

2006 Form 4720, Return of Excise Taxes Under Chapters 41 and 42 of the Internal Revenue Code.

Purpose: This is the first circulated draft of the 2006 Form 4720, Return of Excise Taxes Under Chapters 41 and 42 of the Internal Revenue Code 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 4720 is available at:
<http://publish.no.irs.gov/FORMS/PUBLIC/PDF/13021Y05.PDF>

Instructions: The 2005 Instructions to Form 4720 are available at:
<http://publish.no.irs.gov/INSTRS/PDF/13023Y05.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 make any comments by January 4, 2006

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Major Changes to Form 4720, Return of Excise Taxes Under Chapters 41 and 42 of the Internal Revenue Code

We updated years and dates as necessary and made miscellaneous editorial changes throughout.

Heading- We changed the title of the form.

- We added IRC sections 4965, 4966, and 4967

Part I – Taxes on Organization

- We added sections 4965(a)(1), and 4966(a)(1)
- We changed line 10 to provide for the tax on taxable distributions from Schedule K and we added line 11.

Part II-A

- We added sections 4965(a)(2), 4966(a)(2) and 4967(a)
- We revised the table to include columns to enter information from Schedules J, K, and L.

Part II-B

- We changed line 2 to read “Total Tax, Add Part I, line 11 instead of line 10.

Schedule- A

- We changed the headings in columns (f) and (g) to reflect new amounts resulting from the Pension Protection Act of 2006 (PPA)

Schedule - B

- We changed the amount on line 4 to reflect new amounts resulting from (PPA)

Schedule –C

- We changed the amount on line 6 to reflect new amounts resulting from (PPA)

Schedule –D

- We changed the headings in columns (e) and (f) to reflect new amounts resulting from the Pension Protection Act of 2006 (PPA)

Schedule –E

- We changed the headings in columns (g) and (h) to reflect new amounts resulting from the Pension Protection Act of 2006 (PPA).

Schedule - F

- We changed the headings in columns (e) and (f) to reflect new amounts resulting from the Pension Protection Act of 2006 (PPA).

Schedule –H

- We changed the headings in columns (e) and (f) to reflect new amounts resulting from the Pension Protection Act of 2006 (PPA).

Schedule – I

- We changed the headings in columns (e) and (f) to reflect new amounts resulting from the Pension Protection Act of 2006 (PPA).

We added new Schedules J, K, and L

Return of Certain Excise Taxes Under Chapters 41 and 42 of the Internal Revenue Code

Department of the Treasury
Internal Revenue Service

(Sections 170(f)(10), 4911, 4912, 4941, 4942, 4943, 4944, 4945, 4955, 4958, 4965, 4966, and 4967)

▶ See separate instructions.

2006

For calendar year 2006 or other tax year beginning _____, 2006, and ending _____, 20__

Name of organization or entity _____ **Employer identification number** _____

Number, street, and room or suite no. (or P.O. box if mail is not delivered to street address) _____

City or town, state, and ZIP code _____

Check box for type of annual return:
 Form 990 Form 990-EZ
 Form 990-PF
 Form 5227

A Is the organization a foreign private foundation within the meaning of section 4948(b)?
B Has corrective action been taken on any taxable event that resulted in Chapter 42 taxes being reported on this form? (Enter "N/A" if not applicable)
If "Yes," attach a detailed description and documentation of the corrective action taken and, if applicable, enter the fair market value of any property recovered as a result of the correction ▶ \$ _____. If "No," (i.e., any uncorrected acts, or transactions), attach an explanation (see page 3 of the instructions).

| Yes | No |
|-----|----|
| | |
| | |

Part I Taxes on Organization (Sections 170(f)(10), 4911(a), 4912(a), 4942(a), 4943(a), 4944(a)(1), 4945(a)(1), 4955(a)(1), 4965(a)(1), and 4966(a)(1))

| | |
|---|-----------|
| 1 Tax on undistributed income—Schedule B, line 4 | 1 |
| 2 Tax on excess business holdings—Schedule C, line 7 | 2 |
| 3 Tax on investments that jeopardize charitable purpose—Schedule D, Part I, column (e) | 3 |
| 4 Tax on taxable expenditures—Schedule E, Part I, column (g) | 4 |
| 5 Tax on political expenditures—Schedule F, Part I, column (e) | 5 |
| 6 Tax on excess lobbying expenditures—Schedule G, line 4 | 6 |
| 7 Tax on disqualifying lobbying expenditures—Schedule H, Part I, column (e) | 7 |
| 8 Tax on premiums paid on personal benefit contracts | 8 |
| 9 Tax on being a party to prohibited tax shelter transactions—Schedule J, Part I, column (h) | 9 |
| 10 Tax on taxable distributions—Schedule K, Part I, column (d) | 10 |
| 11 Total (add lines 1–10) | 11 |

Part II-A Taxes on Self-Dealers, Managers, Disqualified Persons, Donors, Donor Advisors, and Related Persons (Sections 4912(b), 4941(a), 4944(a)(2), 4945(a)(2), 4955(a)(2), 4958(a), 4965(a)(2), 4966(a)(2), and 4967(a))

| (a) Name and address of person subject to tax | | | | (b) Taxpayer identification number |
|---|--|--|--|------------------------------------|
| a | | | | |
| b | | | | |
| c | | | | |
| d | | | | |

| | (c) Tax on self-dealing—Schedule A, Part II, col. (d) | (d) Tax on investments that jeopardize charitable purpose—Schedule D, Part II, col. (d) | (e) Tax on taxable expenditures—Schedule E, Part II, col. (d) | (f) Tax on political expenditures—Schedule F, Part II, col. (d) |
|--------------|---|---|---|---|
| a | | | | |
| b | | | | |
| c | | | | |
| d | | | | |
| Total | | | | |

| | (g) Tax on disqualifying lobbying expenditures—Schedule H, Part II, col. (d) | (h) Tax on excess benefit transactions—Schedule I, Part II, col. (d) | (i) Tax on prohibited tax shelter transactions—Schedule J, Part II, col. (d) | (j) Tax on taxable distributions—Schedule K, Part II, col. (d) |
|--------------|--|--|--|--|
| a | | | | |
| b | | | | |
| c | | | | |
| d | | | | |
| Total | | | | |

| | (k) Tax on prohibited benefits—Sch L, Part II, col. (d), and Part III, col. (d) | | | (l) Total—Add cols. (c) through (k) |
|--------------|---|--|--|-------------------------------------|
| a | | | | |
| b | | | | |
| c | | | | |
| d | | | | |
| Total | | | | |

Part II-B Summary of Taxes (See **Tax Payments** on page 4 of the instructions.)

| | | | |
|----------|--|----------|--|
| 1 | Enter the taxes listed in Part II-A, column (i), that apply to self-dealers, managers, disqualified persons, donors, donor advisors, and related persons who sign this form. If all sign, enter the total amount from Part II-A, column (l). | 1 | |
| 2 | Total tax. Add Part I, line 11, and Part II-B, line 1. (Make check(s) or money order(s) payable to the United States Treasury.) | 2 | |

SCHEDULE A—Initial Taxes on Self-Dealing (Section 4941)

Part I Acts of Self-Dealing and Tax Computation

| (a) Act number | (b) Date of act | (c) Description of act | | |
|----------------|-----------------|------------------------|--|--|
| 1 | | | | |
| 2 | | | | |
| 3 | | | | |
| 4 | | | | |
| 5 | | | | |

| (d) Question number from Form 990-PF, Part VII-B, or Form 5227, Part VI-B, applicable to the act | (e) Amount involved in act | (f) Initial tax on self-dealing (5%/10%* of col. (e)) | (g) Tax on foundation managers (if applicable) (lesser of \$10,000/20,000 or 2½%/5%* of col. (e)) |
|--|----------------------------|---|---|
| | | | |
| | | | |
| | | | |
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Part II Summary of Tax Liability of Self-Dealers and Proration of Payments

| (a) Names of self-dealers liable for tax | (b) Act no. from Part I, col. (a) | (c) Tax from Part I, col. (f), or prorated amount | (d) Self-dealer's total tax liability (add amounts in col. (c)) (see page 6 of the instructions) |
|--|-----------------------------------|---|--|
| | | | |
| | | | |
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| | | | |
| | | | |

Part III Summary of Tax Liability of Foundation Managers and Proration of Payments

| (a) Names of foundation managers liable for tax | (b) Act no. from Part I, col. (a) | (c) Tax from Part I, col. (g), or prorated amount | (d) Manager's total tax liability (add amounts in col. (c)) (see page 6 of the instructions) |
|---|-----------------------------------|---|--|
| | | | |
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SCHEDULE B—Initial Tax on Undistributed Income (Section 4942)

| | | | |
|----------|--|----------|--|
| 1 | Undistributed income for years before 2005 (from Form 990-PF for 2006, Part XIII, line 6d) | 1 | |
| 2 | Undistributed income for 2005 (from Form 990-PF for 2006, Part XIII, line 6e) | 2 | |
| 3 | Total undistributed income at end of current tax year beginning in 2006 and subject to tax under section 4942 (add lines 1 and 2) | 3 | |
| 4 | Tax —Enter 15%/30%* of line 3 here and on page 1, Part I, line 1 | 4 | |

* For tax years beginning after 8/17/2006.

SCHEDULE C—Initial Tax on Excess Business Holdings (Section 4943)

Business Holdings and Computation of Tax

If you have taxable excess holdings in more than one business enterprise, attach a separate schedule for each enterprise. Refer to the instructions on page 7 for each line item before making any entries.

Name and address of business enterprise

Employer identification number ▶

Form of enterprise (corporation, partnership, trust, joint venture, sole proprietorship, etc.) . . . ▶

| | (a) Voting stock (profits interest or beneficial interest) | (b) Value | (c) Nonvoting stock (capital interest) |
|---|---|--------------|--|
| 1 Foundation holdings in business enterprise | 1 % | % | |
| 2 Permitted holdings in business enterprise | 2 % | % | |
| 3 Value of excess holdings in business enterprise | 3 | | |
| 4 Value of excess holdings disposed of within 90 days; or, other value of excess holdings not subject to section 4943 tax (attach explanation) | 4 | | |
| 5 Taxable excess holdings in business enterprise—line 3 minus line 4 | 5 | | |
| 6 Tax—Enter 5%/10%* of line 5 | 6 | | |
| 7 Total tax —Add amounts on line 6, columns (a), (b), and (c); enter total here and on page 1, Part I, line 2 | 7 | | |

SCHEDULE D—Initial Taxes on Investments That Jeopardize Charitable Purpose (Section 4944)

Part I Investments and Tax Computation

| (a) Investment number | (b) Date of investment | (c) Description of investment | (d) Amount of investment | (e) Initial tax on foundation (5%/10%* of col. (d)) | (f) Initial tax on foundation managers (if applicable)—(lesser of \$5,000/10,000% or 5%/10%* of col. (d)) |
|-----------------------|------------------------|-------------------------------|--------------------------|---|---|
| 1 | | | | | |
| 2 | | | | | |
| 3 | | | | | |
| 4 | | | | | |
| 5 | | | | | |

Total—column (e). Enter here and on page 1, Part I, line 3

Total—column (f). Enter total (or prorated amount) here and in Part II, column (c), below

Part II Summary of Tax Liability of Foundation Managers and Proration of Payments

| (a) Names of foundation managers liable for tax | (b) Investment no. from Part I, col. (a) | (c) Tax from Part I, col. (f), or prorated amount | (d) Manager's total tax liability (add amounts in col. (c)) (see page 9 of the instructions) |
|---|--|---|--|
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* For tax years beginning after 8/17/2006.

SCHEDULE E—Initial Taxes on Taxable Expenditures (Section 4945)

| Part I Expenditures and Computation of Tax | | | | |
|--|------------|---------------------------|--|--|
| (a) Item number | (b) Amount | (c) Date paid or incurred | (d) Name and address of recipient | (e) Description of expenditure and purposes for which made |
| 1 | | | | |
| 2 | | | | |
| 3 | | | | |
| 4 | | | | |
| 5 | | | | |
| (f) Question number from Form 990-PF, Part VII-B, or Form 5227, Part VI-B, applicable to the expenditure | | | (g) Initial tax imposed on foundation (10%/20%* of col. (b)) | (h) Initial tax imposed on foundation managers (if applicable)—(lesser of \$5,000/\$10,000 or 2½%/5%* of col. (b)) |
| | | | | |
| | | | | |
| | | | | |
| Total —column (g). Enter here and on page 1, Part I, line 4 | | | | |
| Total —column (h). Enter total (or prorated amount) here and in Part II, column (c), below | | | | |

| Part II Summary of Tax Liability of Foundation Managers and Proration of Payments | | | |
|--|------------------------------------|---|--|
| (a) Names of foundation managers liable for tax | (b) Item no. from Part I, col. (a) | (c) Tax from Part I, col. (h), or prorated amount | (d) Manager's total tax liability (add amounts in col. (c)) (see page 7 of the instructions) |
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SCHEDULE F—Initial Taxes on Political Expenditures (Section 4955)

| Part I Expenditures and Computation of Tax | | | | | |
|---|------------|---------------------------|--|---|--|
| (a) Item number | (b) Amount | (c) Date paid or incurred | (d) Description of political expenditure | (e) Initial tax imposed on organization or foundation (10% of col. (b)) | (f) Initial tax imposed on managers (if applicable) (lesser of \$5,000 or 2½% of col. (b)) |
| 1 | | | | | |
| 2 | | | | | |
| 3 | | | | | |
| 4 | | | | | |
| 5 | | | | | |
| Total —column (e). Enter here and on page 1, Part I, line 5 | | | | | |
| Total —column (f). Enter total (or prorated amount) here and in Part II, column (c), below | | | | | |

| Part II Summary of Tax Liability of Organization Managers or Foundation Managers and Proration of Payments | | | |
|---|------------------------------------|---|---|
| (a) Names of organization managers or foundation managers liable for tax | (b) Item no. from Part I, col. (a) | (c) Tax from Part I, col. (f), or prorated amount | (d) Manager's total tax liability (add amounts in col. (c)) (see page 11 of the instructions) |
| | | | |
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* For tax years beginning after 8/17/2006.

SCHEDULE G—Tax on Excess Lobbying Expenditures (Section 4911)

| | | |
|----------|--|----------|
| 1 | Excess of grassroots expenditures over grassroots nontaxable amount (from Schedule A (Form 990 or 990-EZ), Part VI-A, column (b), line 43). (See page 11 of the instructions before making entry.) | 1 |
| 2 | Excess of lobbying expenditures over lobbying nontaxable amount (from Schedule A (Form 990 or 990-EZ), Part VI-A, column (b), line 44). (See page 11 of the instructions before making entry.) | 2 |
| 3 | Taxable lobbying expenditures—enter the larger of line 1 or line 2 | 3 |
| 4 | Tax —Enter 25% of line 3 here and on page 1, Part I, line 6 | 4 |

SCHEDULE H—Taxes on Disqualifying Lobbying Expenditures (Section 4912)

Part I Expenditures and Computation of Tax

| (a) Item number | (b) Amount | (c) Date paid or incurred | (d) Description of lobbying expenditures | (e) Tax imposed on organization (5% of col. (b)) | (f) Tax imposed on organization managers (if applicable)—(5% of col. (b)) |
|-----------------|------------|---------------------------|--|--|---|
| 1 | | | | | |
| 2 | | | | | |
| 3 | | | | | |
| 4 | | | | | |
| 5 | | | | | |

Total—column (e). Enter here and on page 1, Part I, line 7

Total—column (f). Enter total (or prorated amount) here and in Part II, column (c), below

Part II Summary of Tax Liability of Organization Managers and Proration of Payments

| (a) Names of organization managers liable for tax | (b) Item no. from Part I, col. (a) | (c) Tax from Part I, col. (f), or prorated amount | (d) Manager's total tax liability (add amounts in col. (c)) (see page 11 of the instructions) |
|---|------------------------------------|---|---|
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SCHEDULE I—Initial Taxes on Excess Benefit Transactions (Section 4958)

Part I Excess Benefit Transactions and Tax Computation

| (a) Transaction number | (b) Date of transaction | (c) Description of transaction |
|------------------------|-------------------------|--------------------------------|
| 1 | | |
| 2 | | |
| 3 | | |
| 4 | | |
| 5 | | |

| (d) Amount of excess benefit | (e) Initial tax on disqualified persons (25% of col. (d)) | (f) Tax on organization managers (if applicable) (lesser of \$10,000/\$20,000* or 10% of col. (d)) |
|------------------------------|---|--|
| | | |
| | | |
| | | |
| | | |

*For tax years beginning after 8/17/2006.

Part II Tax Imposed on Entity Managers (Section 4965) Continued

| (a) Name of entity manager | (b) Transaction number from Part I, col. (a) | (c) Tax—enter \$20,000 for each transaction listed in col. (b) for each manager in col. (a) | (d) Manager's total tax liability (add amounts in col. (c)) |
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Draft as of 12/21/2006

SCHEDULE K—Taxes on Taxable Distributions of Sponsoring Organizations Maintaining Donor Advised Funds (Section 4966) (see the instructions)

Part I Taxable Distributions and Tax Computation

| (a) Item number | (b) Name of sponsoring organization and donor advised fund | (c) Description of distribution | | |
|-----------------|--|---------------------------------|--|--|
| 1 | | | | |
| 2 | | | | |
| 3 | | | | |
| 4 | | | | |

| (d) Date of distribution | (e) Amount of distribution | (f) Tax imposed on organization (20% of col. (e)) | (g) Tax on fund managers (lesser of 5% of col. (e) or \$10,000) | | |
|--------------------------|----------------------------|---|---|--|--|
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

Total—column (f). Enter here and on page 1, Part I, line 10

Total—column (g). Enter total (or prorated amount) here and in Part II, column (c), below

Part II Summary of Tax Liability of Fund Managers and Proration of Payments

| (a) Name of fund managers liable for tax | (b) Item no. from Part I, col. (a) | (c) Tax from Part I, col. (g) or prorated amount | (d) Manager's total tax liability (add amounts in col. (c)) (see instructions) |
|--|------------------------------------|--|--|
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SCHEDULE L—Taxes on Prohibited Benefits Distributed From Donor Advised Funds (Section 4967)
(see instructions)

Part I Prohibited Benefits and Tax Computation

| (a) Item number | (b) Date of prohibited benefit | (c) Description of benefit |
|----------------------------------|---|---|
| 1 | | |
| 2 | | |
| 3 | | |
| 4 | | |
| 5 | | |
| (d) Amount of prohibited benefit | (e) Tax on prohibited benefit (125% of col. (d) (see instructions)) | (f) Tax on fund managers (if applicable) (lesser of 10% of col. (d) or \$10,000) (see instructions) |
| | | |
| | | |
| | | |
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| | | |

Part II Summary of Tax Liability of Donors, Donor Advisors, Related Persons and Proration of Payments

| (a) Names of donors, donor advisor, or related persons liable for tax | (b) Investment no. from Part I | (c) Tax from Part I, col. (e) or prorated amount | (d) Donor, donor advisor, or related persons total tax liability (add amounts in col. (c)) (see instructions) |
|---|--------------------------------|--|---|
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Part III Tax Liability of Fund Managers and Proration of Payments

| (a) Names of fund managers liable for tax | (b) Investment no. from Part I | (c) Tax from Part I, col. (f) or prorated amount | (d) Fund managers total tax liability (add amounts in col. (c)) (see instructions) |
|---|--------------------------------|--|--|
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Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

| | | |
|---|-------|--------------------------|
| Signature of officer or trustee | Title | Date |
| Signature (and organization or entity name if applicable) of manager, self-dealer, disqualified person, donor, donor advisor, or related person | | Date |
| Signature (and organization or entity name if applicable) of manager, self-dealer, disqualified person, donor, donor advisor, or related person | | Date |
| Signature (and organization or entity name if applicable) of manager, self-dealer, disqualified person, donor, donor advisor, or related person | | Date |
| Signature (and organization or entity name if applicable) of manager, self-dealer, disqualified person, donor, donor advisor, or related person | | Date |
| Signature of individual or firm preparing the return | | Date |
| Address of preparer | () | Phone number of preparer |