

Possessions Corporation Tax Credit (Under Sections 936 and 30A)

▶ See separate instructions.
▶ Attach to the corporation's tax return.

For calendar year 20 , or other tax year beginning , 20 , and ending , 20 .

Name _____ Employer identification number _____

Part I Gross Income in Applicable Period (See instructions.)

Tax year (Use a separate line for each tax year ending with or within your applicable period. Start with the earliest such tax year.)		(c) Name of U.S. possession in which trade or business was actively conducted	Periods in which trade or business was actively conducted in a U.S. possession (Dates are inclusive)	
(a) Beginning	(b) Ending		(d) From	(e) To

Gross income during periods shown in columns (d) and (e)

Gross income from the active conduct of a trade or business in a U.S. possession			(i) Gross qualified possession source investment income (QPSII) (see instructions)	All other gross income		
(f) From sources in U.S. possessions	(g) From all other sources outside the U.S.	(h) From sources in the U.S.		(j) From sources in U.S. possessions	(k) From all other sources outside the U.S.	(l) From sources in the U.S.
Totals						

1	Total gross income in applicable period (add totals of columns (f) through (l))	1
2	Gross income in applicable period from sources in U.S. possessions (add total of columns (f), (j), and (l))	2
3	Divide line 2 by line 1. If less than 80%, stop here . The possessions tax credit is not allowed	3
4	Gross income from the active conduct of a trade or business in a U.S. possession (total of columns (f), (g), and (h))	4
5	Divide line 4 by line 1. If less than 75%, stop here . The possessions tax credit is not allowed	5

Part II Taxable Income From Possession Sources (See instructions.)

When completing Part II, do not take into account any deduction for possession income taxes.

	A Active Business Income	B Gross QPSII (see instructions)
6 Qualified gross income in current year:		
a From sources outside the U.S. from the active conduct of a trade or business in a U.S. possession		
b From sources outside the U.S. from the sale or exchange of substantially all assets used in a possessions trade or business		
c Total active business income. Add lines 6a and 6b		
d Enter gross qualified possession source investment income		
7a Amounts received in the U.S.		
b Intangible property income (section 936(h)(2))		
c Other intangible property income		
d Add lines 7a, 7b, and 7c		
e Subtract line 7d, column A from line 6c, column A. } Subtract line 7d, column B from line 6d, column B. }		
8 Applicable deductions		
a Cost sharing amount		
b Definitely allocable deductions		
c Ratable part of other deductions not definitely allocable		
d Add lines 8a, 8b, and 8c		
9 Qualified taxable income before adjustments. Subtract line 8d from line 7e		

Part II Taxable Income From Possession Sources (continued)

	A Active Business Income	B Gross QPSII (see instructions)
10 Adjustments		
a Current year losses from nonqualified sources		
b Recapture of prior year overall foreign losses		
c Income against which foreign tax credit is claimed		
d Add lines 10a through 10c		
11 Qualified taxable income. Subtract line 10d from line 9. Caution: Do not enter more than the corporation's adjusted base period income in column A (see instructions)		
12 Total taxable income from all sources (enter taxable income from the corporation's tax return)		
13 For each column, divide line 11 by line 12. Enter result as a decimal		
14 Total U.S. income tax against which possessions credit is allowed ▶		
15 For each column, multiply line 14 by line 13		

Part III Possessions Credit Using the Percentage Limitation Method (See instructions.)

If the corporation elects to claim a reduced credit under section 936(a)(4)(B), check here and complete Part III. Skip Part IV and go to Part V, line 28

16 Multiply line 15, column A, by 40%	16	
17 Possessions credit. Add line 15, column B, and line 16. Enter here and on Form 1120, Schedule J, line 6b, or the appropriate line of other returns	17	

Part IV Possessions Credit Using the Economic-Activity Limitation Method (See instructions.)

18 Enter 60% of qualified compensation	18	
19 Enter applicable portion of depreciation deductions	19	
20 Add lines 18 and 19	20	
21 Subtract line 20 from line 15, Column A	21	
22 Divide line 21 by line 14. Enter the result as a decimal	22	
Note: If the corporation used the profit split method, skip lines 23 and 24. Enter the amount from line 20 on line 25. Complete the rest of Part IV and go to Part V, line 32. If the corporation did not use the profit split method, complete lines 23 through 27; skip Part V and go to Part VI.		
23 Enter possession income taxes (but not more than 9% of taxable income)	23	
24 Possession taxes allocable to nonsheltered income. Multiply line 23 by line 22	24	
25 Add lines 20 and 24	25	
26 Economic-activity limitation. Enter the smaller of line 15, column A, or line 25	26	
27 Possessions credit. Add line 15, column B, and line 26. Enter the result here and on Form 1120, Schedule J, line 6b, or the appropriate line of other returns	27	

Part V Deduction For Possession Income Taxes (See instructions.)

Note: Complete Part V only if the corporation is electing the percentage limitation (reduced credit), or the corporation is using the economic-activity limitation and the profit split method.

Corporations Using Percentage Limitation (Reduced Credit)

28 Subtract line 16 from line 15, Column A	28	
29 Divide line 28 by line 14. Enter the result as a decimal	29	
30 Enter possession income taxes	30	
31 Deduction for possession income taxes. Multiply line 30 by line 29. Include the result on Form 1120, page 1, line 17, or the applicable line of other returns	31	

Corporations Using the Economic-Activity Limitation and the Profit Split Method

32 Enter possession income taxes	32	
33 Deduction for possession income taxes. Multiply line 32 by line 22. Include the result on Form 1120, page 1, line 17, or the applicable line of other returns	33	

Part VI Summary From Schedule P (Form 5735) (See instructions.)

34 Enter the total sales of possession products to which each income method applies:		
a Cost sharing method	34a	
b Profit split method	34b	
35 Enter the total sales of possession products that qualify under each business presence test:		
a Direct labor test	35a	
b Value-added test	35b	
c Alternative test	35c	
d Start-up test	35d	
e None of the above	35e	

