

**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**.

Joan A. McAlpine  
Tax Forms and Publications  
SE:W:CAR:MP:T:B:R  
Email: [Joan.A.McAlpine@irs.gov](mailto:Joan.A.McAlpine@irs.gov)  
Phone: 202-622-3622

**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> |
|--|--|-----------|

**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> |  |