

**SCHEDULE K
(Form 1120-IC-DISC)**

Department of the Treasury
Internal Revenue Service

Shareholder's Statement of IC-DISC Distributions—2004

For calendar year 2004 or tax year

beginning _____, 2004, ending _____, 20 _____
(Complete for each shareholder. See instructions on back of Copy C.)

OMB No. 1545-0938

**COPY A—Attach to
Form 1120-IC-DISC**

Part I Taxable Distributions		
1 Deemed distributions: a Under section 995(b)(1)		1a
b Annual installment under section 995(b)(2)		1b
c Total. Add lines 1a and 1b		1c
2 Actual taxable distributions		2
3 Total taxable distributions. Add line 1c and line 2. Enter here and in Section A or B below		3
Section A—C Corporations		
4a Part of line 3 above entitled to section 243 dividends-received deduction		4a
b Part of line 3 above not entitled to section 243 dividends-received deduction		4b
Section B—Shareholders Other Than C Corporations		
5 Amount of taxable dividends included on line 3		5
Part II Nontaxable Distributions		
6 Actual distributions from previously taxed income and accumulated pre-1985 DISC income		6
7 Other actual nontaxable distributions		7
8 Total nontaxable distributions. Add lines 6 and 7		8
Part III Other Information		
9 Accumulated IC-DISC income attributable to stock sold during the year		9
10 Deferred DISC income. See instructions		10

Shareholder's name, identifying number, and address (including ZIP code)	Name, employer identification number, and address (including ZIP code) of IC-DISC, former DISC, or former IC-DISC

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For calendar year 2004 or tax year

Department of the Treasury
Internal Revenue Service

beginning _____, 2004, ending _____, 20 _____

**COPY B—
For Shareholder's
records**

Part I Taxable Distributions		
1	Deemed distributions: a Under section 995(b)(1)	1a
	b Annual installment under section 995(b)(2)	1b
	c Total. Add lines 1a and 1b	1c
2	Actual taxable distributions	2
3	Total taxable distributions. Add line 1c and line 2. Enter here and in Section A or B below	3

Section A—C Corporations		
4a	Part of line 3 above entitled to section 243 dividends-received deduction	4a
4b	Part of line 3 above not entitled to section 243 dividends-received deduction	4b

Section B—Shareholders Other Than C Corporations		
5	Amount of taxable dividends included on line 3	5

Part II Nontaxable Distributions		
6	Actual distributions from previously taxed income and accumulated pre-1985 DISC income	6
7	Other actual nontaxable distributions	7
8	Total nontaxable distributions. Add lines 6 and 7	8

Part III Other Information		
9	Accumulated IC-DISC income attributable to stock sold during the year	9
10	Deferred DISC income. You must complete Form 8404—see instructions	10

Shareholder's name, identifying number, and address (including ZIP code)	Name, employer identification number, and address (including ZIP code) of IC-DISC, former DISC, or former IC-DISC

Instructions for Shareholder

Section references are to the Internal Revenue Code.

Purpose of Form. Copy B of Schedule K (Form 1120-IC-DISC) reports an actual or deemed distribution from an IC-DISC, former IC-DISC, or former DISC. It also reports deferred DISC income from an IC-DISC.

Keep it for your records; do not file it with your income tax return.

Part I—Taxable Distributions

Report as distributions from an IC-DISC:

1. Deemed and actual taxable distributions and

2. Gain, to the extent of accumulated IC-DISC income, on the sale of stock (see *Disposing of IC-DISC Stock* below).

Line 1—Deemed distributions. You are treated as having received deemed distributions (line 1c) as of the last day of the IC-DISC tax year. You must pay tax on the distributions in your tax year that includes that date.

Line 2—Actual taxable distributions. You must pay tax on actual taxable distributions in the year of receipt.

Line 4. Line 4a shows the part of the total taxable distribution on line 3 that qualifies for the 70% or 80% dividends-received deduction under section 243. Line 4b shows the part that does **not** qualify for the deduction.

Line 5. If you are an individual, partnership, S corporation, estate, or trust, line 5 shows the amount of line 3 distributions taxable to you as a dividend.

For a tax-exempt entity, treat any deemed distribution or actual distribution of previously untaxed income as derived from the conduct of an unrelated trade or business.

Disposing of IC-DISC stock. If you disposed of stock in an IC-DISC, former IC-DISC, or former DISC, you may need to include all or part of the gain in your income. The gain, reported as a dividend under section 995(c), is included to the extent of accumulated IC-DISC income attributable to the stock while you held it (line 9). This dividend is **not** eligible for the section 243 deduction.

For a tax-exempt entity, treat the gain under section 995(c) as derived from the conduct of an unrelated trade or business.

Foreign shareholders treat all gains on the disposition of stock in an IC-DISC, former IC-DISC, or former DISC, and all distributions from accumulated IC-DISC income or accumulated pre-1985 DISC income, including deemed distributions, as effectively connected with the conduct of a trade or business through a permanent establishment within the United States. See section 996(g) for details.

Acquiring IC-DISC stock. If you acquired stock in an IC-DISC and subsequently

received a distribution with respect to that stock, you may be able to treat part of that distribution as a nontaxable distribution. See section 996(d) for details.

Part II—Nontaxable Distributions

Actual distributions from previously taxed income and accumulated pre-1985 DISC income are generally not taxable to the extent of your basis in the stock for which the distribution was made. Except for distributions of accumulated IC-DISC income and of earnings and profits from the time before the corporation became an IC-DISC, actual distributions are not taxable to the extent of your basis in the stock for which the distribution was made. Treat distributions in excess of your basis as a gain from the sale or exchange of property. See section 996(e).

Part III—Other Information

Line 10—Deferred DISC income. Line 10 shows your share of the IC-DISC's deferred income for the year. Section 995(f) imposes an interest charge on the additional tax you would pay if you included this deferred income in your income for your tax year that ends with or includes the IC-DISC's tax year end shown on Schedule K. Complete Form 8404, Interest Charge on DISC-Related Deferred Tax Liability, to figure the interest charge.

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Shareholder's Statement of IC-DISC Distributions—2004

OMB No. 1545-0938

Department of the Treasury
Internal Revenue Service

For calendar year 2004 or tax year
beginning _____, 2004, ending _____, 20_____
(Complete for each shareholder. See instructions on back of Copy C.)

**COPY C—
For IC-DISC's records**

Part I Taxable Distributions		
1	Deemed distributions: a Under section 995(b)(1)	1a
	b Annual installment under section 995(b)(2)	1b
	c Total. Add lines 1a and 1b	1c
2	Actual taxable distributions	2
3	Total taxable distributions. Add line 1c and line 2. Enter here and in Section A or B below	3

Section A—C Corporations		
4a	Part of line 3 above entitled to section 243 dividends-received deduction	4a
b	Part of line 3 above not entitled to section 243 dividends-received deduction	4b

Section B—Shareholders Other Than C Corporations		
5	Amount of taxable dividends included on line 3	5

Part II Nontaxable Distributions		
6	Actual distributions from previously taxed income and accumulated pre-1985 DISC income	6
7	Other actual nontaxable distributions	7
8	Total nontaxable distributions. Add lines 6 and 7	8

Part III Other Information		
9	Accumulated IC-DISC income attributable to stock sold during the year	9
10	Deferred DISC income. See instructions	10

Shareholder's name, identifying number, and address (including ZIP code)	Name, employer identification number, and address (including ZIP code) of IC-DISC, former DISC, or former IC-DISC
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Instructions for IC-DISC

Section references are to the Internal Revenue Code.

General Instructions

Complete Schedule K (Form 1120-IC-DISC) for each shareholder who had an actual or deemed distribution during the tax year or to whom the corporation is reporting deferred DISC income for the tax year. Attach Copy A to Form 1120-IC-DISC. Give Copy B to the shareholder by the last day of the second month after your tax year ends. Keep Copy C for your records.

Note. Do not report on Form 1099-DIV actual and deemed distributions or deferred DISC income.

Specific Instructions

Part I—Taxable Distributions

Line 1. On line 1a, enter the shareholder's pro rata share of the deemed distributions under section 995(b)(1). On line 1b, enter the shareholder's pro rata share of the annual installment under section 995(b)(2). The sum of the amounts on these lines for all shareholders should equal the total the corporation reports in Part I and Part III, Schedule J, Form 1120-IC-DISC.

Line 2. Enter the amount of actual distributions that are taxable to the shareholder. These distributions come from accumulated IC-DISC income and other earnings and profits.

Line 4a. Enter on line 4a each shareholder's amount of dividends out of other earnings and profits that are eligible for the dividends-received deduction under section 243. No dividends-received deduction is allowed for a dividend from an IC-DISC, former IC-DISC, or former DISC if it is—

1. Paid out of accumulated IC-DISC income or accumulated pre-1985 DISC income;
2. Paid out of previously taxed income; or
3. A deemed distribution under section 995(b)(1).

Line 5. Complete for shareholders that are individuals, partnerships, S corporations, estates, or trusts. Enter on line 5 each shareholder's pro rata share of taxable dividends included on line 3.

Part II—Nontaxable Distributions

Line 6. Enter the shareholder's pro rata share of actual distributions from previously taxed income and distributions from accumulated pre-1985 DISC income. The total of line 6 for all shareholders should equal the total the corporation reports on Form 1120-IC-DISC, Schedule J, Part IV, line 4a.

Line 7. Enter the shareholder's pro rata share of actual nontaxable distributions out of other than (1) previously taxed income or accumulated pre-1985 DISC income, (2) accumulated IC-DISC income, and

(3) other earnings and profits. The total of this line for all shareholders should equal the total nontaxable income reported on Form 1120-IC-DISC, Schedule J, Part IV, line 4d.

Part III—Other Information

Line 9. If (1) a shareholder disposes of stock in an IC-DISC or former DISC or (2) the stock of an IC-DISC, former IC-DISC, or former DISC is disposed of in a transaction that terminates the separate corporate existence of an IC-DISC, former IC-DISC, or former DISC (other than a mere change in the place of organization), enter on line 9 the accumulated IC-DISC income attributable to the stock that was accumulated during the period the shareholder held the stock.

Line 10. Enter the shareholder's share of the corporation's deferred DISC income at tax year end. See section 995(f) and the instructions for Schedule J, Part V, in the Instructions for Form 1120-IC-DISC for information on figuring deferred DISC income. The total of this line for all shareholders should equal the total amount reported on Form 1120-IC-DISC, Schedule J, Part V, line 3.