

Form 8881 (Rev. Dec. 2006)

Credit for Small Employer Pension Plan Startup Costs

- Purpose:** This is the first circulated draft of the Form 8881 (Rev. Dec. 2006) for your review and comments. Changes made to the form are explained on the attachment.
- TPCC meeting:** No meeting is planned, but you may request one by contacting John R. Nelson
- Prior Revisions** The 2005 Form 8881 is available at:
<http://www.irs.gov/pub/irs-pdf/f8881.pdf>
- Other products** Circulations of draft tax forms and instructions are posted at http://taxforms.web.irs.gov/draft_products.html.
Draft publications are not available.
- Comments** Please email, fax, or call, any comments by **May 26, 2006**.

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Major Changes for 2006

- We deleted Part II, relating to computation of the allowable credit from the form. Beginning in 2006, all taxpayers will be required to complete Form 3800, General Business Credit, to make this computation.
- Beginning in 2006, this form will become a continuous use form. That is, it will be revised only as needed instead of annually.
- We deleted the instructions for S corporations and partnerships. Taxpayers will need to go to the instructions for their appropriate form (i.e, Form 1120S or 1065) that they file for additional information.
- Instructions for “Controlled Groups” will be replaced with the following:

Member of Controlled Group, Business Under Common Control, or Affiliated Service Group.

For purposes of figuring the credit, all members of a controlled group of corporations (as defined in section 52(a)), all members of a group of businesses under common control (as defined in section 52(b)), and all members of an affiliated service groups (as defined in section 414(m)), are treated as a single employer. As a member, compute your credit based on your proportionate share of qualified startup costs giving rise to the group’s credit for small employer pension plan startup costs. Enter your share of the credit on line 2. Attach a statement showing how your share of the credit was figured, and write “See Attached” next to the entry space for line 2.

Note: Please disregard the instructions for “Controlled Groups” in this 1st draft. The above language will appear in the final draft.