

2006 Form 8820, Orphan Drug Credit (Rev. Dec. 2006)

Circulation: This is the first circulated draft of the 2006 Form 8820 (Rev. Dec. 2006) for your review and comments. See below for a discussion of the major changes.

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

Prior version: The 2005 Form 8820 is available at: <http://www.irs.gov/pub/irs-pdf/f8820.pdf>

Other Products: Circulations of draft tax forms, instructions, notices, and publications are posted at: http://taxforms.web.irs.gov/draft_products.html

Comments: Please email, fax, call, or mail any comments by **June 23, 2006**.

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Major Changes

On the Form-

[1] The text “Rev. December 2006” is added under the form number in the upper left corner because the form was converted from annual use to continuous use. Accordingly, the text “2005” was eliminated from the upper right corner and the bottom right corner (replaced with the text “Rev. 12-2006” in the bottom right corner).

[2] The **Part I** and **Part II** headings are eliminated because the function of the old Part II (to compute the allowable credit) is now on Form 3800. Since there is no longer a Part II, a Part I designation is unnecessary.

[3] Line **3** is rewritten to eliminate the text “pass-through.”

[4] Line **4** is rewritten. The text “**Current year credit**” is removed. Estates and trusts are now directed to line 5 so that an allocation to beneficiaries can be shown. Now partnerships and S corporations are directed to report the amount on Schedule K. All others are directed to line 1k of the 2006 Form 3800 (as an example since this will now be a continuous use form, revised only when necessary).

[5] Lines **5** and **6** are added to allow estates and trusts to show allocations to beneficiaries and figure the resulting amount to show on Form 3800.

In the Instructions-

[1] A **What’s New** section is added with the following bulleted items.

- The tax liability limit is no longer figured on this form; instead, it must be figured on Form 3800, General Business Credit.

- Taxpayers that are not partnerships, S corporations, cooperatives, estates, trusts, or members of a controlled group, and whose only source of this credit is from those pass-through entities, are not required to complete or file this form. Instead, they can report this credit directly on line 1k of Form 3800.
- The IRS will revise this December 2006 version of the form only when necessary. Continue to use this version for tax years beginning after 2005 until a new revision is issued.

[2] The **Who Must File** section is removed as it is unnecessary.

[3] In the first paragraph, under **Specific Instructions** the text “Skip lines 1 and 2 if you are only claiming a credit that was allocated to you from an S corporation or partnership” is removed as it is unnecessary.

[4] The instructions for line **3** are removed because new lines 5 and 6 on the form (in conjunction with Schedules K) now explain the allocation of the credit to beneficiaries, partners, and shareholders.

[4] The instructions for S corporations, partnerships, and electing large partnerships, in the second paragraph under **Specific Instructions**, are eliminated as the information is now shown on Schedules K.

[4] All of the **Part II** instructions are removed to conform to the removal of the Part II on the form. Accordingly, the Part I heading is removed.