

1120

U.S. Corporation Income Tax Return

OMB No. 1545-0123

Form Department of the Treasury Internal Revenue Service

For calendar year 2003 or tax year beginning yrBegin, 2003, ending yrEnd1, 20 yrEnd2 2003

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

- 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, EIN, Number, street, and room or suite no., address1, City or town, state, and ZIP code.

B Employer identification number (ein1, ein2), C Date incorporated (dateInc), D Total assets (see page 8 of instructions)

E Check applicable boxes: (1) Initial return (2) Final return (3) Name change (4) Address change \$ totalAssetsPg1

Income section table with rows 1a-11 and columns for gross receipts, less returns, and net sales.

Deductions section table with rows 12-29 and columns for various deduction categories like salaries, repairs, and depreciation.

Tax and Payments section table with rows 30-36 and columns for taxable income, total tax, and payments.

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.

Paid Preparer's Use Only: Preparer's signature, firm's name, EIN, and phone number.

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

1	Inventory at beginning of year	1	invBoyCgs	
2	Purchases	2	purchases	
3	Cost of labor	3	costOfLabor	
4	Additional section 263A costs (attach schedule)	4	add263ACosts	
5	Other costs (attach schedule)	5	otherCosts	
6	<b>Total.</b> Add lines 1 through 5	6	total1to5	
7	Inventory at end of year	7	invEoyCgs	
8	<b>Cost of goods sold.</b> Subtract line 7 from line 6. Enter here and on line 2, page 1	8	cgs	

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.) valueClosingInvExpl

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 lifolnvPerc

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) x (b)
1	divLess20Subj70	70	divLess20Subj70Ded
2	divMore20Subj80	80	divMore20Subj80Ded
3	div246A	see instructions	div246ADed
4	divUtisLess20	42	divUtisLess20Ded
5	divUtisMore20	48	divUtisMore20Ded
6	divLess20FSC	70	divLess20FSCDed
7	divMore20FSC	80	divMore20FSCDed
8	divWhollySubs	100	divWhollySubsDed
9			schCTotalLine8
10	divSmBusInvAct	100	divSmBusInvActDed
11	divFSC100	100	divFSC100X80
12	divAffillGrp100	100	divAffillGrp100Ded
13	otherForeignDiv		
14	subpartFIncome		
15	forDivGrossUp		
16	divCDISC		
17	otherDividends		
18			divPaidCertPrefUtis
19	totalDiv1thru17		
20			totalSpecDeductio

**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 nameOfOfficer1	officerSSN1	percDevToBusi	percCommn%	percPrfSt%	officersComp1
nameOfOfficer2	officerSSN2	percDevToBusi	perc2Commn%	perc2PrfSt%	officersComp2
nameOfOfficer3	officerSSN3	percDevToBusi	perc3Commn%	perc3PrfSt%	officersComp3
nameOfOfficer4	officerSSN4	percDevToBusi	perc4Commn%	perc4PrfSt%	officersComp4
nameOfOfficer5	officerSSN5	percDevToBusi	perc5Commn%	perc5PrfSt%	officersComp5
2	Total compensation of officers				totalOfficersComp
3	Compensation of officers claimed on Schedule A and elsewhere on return				offCompEslewhere
4	Subtract line 3 from line 2. Enter the result here and on line 12, page 1				schEOffCompTotal

**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) . . . . .  memberControlGrp

**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)  \$ shTaxIncBracket1  (2)  \$ shTaxIncBracket2  (3)  \$ shTaxIncBracket3

b Enter the corporation's share of: (1) Additional 5% tax (not more than \$11,750)  \$ add5PercGT11750   
 (2) Additional 3% tax (not more than \$100,000)  \$ add3PercGT10000

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

4 Alternative minimum tax (attach Form 4626) . . . . . 4 amtFrom4626

5 Add lines 3 and 4 . . . . . 5 schJLines3And4

6a Foreign tax credit (attach Form 1118) . . . . . 6a forTaxCredit1118

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

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

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

6e Credit for prior year minimum tax (attach Form 8827) . . . . . 6e creditPYMinTax8827

6f Qualified zone academy bond credit (attach Form 8860) . . . . . 6f qualZoneCredit8860

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

8 Subtract line 7 from line 5 . . . . . 8 schELine7from5

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

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

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

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

<p>1 Check method of accounting: a <input type="checkbox"/> Cash          b <input type="checkbox"/> Accrual c <input type="checkbox"/> Other (specify) <input checked="" type="checkbox"/> schKOTHAcctMethExpl</p> <p>2 See page 21 of the instructions and enter the:</p> <p>a Business activity code no. <input checked="" type="checkbox"/> fld_f3-41_63</p> <p>b Business activity <input checked="" type="checkbox"/> fld_f3-42_296</p> <p>c Product or service <input checked="" type="checkbox"/> fld_f3-43_106</p> <p>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.</p> <p>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 <input checked="" type="checkbox"/> fld_f3-44_314  <input checked="" type="checkbox"/> fld_f3-45_15</p> <p>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 <input checked="" type="checkbox"/> fld_f3-46_201</p> <p>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 Form 5452, Corporate Report of Nondividend Distributions.          If this is a consolidated return, answer here for the parent corporation and on Form 851, Affiliations Schedule, for each subsidiary.</p>	<p>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 <input checked="" type="checkbox"/> fld_f3-47_77          and (b) Owner's country <input checked="" type="checkbox"/> fld_f3-48_183</p> <p>c The corporation may have to file Form 5472, 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 <input checked="" type="checkbox"/> fld_f3-49_75</p> <p>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 Form 8281, Information Return for Publicly Offered Original Issue Discount Instruments.</p> <p>9 Enter the amount of tax-exempt interest received or accrued during the tax year <input checked="" type="checkbox"/> \$ fld_f3-50_327</p> <p>10 Enter the number of shareholders at the end of the tax year (if 75 or fewer) <input checked="" type="checkbox"/> fld_f3-51_164</p> <p>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.</p> <p>12 Enter the available NOL carryover from prior tax years (Do not reduce it by any deduction on line 29a.) <input checked="" type="checkbox"/> \$ fld_f3-52_333</p> <p>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. <input checked="" type="checkbox"/> \$ fld_f3-53_207</p>
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**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."

**Schedule L Balance Sheets per Books**

	Beginning of tax year		End of tax year	
	(a)	(b)	(c)	(d)
<b>Assets</b>				
1 Cash		cashBoy		cashEoy
2a Trade notes and accounts receivable	accountsRecBoy		accountsRecEoy	
b Less allowance for bad debts	(allowBadDebtsBoy)	netAccountsRecBoy	(allowBadDebtsEoy)	netAccountsRecEoy
3 Inventories		invBoyBs		invEoyBs
4 U.S. government obligations		usGovObligationBoy		usGovObligationEoy
5 Tax-exempt securities (see instructions)		taxExmemptSecBoy		taxExmemptSecEoy
6 Other current assets (attach schedule)		otherCurrAssBoy		otherCurrAssEoy
7 Loans to shareholders		shareholderLoansBoy		shareholderLoansEoy
8 Mortgage and real estate loans		mortgagesBoy		mortgagesEoy
9 Other investments (attach schedule)		otherInvestBoy		otherInvestEoy
10a Buildings and other depreciable assets	depreciablesBoy		depreciablesEoy	
b Less accumulated depreciation	(lessAccumDeprBoy)	netDepreciablesBoy	(lessAccumDeprEoy)	netDepreciablesEoy
11a Depletable assets	depletableAssBoy		depletableAssEoy	
b Less accumulated depletion	(lessAccDepleteBoy)	netDepletableAssBoy	(lessAccDepleteEoy)	netDepletableAssEoy
12 Land (net of any amortization)		landBoy		landEoy
13a Intangible assets (amortizable only)	intangiblesBoy		intangiblesEoy	
b Less accumulated amortization	(lessAccumAmortBoy)	netIntangiblesBoy	(lessAccumAmortEoy)	netIntangiblesEoy
14 Other assets (attach schedule)		otherAssetsBoy		otherAssetsEoy
15 Total assets		totalAssetsBoy		totalAssetsEoy
<b>Liabilities and Shareholders' Equity</b>				
16 Accounts payable		accountsPayBoy		accountsPayEoy
17 Mortgages, notes, bonds payable in less than 1 year		notesPayLess1YrBoy		notesPayLess1YrEoy
18 Other current liabilities (attach schedule)		otherCurrLiabBoy		otherCurrLiabEoy
19 Loans from shareholders		loansFromShareBoy		loansFromShareEoy
20 Mortgages, notes, bonds payable in 1 year or more		notesPayMore1YrBoy		notesPayMore1YrEoy
21 Other liabilities (attach schedule)		otherLiabBoy		otherLiabEoy
22 Capital stock: a Preferred stock	prefStockBoy		prefStockEoy	
b Common stock	commStockBoy	totCapStockBoy	commStockEoy	totCapStockEoy
23 Additional paid-in capital		apicBoy		apicEoy
24 Retained earnings—Appropriated (attach schedule)		retEarnAppropBoy		retEarnAppropEoy
25 Retained earnings—Unappropriated		retEarnUnApprBoy		retEarnUnApprEoy
26 Adjustments to shareholders' equity (attach schedule)		adjSharEquityBoy		adjSharEquityEoy
27 Less cost of treasury stock		(lessTreasStockBoy)		(lessTreasStockEoy)
28 Total liabilities and shareholders' equity		totalLiabEquBoy		totalLiabEquEoy

**Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return** (see page 20 of instructions)

1 Net income (loss) per books	netIncomeBookM1	7 Income recorded on books this year not included on this return (itemize):	
2 Federal income tax per books	fedIncTaxM1	Tax-exempt interest \$	taxExemptIntM1
3 Excess of capital losses over capital gains	excCapGainsM1	incBookNoRetOth1	
4 Income subject to tax not recorded on books this year (itemize):	incTaxNoBookOth1	incBookNoRetOth2	totIncBookNoTax
	incTaxNoBookOth2		
5 Expenses recorded on books this year not deducted on this return (itemize):		8 Deductions on this return not charged against book income this year (itemize):	
a Depreciation \$	bookNoRetDepr	a Depreciation	retNoBookDepr
b Charitable contributions \$	bookNoRetConfr	b Charitable contributions	retNoBookConfr
c Travel and entertainment \$	travelAndEntM1	dedRetNoBookOth1	
	expBookNoRetOth1	dedRetNoBookOth2	totalDedRetNoBook
6 Add lines 1 through 5	addLines1thr5M1	9 Add lines 7 and 8	addLines7And8M1
		10 Income (line 28, page 1)—line 6 less line 9	taxIncomeM1

**Schedule M-2 Analysis of Unappropriated Retained Earnings per Books** (Line 25, Schedule L)

1 Balance at beginning of year	reBoyM2	5 Distributions:	
2 Net income (loss) per books	netIncPerBooksM2	a Cash	cashDistM2
3 Other increases (itemize):	otherIncExt1M2	b Stock	stockDistM2
	fld_f4103_1	c Property	propDistM2
	fld_f4104_222	6 Other decreases (itemize):	fld_f4110_169 fld_f4111_353
	fld_f4105_35	7 Add lines 5 and 6	fld_f4112_165
4 Add lines 1, 2, and 3	fld_f4106_215	8 Balance at end of year (line 4 less line 7)	fld_f4113_336



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. **grpTaxIncome**
2. Enter line 1 or the corporation's share of the \$50,000 taxable income bracket, whichever is less . . . . . 2. **line1OrShare50Brack**
3. Subtract line 2 from line 1 . . . . . 3. **grpSubtract2From1**
4. Enter line 3 or the corporation's share of the \$25,000 taxable income bracket, whichever is less . . . . . 4. **line3OrShare25Brack**
5. Subtract line 4 from line 3 . . . . . 5. **grpSubtract4From3**
6. Enter line 5 or the corporation's share of the \$9,925,000 taxable income bracket, whichever is less . . . . . 6. **line5OrShare9MilBrack**
7. Subtract line 6 from line 5 . . . . . 7. **grpSubtract6From5**
8. Multiply line 2 by 15% . . . . . 8. **line2By15Perc**
9. Multiply line 4 by 25% . . . . . 9. **line4By25Perc**
10. Multiply line 6 by 34% . . . . . 10. **line6By34Perc**
11. Multiply line 7 by 35% . . . . . 11. **line7By35Perc**
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. **grpAdd5PercTax**
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. **grpAdd3PercTax**
14. **Total.** Add lines 8 through 13. Enter here and on line 3, Schedule J, Form 1120 . . . . . 14. **grpTotalTax**

**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