

IMPLEMENTATION PLAN for 8903

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P.L. 108-357, American Jobs Creation Act of 2004

Action Number	Act Section	IRC Section	Description of Action	Date Type	Effective Date	Target Date	Actual Date
66.00762	102(a)	199	Revise Form 8903 to reflect the increase to 6% of the transition % of the qualified production activities income used in figuring the domestic activities production deduction for 2007. The 6 percent rate is effective for 2007, 2008, and 2009. In 2010, the percentage for the domestic production activities deduction is 9 percent.		22-OCT-2004	31-DEC-2009	

Total Action Items: 1

Major Changes to the 2007 Form 8903, Domestic Production Activities Deduction

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Line 3. At the request of CC:INTL, we changed the wording from "deductions and losses definitely related to DPGR" to "deductions and losses allocable to DPGR."

In addition, we made the following changes:

- Dropped the references to "estates and trusts, see instructions" as all estates and trusts will use line 3 regardless of whether they use the section 861 method or simplified deduction method.
- Replaced "skip line 3" with "see instructions" as line 3 will be used for both the 861 and simplified deduction methods.

Line 4. At the request of CC: INTL, we removed references to the section 861 method. We modified line 4 to be used only for the small business simplified overall method.

Line 7. CC:PSI expressed concerns that filers of Form 8903 might enter K-1 amounts on line 7 without any necessary adjustments for disallowed losses. In response, we deleted the list of K-1 references and replaced the text with "Qualified production activities income from estates, trusts, and certain partnerships and S corporations (see instructions)." We will clarify the correct reporting for line 7 in the instructions.

Line 8. We added new line 8 to calculate total QPAI from lines 6 and 7, and to direct estates and trusts to complete line 9 if necessary.

Line 9. We added new line 9 for estates and trusts to reduce their QPAI by the amount of QPAI allocated to beneficiaries and inserted the text, "Amount allocated to beneficiaries of the estate or trust (see instructions)." This change more accurately reflects the calculation of QPAI by estates and trusts under Reg. Section 1.199-9(e).

Line 10. We deleted "Add lines 6 and 7" and added, "Estates and trusts, subtract line 9 from line 8, all others, enter amount from line 8." This additional calculation is required by estates and trusts under Reg. Section 1.199-9(e).

Line 13. We updated the percentage limitation of the lesser of QPAI or income from three (3) to six (6) percent pursuant to section 199(a)(2).

Line 15. We deleted the list of K-1 references and replaced the text with "W-2 wages from estates and trusts, and certain partnerships and S corporations (see instructions)" to be consistent with the changes to line 7. We will clarify the correct reporting for line 15 in the instructions.

Line 16. We renumbered the line references to state, “Add lines 14 and 15,” and added “Estates and trusts, go to line 17, all others, skip line 17 and go to line 18.”

Line 17. We added line 17 for estates and trusts to reduce their W-2 wages by the amount allocated to beneficiaries and added the text “Amount allocated to beneficiaries of the estate or trust (see instructions).” This change more accurately reflects the calculation of QPAI by estates and trusts under Reg. Section 1.199-9(e).

Line 18. We added line 18 and the text, “Estates and trusts, subtract line 17 from line 16, all others, enter amount from line 16.” This additional calculation is required for estates and trusts under Reg. Section 1.199-9(e).

Line 23. We deleted the reference to Form 1120-A, line 21, as the Form 1120-A is obsolete for tax year 2007 and later.