

**Schedule PH (Form 1120), U.S. Personal Holding Company (PHC) Tax  
(Rev. December 2006)**

**Purpose:** This is the first circulated draft of the December 2006 revision of Schedule PH (Form 1120) for your review and comments. The major changes are discussed below.

**TPCC Meeting:** None, but may be arranged if requested.

**Instructions:** The 2006 instructions for Schedule PH (Form 1120) will be circulated at a later date. The 2005 instructions are available at:

<http://www.irs.gov/pub/irs-pdf/i1120sph.pdf>

**Other Products:** Circulations of draft tax forms, instructions, notices, and publications are posted at:

[http://taxforms.web.irs.gov/draft\\_products.html](http://taxforms.web.irs.gov/draft_products.html)

**Comments:** Please email, fax, call, or mail any comments by **May 19, 2006**.

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**Major Changes to Schedule PH (Form 1120) (Rev. December 2006)**

Schedule PH (Form 1120) is being changed from an annual schedule to a continuous use schedule beginning with the December 2006 revision. All line references are to 2006 tax forms. There are no major changes to Schedule PH.

**SCHEDULE PH  
(Form 1120)**

(Rev. December 2006)

Department of the Treasury  
Internal Revenue Service

**U.S. Personal Holding Company (PHC) Tax**

▶ See separate instructions. Attach to tax return.

OMB No. 1545-0123

Name

Employer identification number

**Part I Undistributed Personal Holding Company Income** (see instructions)

<b>Additions</b>	<b>1</b> Taxable income before net operating loss deduction and special deductions. Enter amount from the appropriate line of the corporation's tax return (e.g., line 28 of the 2006 Form 1120)		<b>1</b>
	<b>2</b> Contributions deducted in figuring line 1. Enter amount from the appropriate line of the corporation's tax return (e.g., line 19 of the 2006 Form 1120)		<b>2</b>
	<b>3</b> Excess expenses and depreciation under section 545(b)(6). Enter amount from Part V, line 2		<b>3</b>
	<b>4</b> Total. Add lines 1 through 3		<b>4</b>
<b>Deductions</b>	<b>5</b> Federal and foreign income, war profits, and excess profits taxes not deducted in figuring line 1 (attach schedule)		<b>5</b>
	<b>6</b> Contributions deductible under section 545(b)(2). See instructions for limitation		<b>6</b>
	<b>7</b> Net operating loss for the preceding tax year deductible under section 545(b)(4)		<b>7</b>
	<b>8a</b> Net capital gain from Schedule D (e.g., line 13 of the 2006 Schedule D (Form 1120))	<b>8a</b>	<b>8c</b>
	<b>b Less:</b> Income tax on this net capital gain (see section 545(b)(5)) (attach computation)	<b>8b</b>	
	<b>9</b> Deduction for dividends paid (other than dividends paid after the end of the tax year). Enter amount from Part VI, line 5		<b>9</b>
	<b>10</b> Total. Add lines 5 through 9		<b>10</b>
	<b>11</b> Subtract line 10 from line 4		<b>11</b>
	<b>12</b> Dividends paid after the end of the tax year (other than deficiency dividends defined in section 547(d)), but not more than the smaller of line 11 or 20% of Part VI, line 1		<b>12</b>
	<b>13 Undistributed PHC income.</b> Subtract line 12 from line 11.		<b>13</b>

**Note:** If the information in Part II and Part IV is not submitted with the return, the limitation period for assessment and collection of the PHC tax is any time within 6 years after the return is filed. See section 6501(f).

**Part II Personal Holding Company Income** (see instructions)

<b>14</b> Dividends		<b>14</b>
<b>15a</b> Interest	<b>15a</b>	<b>15c</b>
<b>b Less:</b> Amounts excluded (attach schedule)	<b>15b</b>	
<b>16</b> Royalties (other than mineral, oil, gas, or copyright royalties)		<b>16</b>
<b>17</b> Annuities		<b>17</b>
<b>18a</b> Rents	<b>18a</b>	<b>18c</b>
<b>b Less:</b> Adjustments to rents (attach schedule)	<b>18b</b>	
<b>19a</b> Mineral, oil, and gas royalties	<b>19a</b>	<b>19c</b>
<b>b Less:</b> Adjustments to mineral, oil, and gas royalties (attach schedule)	<b>19b</b>	
<b>20</b> Copyright royalties		<b>20</b>
<b>21</b> Produced film rents		<b>21</b>
<b>22</b> Compensation received for use of corporation property by 25% or more shareholder		<b>22</b>
<b>23</b> Amounts received under personal service contracts and from their sale		<b>23</b>
<b>24</b> Amounts includible in taxable income from estates and trusts		<b>24</b>
<b>25 PHC income.</b> Add lines 14 through 24		<b>25</b>

**Part III Tax on Undistributed Personal Holding Company Income**

<b>26 PHC tax.</b> Enter 15% of line 13 here and on the appropriate line of the corporation's tax return (e.g., line 8 of the 2006 Schedule J (Form 1120))		<b>26</b>
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**Part IV Stock Ownership Requirement Under Section 542(a)(2)**

Enter the names and addresses of the individuals who together owned, directly or indirectly, at any time during the last half of the tax year, more than 50% in value of the outstanding stock of the corporation.

(a) Name	(b) Address	Highest percentage of shares owned during last half of tax year	
		(c) Preferred	(d) Common
<b>1</b>		%	%
		%	%
		%	%
		%	%
		%	%
		%	%
<b>2</b> Add the amounts in columns (c) and (d) and enter the totals here . . . . . ▶		%	%

**Part V Excess of Expenses and Depreciation Over Income From Property Not Allowable Under Section 545(b)(6)** (see instructions for Part I, line 3)

(a) Description of property	(b) Date acquired	(c) Cost or other basis	(d) Depreciation deduction	(e) Repairs, insurance, and other expenses (section 162) (attach schedule)	(f) Total of columns (d) and (e)	(g) Income from rent or other compensation	(h) Excess (col. (f) less col. (g))
<b>1</b>							
<b>2 Total excess of expenses and depreciation over rent or other compensation.</b> Add the amounts in column (h). Enter the total here and on Part I, line 3 . . . . .							
<b>Note:</b> Attach a statement showing the names and addresses of persons from whom rent or other compensation was received for the use of, or the right to use, each property.							

**Part VI Deduction for Dividends Paid Under Sections 561 and 562**

<b>1</b> Taxable dividends paid. Do not include dividends considered as paid in the preceding tax year under section 563 or deficiency dividends as defined in section 547 . . . . .	<b>1</b>	
<b>2</b> Consent dividends. Attach Forms 972 and 973 . . . . .	<b>2</b>	
<b>3</b> Taxable distributions. Add lines 1 and 2 . . . . .	<b>3</b>	
<b>4</b> Dividend carryover from first and second preceding tax years. Attach computation . . . . .	<b>4</b>	
<b>5 Deduction for dividends paid.</b> Add lines 3 and 4. Enter the total here and on Part I, line 9 . . . . .	<b>5</b>	