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If you have any comments on this draft form, you can submit them to us on our web site. Include the word DRAFT in your response. You may make comments anonymously, or you may include your name and e-mail address or phone number. We will be unable to respond to all comments due to the high volume we receive. However, we will carefully consider each suggestion. So that we can properly consider your comments, please send them to us within 30 days from the date the draft was posted.

**SCHEDULE H  
(Form 1120-F)**

Department of the Treasury  
Internal Revenue Service

**Deductions Allocated To Effectively Connected  
Income Under Regulations Section 1.861-8**

▶ Attach to Form 1120-F.  
▶ See separate instructions.

OMB No. 1545-0126

**2008**

Name of corporation

Employer identification number

**Part I Home Office Deductible Expenses Definitely Related Solely to ECI or Non-ECI**

**Note.** Enter all amounts on lines 1 through 13 in only U.S. dollars or in only functional currency. If U.S. dollars, check box . Otherwise, specify currency ▶

1	Total expenses on the books of the home office	1		
2	Adjustments for U.S. tax principles (attach schedule - see instructions)	2		
3	Total deductible expenses on the books of the home office. Combine lines 1 and 2	3		
4	Interest expense included in line 3	4		
5	Bad debt expense included in line 3	5		
6	Total of interest expense and bad debt expense. Add lines 4 and 5	6		
7	Remaining deductible expenses to be allocated and apportioned between ECI and non-ECI. Subtract line 6 from line 3	7		
8	Deductible expenses definitely related solely to non-ECI from subsidiaries	8		
9	Deductible expenses definitely related solely to other non-ECI booked in the home country	9		
10	Deductible expenses definitely related solely to other non-ECI booked in other countries (including the United States)	10		
11	Deductible expenses definitely related solely to ECI	11		
12	Total deductible expenses definitely related solely to ECI or non-ECI. Add lines 8 through 11	12		

**Part II Home Office Deductible Expenses Allocated and Apportioned to ECI**

**Note.** Enter the amounts on lines 15 through 20 in U.S. dollars.

13	Remaining deductible expenses on the books of the home office not definitely related solely to ECI or non-ECI. Subtract line 12 from line 7	13		
14	Average exchange rate used to convert amounts to U.S. dollars (see instructions)	14		
15	Enter the amount from line 13. If line 13 is stated in functional currency, divide line 13 by line 14	15		
16	Remaining home office deductible expenses on line 15 allocated and apportioned under Regulations section 1.861-8 to ECI (attach computation)	16		
17	Enter the amount from line 11. If line 11 is stated in functional currency, divide line 11 by line 14	17		
18	Total home office deductible expenses allocated and apportioned to ECI. Add lines 16 and 17	18		
19	Total deductible expenses from other non-U.S. locations allocated and apportioned to ECI	19		
20	<b>Total deductible expenses allocated and apportioned to ECI.</b> Add lines 18 and 19 and enter the amount here and on Form 1120-F, Section II, line 26	20		

**Part III Allocation and Apportionment Methods and Financial Records Used to Complete Parts I and II**

**Note.** Enter the amounts in Part III, lines 21a, 21b, 22a, and 22b in U.S. dollars.

• If one or more methods used are different than in prior year, check box

• If any amount on line 20 is recorded as an interbranch amount on books and records used to prepare Form 1120-F, Schedule L, include the amount on Part IV, line 35 and check this box

21	Gross income ratio:			
a	Gross ECI	21a		
b	Worldwide gross income	21b		
c	Divide line 21a by line 21b	21c		%
22	Gross asset ratio:			
a	Average U.S. assets from Schedule I, line 5, column (d)	22a		
b	Worldwide assets (if applicable, from Schedule I, line 6b)	22b		
c	Divide line 22a by line 22b	22c		%
23	Number of personnel ratio:			
a	Personnel of U.S. trade or business	23a		
b	Worldwide personnel	23b		
c	Divide line 23a by line 23b	23c		%
24	Did the corporation use any ratio-based methods (other than those indicated on lines 21 through 23 above) in Parts I and II? If "Yes," attach schedule (see instructions).		Yes	No
25	Did the corporation use any other methods (e.g., time-spent analysis or estimates) in Parts I and II? If "Yes," attach schedule (see instructions)			

**Part III Allocation and Apportionment Methods and Financial Records Used to Complete Parts I and II (continued)**

**Note:** Indicate whether the corporation used any of the following financial and other records in Parts I and II to identify deductible expenses allocated and apportioned to ECI.

	Yes	No
<b>26a</b> Published or other non-public audited financial statements . . . . .		
<b>b</b> Non-audited financial statements . . . . .		
<b>27</b> Home office management or other departmental cost accounting reports . . . . .		
<b>28</b> Other (e.g., home country regulatory reports) (attach schedule) . . . . .		

**Part IV Allocation and Apportionment of Expenses on Books and Records Used to Prepare Form 1120-F, Schedule L**  
**Note.** Enter all amounts in Part IV in U.S. dollars.

<b>29</b> Total expenses per books and records used to prepare Form 1120-F, Schedule L . . . . .	<b>29</b>		
<b>30</b> Adjustments for U.S. tax principles (attach schedule – see instructions) . . . . .	<b>30</b>		
<b>31</b> Total deductible expenses. Combine lines 29 and 30 . . . . .		<b>31</b>	
<b>32a</b> Third-party interest expense included in line 31 . . . . .	<b>32a</b>		
<b>b</b> Interbranch interest expense included in line 31 . . . . .	<b>32b</b>		
<b>33</b> Bad debt expense included in line 31 . . . . .	<b>33</b>		
<b>34</b> Other third-party deductible expenses not allocated or apportioned to ECI and non-ECI under Regulations section 1.861-8 included in line 31 (attach schedule) . . . . .	<b>34</b>		
<b>35</b> Interbranch expenses per books and records included in line 31 and not included on line 32b (attach schedule) . . . . .	<b>35</b>		
<b>36</b> Add lines 32a through 35 . . . . .		<b>36</b>	
<b>37</b> Deductible expenses on books and records allocated and apportioned to ECI or non-ECI under Regulations section 1.861-8. Subtract line 36 from line 31 . . . . .		<b>37</b>	

Reconciliation of allocation and apportionment of deductible expenses to ECI and non-ECI on books and records under Regulations section 1.861-8 (from line 37)	(a) ECI Amounts	(b) Non-ECI Amounts	(c) Total: Add columns (a) and (b)
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<b>38a</b> Derivative transaction deductible expenses definitely related to ECI or non-ECI under Regulations section 1.861-8 (from line 37) . . . . .	<b>38a</b>		
<b>b</b> Other deductible expenses definitely related to ECI or non-ECI (from line 37) . . . . .	<b>38b</b>		
<b>39</b> Total deductible expenses definitely related to ECI or non-ECI. Add lines 38a and 38b . . . . .	<b>39</b>		
<b>40</b> Other deductible expenses on books and records not definitely related to ECI or non-ECI allocated and apportioned to ECI and non-ECI (from line 37) . . . . .	<b>40</b>		
<b>41</b> Total deductible expenses on books and records allocated and apportioned to ECI and non-ECI. Add lines 39 and 40. Column (c) must equal line 37 . . . . .	<b>41</b>		

**Note.** Line 41, column (a) is the total of the deductions reported on Form 1120-F, Section II, lines 12, 13, 14, 16, 17, 19, 20, 21, 22, 23, 24, 25, and 27.