

## **2006 Schedule N (Form 1120), Foreign Operations of U.S. Corporations**

**Purpose:** This is the first circulated draft of the 2006 Schedule N (Form 1120) for your review and comments. See below for a discussion of the major changes.

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

**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 **June 20, 2006**.

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### **Major Change to 2006 Schedule N (Form 1120)**

On page 1, we modified line 1a and the related instructions to clarify the circumstances under which a corporation is required to attach Form 8858.

TLS, have you transmitted all R text files for this cycle update?

**I.R.S. SPECIFICATIONS TO BE REMOVED BEFORE PRINTING**  
INSTRUCTIONS TO PRINTERS  
SCHEDULE N (FORM 1120), PAGE 1 OF 2  
MARGINS; TOP 13mm(1/2"), CENTER SIDES. PRINTS: HEAD TO HEAD  
PAPER: WHITE WRITING, SUB. 20. INK: BLACK  
FLAT SIZE: 216mm (8") x 279mm (11")  
PERFORATE: NONE

Action	Date	Signature
O.K. to print		
Revised proofs requested		

Date \_\_\_\_\_

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**SCHEDULE N  
(Form 1120)**

Department of the Treasury  
Internal Revenue Service

**Foreign Operations of U.S. Corporations**

© Attach to Form 1120, 1120-IC-DISC, 1120-L, 1120-PC, 1120-REIT, 1120-RIC, or 1120S.

OMB No. 1545-0123

**2006**

Name \_\_\_\_\_

Employer identification number (EIN) \_\_\_\_\_

**Foreign Operations Information**

	Yes	No
<b>1a</b> During the tax year, did the corporation own (directly or indirectly) any foreign entity that was disregarded as an entity separate from its owner under Regulations sections 301.7701-2 and 301.7701-3 (see instructions)? If "Yes," you are generally required to attach <b>Form 8858</b> , Information Return of U.S. Persons With Respect to Foreign Disregarded Entities, for each foreign disregarded entity (see instructions).		
<b>b</b> Enter the number of Forms 8858 attached to the tax return . . . . . © _____		
<b>2</b> Enter the number of <b>Forms 8865</b> , Return of U.S. Persons With Respect to Certain Foreign Partnerships, attached to the corporation's income tax return. . . . . © _____		
<b>3</b> Excluding any partnership for which a Form 8865 is attached to the tax return, did the corporation own at least a 10% interest, directly or indirectly, in any other foreign partnership (including an entity treated as a foreign partnership under Regulations section 301.7701-2 or 301.7701-3)? If "Yes," see instructions for required attachment.		
<b>4a</b> Was the corporation a U.S. shareholder of any controlled foreign corporation (CFC)? (See sections 951 and 957.) If "Yes," attach <b>Form 5471</b> , Information Return of U.S. Persons With Respect to Certain Foreign Corporations, for each CFC.		
<b>b</b> Enter the number of Forms 5471 attached to the tax return . . . . . © _____		
<b>5</b> During the tax year, did the corporation receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If "Yes," the corporation may have to file <b>Form 3520</b> , Annual Return To Report Transactions With Foreign Trusts and Receipt of Certain Foreign Gifts.		
<b>6a</b> At any time during the 2006 calendar year, did the corporation have an interest in or a signature or other authority over a financial account (such as a bank account, securities account, or other financial account) in a foreign country? See the instructions for exceptions and filing requirements for <b>Form TD F 90-22.1</b> , Report of Foreign Bank and Financial Accounts.		
<b>b</b> If "Yes," enter the name of the foreign country . . . . . © _____		
<b>7a</b> Is the corporation claiming the extraterritorial income exclusion? If "Yes," attach a separate <b>Form 8873</b> , Extraterritorial Income Exclusion, for <b>each</b> transaction or group of transactions.		
<b>b</b> Enter the number of Forms 8873 attached to the tax return . . . . . © _____		
<b>c</b> Enter the total of the amounts from line 54 (extraterritorial income exclusion (net of		

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**Statement in lieu of Form 8858.** This statement must list the name, country under whose laws the entity was organized, and EIN (if any) of each applicable FDE. For more information, see the Instructions for Form 3520.

**Question 3**

If the corporation owned at least a 10% interest, directly or indirectly, in any foreign partnership (other than any partnership for which a Form 8865 is attached to the tax return), attach a statement listing the following information for each foreign partnership. For this purpose, a foreign partnership includes an entity treated as a foreign partnership under Regulations section 301.7701-2 or 301.7701-3.

1. Name and EIN (if any) of the foreign partnership.
2. Identify which, if any, of the following forms the foreign partnership filed for its tax year ending with or within the corporation's tax year: Form 1042, 1065 or 1065-B, or 8804.
3. Name of the tax matters partner (if any).
4. Beginning and ending dates of the foreign partnership's tax year.

**Question 5**

The corporation may be required to file Form 3520 if:

- It directly or indirectly transferred money or property to a foreign trust (for this purpose, any U.S. person who created a foreign trust is considered a transferor),
- It is treated as the owner of any part of the assets of a foreign trust under the grantor trust rules, or
- It received a distribution from a foreign trust.

**Note.** An owner of a foreign trust must ensure that the trust files an annual information return on **Form 3520-A**, Annual Information Return of Foreign Trust With a U.S. Owner. For details, see Form 3520-A.

**Question 6**

Check the "Yes" box if either **1** or **2** below applies to the corporation. Otherwise, check the "No" box.

1. At any time during the 2006 calendar year, the corporation had an interest in or signature or other authority over a bank, securities, or other financial account in a foreign country (see Form TD F 90-22.1) **and:**
  - The combined value of the accounts was more than \$10,000 at any time during the calendar year and
  - The account was **not** with a U.S. military banking facility operated by a U.S. financial institution.
2. The corporation owns more than 50% of the stock in any corporation that would answer "Yes" to item **1** above.

If "Yes" is checked for this question:

- Enter the name of the foreign country or countries (attach a separate sheet if more space is needed) and
- File Form TD F 90-22.1 on or before June 30, 2007, with the Department of the Treasury at the address shown on the form. Because Form TD F 90-22.1 is not a tax form, do not file it with the corporation's tax return. You can order Form TD F 90-22.1 by calling 1-800-TAX-FORM (1-800-829-3676) or you can download it from the IRS website at **www.irs.gov**.