5</b> Interest			<b>5</b>		
	<b>6</b> Gross rents			<b>6</b>		
	<b>7</b> Gross royalties			<b>7</b>		
	<b>8</b> Capital gain net income (attach Schedule D (Form 1120))			<b>8</b>		
	<b>9</b> Net gain or (loss) from Form 4797, Part II, line 18 (attach Form 4797)			<b>9</b>		
	<b>10</b> Other income (see page 9 of instructions—attach schedule)			<b>10</b>		
	<b>11</b> <b>Total income.</b> Add lines 3 through 10			<b>11</b>		
<b>Deductions (See instructions for limitations on deductions.)</b>	<b>12</b> Compensation of officers (Schedule E, line 4)			<b>12</b>		
	<b>13</b> Salaries and wages (less employment credits)			<b>13</b>		
	<b>14</b> Repairs and maintenance			<b>14</b>		
	<b>15</b> Bad debts			<b>15</b>		
	<b>16</b> Rents			<b>16</b>		
	<b>17</b> Taxes and licenses			<b>17</b>		
	<b>18</b> Interest			<b>18</b>		
	<b>19</b> Charitable contributions (see page 11 of instructions for 10% limitation)			<b>19</b>		
	<b>20</b> Depreciation (attach Form 4562)	<b>20</b>				
	<b>21</b> Less depreciation claimed on Schedule A and elsewhere on return	<b>21a</b>			<b>21b</b>	
	<b>22</b> Depletion				<b>22</b>	
	<b>23</b> Advertising				<b>23</b>	
	<b>24</b> Pension, profit-sharing, etc., plans				<b>24</b>	
	<b>25</b> Employee benefit programs				<b>25</b>	
	<b>26</b> Other deductions (attach schedule)				<b>26</b>	
	<b>27</b> <b>Total deductions.</b> Add lines 12 through 26				<b>27</b>	
	<b>28</b> Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11				<b>28</b>	
<b>29</b> <b>Less:</b>	<b>a</b> Net operating loss (NOL) deduction (see page 13 of instructions)	<b>29a</b>				
	<b>b</b> Special deductions (Schedule C, line 20)	<b>29b</b>			<b>29c</b>	
<b>Tax and Payments</b>	<b>30</b> <b>Taxable income.</b> Subtract line 29c from line 28				<b>30</b>	
	<b>31</b> <b>Total tax</b> (Schedule J, line 11)				<b>31</b>	
	<b>32</b> <b>Payments:</b> a 2002 overpayment credited to 2003	<b>32a</b>				
		<b>b</b> 2003 estimated tax payments	<b>32b</b>			
	<b>c</b> Less 2003 refund applied for on Form 4466	<b>32c</b> ( )				
	<b>d</b> Bal ▶	<b>32d</b>				
	<b>e</b> Tax deposited with Form 7004	<b>32e</b>				
	<b>f</b> Credit for tax paid on undistributed capital gains (attach Form 2439)	<b>32f</b>				
	<b>g</b> Credit for Federal tax on fuels (attach Form 4136). See instructions	<b>32g</b>				<b>32h</b>
	<b>33</b> Estimated tax penalty (see page 14 of instructions). Check if Form 2220 is attached					<b>33</b>
<b>34</b> <b>Tax due.</b> If line 32h is smaller than the total of lines 31 and 33, enter amount owed					<b>34</b>	
<b>35</b> <b>Overpayment.</b> If line 32h is larger than the total of lines 31 and 33, enter amount overpaid					<b>35</b>	
<b>36</b> Enter amount of line 35 you want: <b>Credited to 2004 estimated tax</b> ▶ <b>Refunded</b> ▶					<b>36</b>	

**Sign Here** Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer \_\_\_\_\_ Date \_\_\_\_\_ Title \_\_\_\_\_

May the IRS discuss this return with the preparer shown below (see instructions)?  Yes  No

**Paid Preparer's Use Only**

Preparer's signature \_\_\_\_\_ Date \_\_\_\_\_ Check if self-employed  Preparer's SSN or PTIN \_\_\_\_\_

Firm's name (or yours if self-employed), address, and ZIP code \_\_\_\_\_ EIN \_\_\_\_\_ Phone no. ( ) \_\_\_\_\_

**Schedule A Cost of Goods Sold** (see page 14 of instructions)

1 Inventory at beginning of year . . . . .	1		
2 Purchases . . . . .	2		
3 Cost of labor . . . . .	3		
4 Additional section 263A costs (attach schedule) . . . . .	4		
5 Other costs (attach schedule) . . . . .	5		
6 <b>Total.</b> Add lines 1 through 5 . . . . .	6		
7 Inventory at end of year . . . . .	7		
8 <b>Cost of goods sold.</b> Subtract line 7 from line 6. Enter here and on line 2, page 1 . . . . .	8		

9a Check all methods used for valuing closing inventory:

- (i)  Cost as described in Regulations section 1.471-3
- (ii)  Lower of cost or market as described in Regulations section 1.471-4
- (iii)  Other (Specify method used and attach explanation.) ▶ .....

b Check if there was a writedown of subnormal goods as described in Regulations section 1.471-2(c) . . . . . ▶

c Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970) . . . . . ▶

d If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO . . . . . **9d**

e If property is produced or acquired for resale, do the rules of section 263A apply to the corporation? . . . . .  Yes  No

f Was there any change in determining quantities, cost, or valuations between opening and closing inventory? If "Yes," attach explanation . . . . .  Yes  No

**Schedule C Dividends and Special Deductions** (see instructions beginning on page 15)

	(a) Dividends received	(b) %	(c) Special deductions (a) × (b)
1 Dividends from less-than-20%-owned domestic corporations that are subject to the 70% deduction (other than debt-financed stock) . . . . .		70	
2 Dividends from 20%-or-more-owned domestic corporations that are subject to the 80% deduction (other than debt-financed stock) . . . . .		80	
3 Dividends on debt-financed stock of domestic and foreign corporations (section 246A)		see instructions	
4 Dividends on certain preferred stock of less-than-20%-owned public utilities . . . . .		42	
5 Dividends on certain preferred stock of 20%-or-more-owned public utilities . . . . .		48	
6 Dividends from less-than-20%-owned foreign corporations and certain FSCs that are subject to the 70% deduction . . . . .		70	
7 Dividends from 20%-or-more-owned foreign corporations and certain FSCs that are subject to the 80% deduction . . . . .		80	
8 Dividends from wholly owned foreign subsidiaries subject to the 100% deduction (section 245(b))		100	
9 <b>Total.</b> Add lines 1 through 8. See page 16 of instructions for limitation . . . . .			
10 Dividends from domestic corporations received by a small business investment company operating under the Small Business Investment Act of 1958 . . . . .		100	
11 Dividends from certain FSCs that are subject to the 100% deduction (section 245(c)(1))		100	
12 Dividends from affiliated group members subject to the 100% deduction (section 243(a)(3))		100	
13 Other dividends from foreign corporations not included on lines 3, 6, 7, 8, or 11 . . . . .			
14 Income from controlled foreign corporations under subpart F (attach Form(s) 5471) . . . . .			
15 Foreign dividend gross-up (section 78) . . . . .			
16 IC-DISC and former DISC dividends not included on lines 1, 2, or 3 (section 246(d)) . . . . .			
17 Other dividends . . . . .			
18 Deduction for dividends paid on certain preferred stock of public utilities . . . . .			
19 <b>Total dividends.</b> Add lines 1 through 17. Enter here and on line 4, page 1 . . . . . ▶			
20 <b>Total special deductions.</b> Add lines 9, 10, 11, 12, and 18. Enter here and on line 29b, page 1 . . . . . ▶			

**Schedule E Compensation of Officers** (see instructions for line 12, page 1, on page 10 of instructions)

**Note:** Complete Schedule E only if total receipts (line 1a plus lines 4 through 10 on page 1) are \$500,000 or more.

(a) Name of officer	(b) Social security number	(c) Percent of time devoted to business	Percent of corporation stock owned		(f) Amount of compensation
			(d) Common	(e) Preferred	
1		%	%	%	
		%	%	%	
		%	%	%	
		%	%	%	
		%	%	%	
2 Total compensation of officers . . . . .					
3 Compensation of officers claimed on Schedule A and elsewhere on return . . . . .					
4 Subtract line 3 from line 2. Enter the result here and on line 12, page 1 . . . . .					

**Schedule J Tax Computation** (see page 17 of instructions)

1 Check if the corporation is a member of a controlled group (see sections 1561 and 1563) . . . . .

**Important:** Members of a controlled group, see instructions on page 17.

2a If the box on line 1 is checked, enter the corporation's share of the \$50,000, \$25,000, and \$9,925,000 taxable income brackets (in that order):

(1) \$ \_\_\_\_\_ (2) \$ \_\_\_\_\_ (3) \$ \_\_\_\_\_

b Enter the corporation's share of: (1) Additional 5% tax (not more than \$11,750) \$ \_\_\_\_\_  
 (2) Additional 3% tax (not more than \$100,000) \$ \_\_\_\_\_

3 Income tax. Check if a qualified personal service corporation under section 448(d)(2) (see page 17) . . . . .  3

4 Alternative minimum tax (attach Form 4626) . . . . . 4

5 Add lines 3 and 4 . . . . . 5

6a Foreign tax credit (attach Form 1118) . . . . . 6a

b Possessions tax credit (attach Form 5735) . . . . . 6b

c Check:  Nonconventional source fuel credit  QEV credit (attach Form 8834) . . . . . 6c

d General business credit. Check box(es) and indicate which forms are attached.  
 Form 3800  Form(s) (specify) ▶ \_\_\_\_\_ 6d

e Credit for prior year minimum tax (attach Form 8827) . . . . . 6e

f Qualified zone academy bond credit (attach Form 8860) . . . . . 6f

7 **Total credits.** Add lines 6a through 6f . . . . . 7

8 Subtract line 7 from line 5 . . . . . 8

9 Personal holding company tax (attach Schedule PH (Form 1120)) . . . . . 9

10 Other taxes. Check if from:  Form 4255  Form 8611  Form 8697  
 Form 8866  Other (attach schedule) . . . . . 10

11 **Total tax.** Add lines 8 through 10. Enter here and on line 31, page 1 . . . . . 11

**Schedule K Other Information** (see page 19 of instructions)

	Yes	No		Yes	No	
1 Check method of accounting: a <input type="checkbox"/> Cash			7 At any time during the tax year, did one foreign person own, directly or indirectly, at least 25% of (a) the total voting power of all classes of stock of the corporation entitled to vote or (b) the total value of all classes of stock of the corporation? . . . . . If "Yes," enter: (a) Percentage owned ▶ _____ and (b) Owner's country ▶ _____			
b <input type="checkbox"/> Accrual c <input type="checkbox"/> Other (specify) ▶ _____				c The corporation may have to file <b>Form 5472</b> , Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business. Enter number of Forms 5472 attached ▶ _____		
2 See page 21 of the instructions and enter the:				8 Check this box if the corporation issued publicly offered debt instruments with original issue discount . . . . . <input type="checkbox"/> If checked, the corporation may have to file <b>Form 8281</b> , Information Return for Publicly Offered Original Issue Discount Instruments.		
a Business activity code no. ▶ _____			9 Enter the amount of tax-exempt interest received or accrued during the tax year ▶ \$ _____			
b Business activity ▶ _____			10 Enter the number of shareholders at the end of the tax year (if 75 or fewer) ▶ _____			
c Product or service ▶ _____			11 If the corporation has an NOL for the tax year and is electing to forego the carryback period, check here <input type="checkbox"/> If the corporation is filing a consolidated return, the statement required by Temporary Regulations section 1.1502-21T(b)(3)(i) or (ii) must be attached or the election will not be valid.			
3 At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) . . . . . If "Yes," attach a schedule showing: (a) name and employer identification number (EIN), (b) percentage owned, and (c) taxable income or (loss) before NOL and special deductions of such corporation for the tax year ending with or within your tax year.			12 Enter the available NOL carryover from prior tax years (Do not reduce it by any deduction on line 29a.) ▶ \$ _____			
4 Is the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group? . . . . . If "Yes," enter name and EIN of the parent corporation ▶ _____			13 Are the corporation's total receipts (line 1a plus lines 4 through 10 on page 1) for the tax year and its total assets at the end of the tax year less than \$250,000? . . . . . If "Yes," the corporation is not required to complete Schedules L, M-1, and M-2 on page 4. Instead, enter the total amount of cash distributions and the book value of property distributions (other than cash) made during the tax year. ▶ \$ _____			
5 At the end of the tax year, did any individual, partnership, corporation, estate, or trust own, directly or indirectly, 50% or more of the corporation's voting stock? (For rules of attribution, see section 267(c).) . . . . . If "Yes," attach a schedule showing name and identifying number. (Do not include any information already entered in 4 above.) Enter percentage owned ▶ _____						
6 During this tax year, did the corporation pay dividends (other than stock dividends and distributions in exchange for stock) in excess of the corporation's current and accumulated earnings and profits? (See sections 301 and 316.) . . . . . If "Yes," file <b>Form 5452</b> , Corporate Report of Nondividend Distributions. If this is a consolidated return, answer here for the parent corporation and on <b>Form 851</b> , Affiliations Schedule, for each subsidiary.						

**Note:** If the corporation, at any time during the tax year, had assets or operated a business in a foreign country or U.S. possession, it may be required to attach **Schedule N (Form 1120)**, Foreign Operations of U.S. Corporations, to this return. See Schedule N for details.

**Note:** The corporation is not required to complete Schedules L, M-1, and M-2 if Question 13 on Schedule K is answered "Yes."

<b>Schedule L Balance Sheets per Books</b>		Beginning of tax year		End of tax year	
		(a)	(b)	(c)	(d)
<b>Assets</b>					
1	Cash . . . . .				
2a	Trade notes and accounts receivable . . . . .				
b	Less allowance for bad debts . . . . .	( )		( )	
3	Inventories . . . . .				
4	U.S. government obligations . . . . .				
5	Tax-exempt securities (see instructions) . . . . .				
6	Other current assets (attach schedule) . . . . .				
7	Loans to shareholders . . . . .				
8	Mortgage and real estate loans . . . . .				
9	Other investments (attach schedule) . . . . .				
10a	Buildings and other depreciable assets . . . . .				
b	Less accumulated depreciation . . . . .	( )		( )	
11a	Depletable assets . . . . .				
b	Less accumulated depletion . . . . .	( )		( )	
12	Land (net of any amortization) . . . . .				
13a	Intangible assets (amortizable only) . . . . .				
b	Less accumulated amortization . . . . .	( )		( )	
14	Other assets (attach schedule) . . . . .				
15	<b>Total assets</b> . . . . .				
<b>Liabilities and Shareholders' Equity</b>					
16	Accounts payable . . . . .				
17	Mortgages, notes, bonds payable in less than 1 year . . . . .				
18	Other current liabilities (attach schedule) . . . . .				
19	Loans from shareholders . . . . .				
20	Mortgages, notes, bonds payable in 1 year or more . . . . .				
21	Other liabilities (attach schedule) . . . . .				
22	Capital stock: a Preferred stock . . . . .				
	b Common stock . . . . .				
23	Additional paid-in capital . . . . .				
24	Retained earnings—Appropriated (attach schedule) . . . . .				
25	Retained earnings—Unappropriated . . . . .				
26	Adjustments to shareholders' equity (attach schedule) . . . . .				
27	Less cost of treasury stock . . . . .		( )		( )
28	<b>Total liabilities and shareholders' equity</b> . . . . .				

<b>Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return</b> (see page 20 of instructions)			
1	Net income (loss) per books . . . . .		
2	Federal income tax per books . . . . .		
3	Excess of capital losses over capital gains . . . . .		
4	Income subject to tax not recorded on books this year (itemize): . . . . .		
5	Expenses recorded on books this year not deducted on this return (itemize):		
a	Depreciation . . . . . \$ . . . . .		
b	Charitable contributions \$ . . . . .		
c	Travel and entertainment \$ . . . . .		
6	Add lines 1 through 5 . . . . .		
7	Income recorded on books this year not included on this return (itemize):		
	Tax-exempt interest \$ . . . . .		
8	Deductions on this return not charged against book income this year (itemize):		
a	Depreciation . . . . . \$ . . . . .		
b	Charitable contributions \$ . . . . .		
9	Add lines 7 and 8 . . . . .		
10	Income (line 28, page 1)—line 6 less line 9 . . . . .		

<b>Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)</b>			
1	Balance at beginning of year . . . . .		
2	Net income (loss) per books . . . . .		
3	Other increases (itemize): . . . . .		
4	Add lines 1, 2, and 3 . . . . .		
5	Distributions: a Cash . . . . .		
	b Stock . . . . .		
	c Property . . . . .		
6	Other decreases (itemize): . . . . .		
7	Add lines 5 and 6 . . . . .		
8	Balance at end of year (line 4 less line 7)		



the total of these amounts in a schedule attached to Form 1120.

**Line 18, Column (c)**

Section 247 allows public utilities a deduction of 40% of the smaller of (a) dividends paid on their preferred stock during the tax year or (b) taxable income computed without regard to this deduction. In a year in which an NOL occurs, compute the deduction without regard to section 247(a)(1)(B). See section 172(d).

**Schedule J, Form 1120 (Part I, Form 1120-A)**

**Lines 1 and 2 (Form 1120 Only)**

**Members of a controlled group.** A member of a controlled group, as defined in section 1563, must check the box on line 1 and complete lines 2a and 2b of Schedule J, Form 1120.

**Line 2a.** Members of a controlled group are entitled to one \$50,000, one \$25,000, and one \$9,925,000 taxable income bracket amount (in that order) on line 2a.

When a controlled group adopts or later amends an apportionment plan, each member must attach to its tax return a copy of its consent to this plan. The copy (or an attached statement) must show the part of the amount in each taxable income bracket apportioned to that member. See Regulations section 1.1561-3(b) for other requirements and for the time and manner of making the consent.

**Unequal apportionment plan.**

Members of a controlled group may elect an unequal apportionment plan and divide the taxable income brackets as they want. There is no need for consistency among taxable income brackets. Any member may be entitled to all, some, or none of the taxable income bracket. However, the total amount for all members cannot be more than the total amount in each taxable income bracket.

**Equal apportionment plan.**

If no apportionment plan is adopted, members of a controlled group must divide the amount in each taxable income bracket equally among themselves. For example, Controlled Group AB consists of Corporation A and Corporation B. They do not elect an apportionment plan. Therefore, each corporation is entitled to:

- \$25,000 (one-half of \$50,000) on line 2a(1),
- \$12,500 (one-half of \$25,000) on line 2a(2), and
- \$4,962,500 (one-half of \$9,925,000) on line 2a(3).

**Line 2b.** Members of a controlled group are treated as one group to figure the applicability of the additional 5% tax and the additional 3% tax. If an additional tax applies, each member will pay that tax based on the part of the amount used in each taxable income bracket to reduce that member's tax. See section 1561(a). If an additional tax applies, attach a schedule showing the taxable income of the entire group and how the corporation figured its share of the additional tax.

**Tax Computation Worksheet for Members of a Controlled Group**  
(keep for your records)

**Note:** Each member of a controlled group (except a qualified personal service corporation) must compute the tax using this worksheet.

1. Enter taxable income (line 30, page 1, Form 1120) . . . . . 1. \_\_\_\_\_
2. Enter line 1 or the corporation's share of the \$50,000 taxable income bracket, whichever is less . . . . . 2. \_\_\_\_\_
3. Subtract line 2 from line 1 . . . . . 3. \_\_\_\_\_
4. Enter line 3 or the corporation's share of the \$25,000 taxable income bracket, whichever is less . . . . . 4. \_\_\_\_\_
5. Subtract line 4 from line 3 . . . . . 5. \_\_\_\_\_
6. Enter line 5 or the corporation's share of the \$9,925,000 taxable income bracket, whichever is less . . . . . 6. \_\_\_\_\_
7. Subtract line 6 from line 5 . . . . . 7. \_\_\_\_\_
8. Multiply line 2 by 15% . . . . . 8. \_\_\_\_\_
9. Multiply line 4 by 25% . . . . . 9. \_\_\_\_\_
10. Multiply line 6 by 34% . . . . . 10. \_\_\_\_\_
11. Multiply line 7 by 35% . . . . . 11. \_\_\_\_\_
12. If the taxable income of the controlled group exceeds \$100,000, enter this member's share of the smaller of: 5% of the taxable income in excess of \$100,000, or \$11,750 (see the instructions for Schedule J, line 2b) . . . . . 12. \_\_\_\_\_
13. If the taxable income of the controlled group exceeds \$15 million, enter this member's share of the smaller of: 3% of the taxable income in excess of \$15 million, or \$100,000 (see the instructions for Schedule J, line 2b) . . . . . 13. \_\_\_\_\_
14. **Total.** Add lines 8 through 13. Enter here and on line 3, Schedule J, Form 1120 . . . . . 14. \_\_\_\_\_

**Line 2b(1).** Enter the corporation's share of the additional 5% tax on line 2b(1).

**Line 2b(2).** Enter the corporation's share of the additional 3% tax on line 2b(2).

**Line 3, Form 1120 (Line 1, Form 1120-A)**

Members of a controlled group should use the worksheet above to figure the tax for the group. In addition, members of a controlled group **must** attach to Form 1120 a statement showing the computation of the tax entered on line 3.

Most corporations not filing a consolidated return figure their tax by using the Tax Rate Schedule below. Qualified personal service corporations should see the instructions below.

**Tax Rate Schedule**

If taxable income (line 30, Form 1120, or line 26, Form 1120-A) on page 1 is:

Over—	But not over—	Tax is:	Of the amount over—
\$0	\$50,000	15%	\$0
50,000	75,000	\$ 7,500 + 25%	50,000
75,000	100,000	13,750 + 34%	75,000
100,000	335,000	22,250 + 39%	100,000
335,000	10,000,000	113,900 + 34%	335,000
10,000,000	15,000,000	3,400,000 + 35%	10,000,000
15,000,000	18,333,333	5,150,000 + 38%	15,000,000
18,333,333	-----	35%	0

**Qualified personal service corporation.** A qualified personal service corporation is taxed at a flat rate of 35% on taxable income. If the corporation is a qualified personal service corporation, check the box on line 3, Schedule J, Form 1120 (line 1, Part I, Form 1120-A) even if the corporation has no tax liability.

A corporation is a qualified personal service corporation if it meets **both** of the following tests:

- Substantially all of the corporation's activities involve the performance of services in the fields of health, law, engineering, architecture, accounting, actuarial science, performing arts, or consulting and
- At least 95% of the corporation's stock, by value, is owned, directly or indirectly, by (a) employees performing the services, (b) retired employees who had performed the services listed above, (c) any estate of an employee or retiree described above, or (d) any person who acquired the stock of the corporation as a result of the death of an employee or retiree (but only for the 2-year period beginning on the date of the employee or retiree's death). See Temporary Regulations section 1.448-1T(e) for details.

**Mutual savings bank conducting life insurance business.** The tax under section 594 consists of the sum of (a) a partial tax computed on Form 1120 on the taxable income of the bank determined without regard to income or deductions allocable to the life insurance department and (b) a partial tax on the taxable income computed on Form 1120-L of the life insurance department. Enter the combined tax on line 3 of Schedule J, Form 1120. Attach Form 1120-L as a schedule (and identify it as such) or a statement showing the computation of the taxable income of the life insurance department.

**Deferred tax under section 1291.** If the corporation was a shareholder in a passive foreign investment company (PFIC) and received an excess distribution or disposed of its investment in the PFIC during the year, it must include the increase in taxes due under section 1291(c)(2) in the total for line