



CCH Axxess™ Tax
CCH® ProSystem *fx*® Tax
CCH® Global *fx* Tax

Section 965



Wolters Kluwer

- Output for Section 965 consists of 7 new forms
 - Transition Tax Statement or TTS
 - Elections 965(h)(1), 965(i)(1), 965(m)(1)(b), and 965(n)
 - Notice 2018-13
 - 1120 965 Taxable Income Form (internal designed – 1120 only)
- Input consists of one worksheet and two interview forms (FRI-1 and FRI-2)
- All gov't 965 forms, except for the 1120 965 Taxable Income Form, have cross references
- Section 965 data is not accumulated in a consolidated return
 - Since it is filed on a consolidated basis it needs to be entered at the consolidated level
- For purposes of this discussion we will concentrate on 1120 and 1120S
- First, some basic background for Section 965 follows

The screenshot displays a tax software interface. At the top, a file tree lists various forms, with 'Section 965' expanded to show sub-items like 'IRC 965 Transition Tax Statement', 'Sec 965(h)(1) Election', etc. Below the tree, a tabbed interface shows the 'Section 965' form. The form title is '1 - Section 965 Transition Tax Statement'. A note states: 'Note: Number in parenthesis is special allocation code for 1065 and 1120S only.' The main table is titled 'Section 965 Items' and has columns for 'Section 965 Items' and 'Amount'. Row 1 shows 'Total amount required to be included in income of section 965(a) (5917)' with an amount of 6,000,000. Below this is a section for 'Beneficiary Distribution Amounts - 1041 Only' with a table for beneficiary numbers and income/deduction amounts.

Section 965 Items		Amount
1	Total amount required to be included in income of section 965(a) (5917)	6000000 X
2	Aggregate foreign cash position, if applicable	
3	Total deduction under section 965(c) - override (5214)	
4	Total deemed paid foreign taxes associated with total amount	
5	Total deemed paid foreign taxes disallowed	
6	Total net tax liability under section 962(h)(6) - override	
7	Amount of net tax liability to be paid in installments - override	
8	Amount of net tax liability which has been deferred - override	

Beneficiary number	Section 965	
	(a) Income	(c) Deduction

- Section 965 was added by the Tax Cuts and Jobs Act of 2017 (TCJA)
- It will affect 1120 and 1120S returns for only two years, 2017 and 2018
- It is temporary transition tax to the new participation exemption regime created by code section 245A which allows a domestic corporation, that is a U.S. shareholder of a specified 10% foreign corporation (SFC), a 100% dividends received deduction (“DRD”) for the foreign-source dividends received from the foreign corporation
- Section 965 imposes a mandatory transition tax to this new participation exemption system under section 245A by requiring a mandatory inclusion in income of the accumulated foreign earnings of a “specified foreign corporations” (SFCs)
- It applies to any U.S. shareholders in a “specified foreign corporation” (SFC) which is a controlled foreign corporations or U.S. shareholders of a foreign corporation that has at least one 10% domestic corporation as a shareholder or shareholders
- It affects 1120, 1120-PC, 1120L, 1120S, 1120-RIC, 1120-REIT, 1065, 990, 1040 and 1041 returns
 - There is no mention of it applying to 1120-F or 1120-C returns in any guidance so far received from the IRS

- In simplified terms, the mandatory inclusion amount the taxpayer includes in their taxable income consists of the difference between section 965(a) income and the 965(c) deduction
- 965(a) income is the greater of the accumulated post-1986 deferred foreign income determined as of November 2, 2017, or December 31, 2017 from the SFC
- The 965(a) income must be determined by the preparer. There is no automatic calculation for it in our system
- **965(c) Deduction**
 - The net 965 inclusion is subject to tax at 2 reduced rates of 15.5% for foreign cash positions and 8% for the remaining amount
 - The two rates are achieved by allowing a deduction against the required inclusion, based on the top marginal corporate income tax rate applicable in the year the US shareholder recognizes the Section 965 mandatory inclusion
 - This deduction is referred to as the 965(c) deduction
- Our system will automatically calculate the 965(c) deduction and provides a drilldown screen to show how we arrived at the amount or it can be overridden

- The drilldown screen accessed off of line 3 of the new IRC 965 Transition Tax Statement

Taxpayer Name: 965, INC. SSN/FEIN: 41-2341234

Item	Amount
Total amount required to be included in income by reason of section 965(a).	Line 1 \$ <u>600000.</u>
Aggregate foreign cash position, if applicable.	Line 2 \$ _____
Total deduction under section 965(c).	Line 3 \$ <u>4628571</u>

Total deemed p
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Total deemed p

Total net tax lia
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if applicable.

Provis
Section 965(h)
Section 965(i)(

Total Deduction under Section 965(c)

Amount Required to be Included in Income under Sec 965(a)

(1) Total required inclusion

Aggregate Foreign Cash Position

(2) Aggregate foreign cash position, if applicable

(3) Lesser of (1) or (2)

15.5 Percent Rate Equivalent Percentage

(4) Section 15 blended corporate rate under Section 965(c)(2)

(5) Subtract 15.5% from (4)

(6) Divide (5) by (4)

Sec 965(c) Deduction Related to 15.5% Rate Equivalent Percent

(7) Multiply (3) by (6)

(8) Subtract (3) from (1)

8 Percent Rate Equivalent Percentage

(9) Subtract 8% from (4)

(10) Divide (9) by (4)

Sec 965(c) Deduction Related to 8% Rate Equivalent Percent

(11) Multiply (8) by (10)

Total 2017 Tax Year Section 965(c) Deduction

(12) Total (7) and (11)

* Override

- The “net tax liability” as a result of Section 965 is determined by comparing the corporation’s net tax liability without the mandatory 965 inclusion to its net tax liability with the 965 inclusion
- The difference between the two net tax liabilities is the section 965 tax
- This approach requires the tax program to do a complete second tax calculation
- The reporting requirements for 1120, 1120-PC, and 1120L are different than the other systems
- The IRS wants the 1120, 1120-PC, and 1120-L filed to be Before any section 965 mandatory inclusion which we refer to as the “pre-965” calculation
- In all other systems, including 1120-REIT and 1120-RIC, the return filed is After the section 965 mandatory inclusion
 - This means the net 965 inclusion amount (965(a)income less the 965(c) deduction) is shown as other income in a non 1120, PC, or L return
- We document the 1120, 1120-PC, and 1120L “post-965” calc on the “Taxable Income with Section 965” workpaper under the Section 965 government menu (an example is shown on the next slide)
 - It is not produced for an 1120-REIT or an 1120-RIC

- 1120 Section 965 Taxable Income workpaper example

- This form does not print in any copies of the return

Navigation

- Federal
 - 1120 - U.S. Corporation Income Tax Return
 - 1120-W - Estimated Tax for Corporations
 - Sch B - Additional Information for Schedule M
 - Sch M-3 Page 1 - Part I
 - Sch M-3 Page 2 - Part II
 - Sch M-3 Page 3 - Part III
 - 1118 - Foreign Tax Credit
 - 2220 - Underpayment of Estimated Tax by Co
 - 4136 - Credit for Federal Tax Paid on Fuels
 - 4562 - Depreciation
 - 4626 - Alternative Minimum Tax
 - Adjusted Current Earnings Worksheet
 - 8810 - Passive Activity Loss and Credit Limita
 - 8903 - Domestic Production Activities Deduct
 - 8916-A - Supplemental Attachment to Sched
 - 8926 - Disqualified Corporate Interest Expense
 - Rental Income (Loss) Schedule
 - Summary of Rent/Royalty Activity
 - Tax Provision Temporary Differences Detail
 - Section 965
 - IRC 965 Transition Tax Statement
 - Taxable income with Section 965**
 - Tax Balance Summary
 - Corporation Return Summary
 - Corporation Return Summary Continuation
 - Carryover Information
 - 1120 Consolidated
 - Federal Link Worksheet

Section 965 Taxable Income

Total income from the tax return	15,000
Net Section 965 income	600,000.
Total income	615,000.
Deductions:	
Compensation of officers	
Salaries and wages	70,000.
Repairs	
Bad debts	
Rents	
Taxes	22,000.
Interest	1,100.
Contributions	200,000.
Depreciation not claimed elsewhere	
Depletion	
Advertising	12,000.
Pension, profit-sharing, etc., plans	
Employee benefit programs	
Domestic production activities deduction	459.
Other deductions	260,000.
Total deductions	565,559.
Taxable income before NOL and special deductions	49,441.
Less: NOL deduction	40,000.
Special deductions	4,800.
Taxable income (loss)	4,641.
Income tax	696.
Other taxes	1,717,865.
Total taxes	1,718,561.
Credit	696.
Net tax liability	1,717,865.

- This is the extent of the post-965 tax calculations audit trail
 - AMT, credits, NOL and various limitations such as charitable contribution 10% taxable income limit are recalculated to reflect the additional 965 income inclusion
 - No statements are produced

- *Proforma amounts to 2018 will be based on Section 965 taxable income and not the taxable income shown on the 1120 return*
 - Carryovers related to AMT are not adjusted for section 965 since AMT is repealed for 2018

- If a more detailed audit trail is desired we recommend making a second version of the return, delete the section 965 input data, and then enter the net 965 income amount as an open line Other Income item on the Business > Income worksheet (Interview Form A-1, box 112)
 - This is essentially the same approach we take in our calculation of Section 965 Taxable Income
 - Proforma amounts from this second version may in some instances be more complete and accurate
 - If the preparer prefers the accuracy of this second version they may override our 965 tax calculation by entering the difference between the tax from the first and second version on the Foreign > Section 965 worksheet > line 6 “Total Net Tax Liability under section 962(h)(6) – override field (Interview Form FRI-1, box 35)

- The net tax liability under Section 965 is shown on Form 1120, Schedule J, line 11

Form 1120 (2017) 965, INC. 41-2341234 Page 3

Schedule J Tax Computation and Payment (see instructions)

Part I - Tax Computation

1	Check if the corporation is a member of a controlled group (attach Schedule O (Form 1120))	<input type="checkbox"/>	
2	Income tax. Check if a qualified personal service corporation. See instructions	<input type="checkbox"/>	0.
3	Alternative minimum tax (attach Form 4626)		
4	Add lines 2 and 3		0.
5a	Foreign tax credit (attach Form 1118)	5a	
	b Credit from Form 8834 (see instructions)	5b	
	c General business credit (attach Form 3800)	5c	
	d Credit for prior year minimum tax (attach Form 8827)	5d	
	e Bond credits from Form 8912	5e	
6	Total credits. Add lines 5a through 5e	6	
7	Subtract line 6 from line 4	7	0.
8	Personal holding company tax (attach Schedule PH (Form 1120))	8	
9a	Recapture of investment credit (attach Form 4255)	9a	
	b Recapture of low-income housing credit (attach Form 8611)	9b	
	c Interest due under the look-back method-completed long-term contracts (attach Form 8897)	9c	
	d Interest due under the look-back method-income forecast method (attach Form 8886)	9d	
	e Alternative tax on qualifying shipping activities (attach Form 8902)	9e	
	f Other (see instructions - attach statement)	9f	
10	Total. Add lines 9a through 9f	10	
11	Total tax. Add lines 7, 8, and 10. Enter here and on page 1, line 31	11	STMT 8 232933.

Part II - Payments and Refundable Credits

	OTHER TAXES INCLUDED IN TOTAL TAX LINE	STATEMENT	8
12	2018 overpayment credited to 2017		
13	2017 estimated tax payments		
14	2017 refund applied for on Form 4486		
15	Combine lines 12, 13, and 14		
16	Tax deposited with Form 7004		
17	Withholding (see instructions)		
18	Total payments. Add lines 15, 16, and 17		
19	Refundable credits from:		
a	Form 2439		
	TOTAL OTHER TAXES TO TOTAL TAX LINE		232933.

- For an 1120, 1120-PC and 1120L return the only place the Section 965(a) inclusion, the Section 965(c) deduction, and the foreign income taxes paid related to the Section 965 inclusion are shown is on the Section 965 Transition Tax Statement and never on the return

- IRC 965 Transition Tax Statement (TTS)
- Prints in all copies of the return as the last form before the statements
- Filed electronically as a pdf attachment
- Taxpayer or officer has to physically sign the form and then make a pdf file of the signed TTS to attach to the return

Taxpayer Name: 965, INC. SSN/FEIN: 41-2341234

Item	Amount
Total amount required to be included in income by reason of section 965(a). <i>Section 965(a) income</i>	Line 1 \$ <u>6000000.</u>
Aggregate foreign cash position, if applicable.	Line 2 \$ _____
Total deduction under section 965(c). <i>Section 965(c) deduction</i>	Line 3 \$ <u>4628571.</u>
Total deemed paid foreign taxes associated with the total amount required to be included in income by reason of section 965(a).	Line 4a \$ _____
Total deemed paid foreign taxes disallowed pursuant to IRC 965(g)(1).	Line 4b \$ _____
Total net tax liability under section 965 (as determined under section 965(h)(8), without regard to whether such paragraph is applicable), if applicable, which will be assessed. <i>Sec 965 tax that carries to Schedule J, line 11</i>	Line 5 \$ <u>232933.</u>
Amount of the net tax liability under section 965 to be paid in installments under section 965(h), if applicable. <i>965(h)(1) election to pay installments</i>	Line 6 \$ <u>232933.</u>
Amount of the net tax liability under section 965, the payment of which has been deferred, under section 965(i), if applicable.	Line 7 \$ _____

Listing of applicable elections under section 965 or the election provided for in Notice 2018-13 that the taxpayer has made, if applicable.

Provision Under Which Election is Made	Title	Attached (Y or N)
Section 965(h)(1)	Election to Pay Net Tax Liability Under Section 965 in Installments under Section 965(h)(1).	Y
Section 965(i)(1)	S Corporation Shareholder Election to Defer payment of Net Tax Liability Under Section 965 Under Section 965(i)(1)	N
Section 965(m)(1)(B)	Statement for Real Estate Investment Trusts Electing Deferred Inclusions Under Section 951(a)(1) By Reason of Section 965 Under Section 965(m)(1)(B)	N
Section 965(n)	Election Not to Apply Net Operating Loss Deduction under section 965(n)	N
Notice 2018-13, Section 3.02	Election Under Section 3.02 of Notice 2018-13 to Use Alternative Method to Compute Post-1986 Earnings and Profits	N

Under penalties of perjury, I declare that I have examined this statement, 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 Taxpayer and/or Officer

■ TTS Interview form Cross Reference

IRC 965 Transition Tax Statement

Government Form	CCH ProSystem fx Forms
Line 1	Form FRI-1 Box 30
Line 2	Form FRI-1 Box 31
Line 3	Calculated Form FRI-1 Box 32 - Override
Line 4a	Form FRI-1 Box 33
Line 4b	Form FRI-1 Box 34
Line 5	Calculated Form FRI-1 Box 35 - Override
Line 6	Election 965(h)(1) line e Form FRI-1 Box 36 - Override
Line 7	Election 965(i)(1) 3 Form FRI-1 Box 37 - Override
Checkbox - Section 965(h)(1) election	Y if Election 965(h)(1) is in return, else N Form FRI-1 Box 50 - Override
Checkbox - Section 965(i)(1) election	Y if Election 965(i)(1) is in return, else N Form FRI-1 Box 51 - Override
Checkbox - Section 965(m)(1)(B) election	Y if Election 965(m)(1)(B) is in return, else N Form FRI-1 Box 52 - Override
Checkbox - Section 965(n) election	Y if Election 965(n) is in return, else N Form FRI-1 Box 53 - Override
Checkbox - Notice 2018-13 Section 3.02 election	Y if Notice is in return, else N Form FRI-1 Box 54 - Override
Signature	Form FRI-1 Box 60

IRC 965 Transition Tax Statement (Portable Document Format with a filename of 965 Tax*)

Taxpayer Name: 965, INC. SSN/FEIN: 41-2341234

Item	Amount
Total amount required to be included in income by reason of section 965(a).	Line 1 \$ <u>6000000.</u>
Aggregate foreign cash position, if applicable.	Line 2 \$ _____
Total deduction under section 965(c).	Line 3 \$ <u>4628571.</u>
Total deemed paid foreign taxes associated with the total amount required to be included in income by reason of section 965(a).	Line 4a \$ _____
Total deemed paid foreign taxes disallowed pursuant to IRC 965(g)(1).	Line 4b \$ _____
Total net tax liability under section 965 (as determined under section 965(h)(6), without regard to whether such paragraph is applicable), if applicable, which will be assessed.	Line 5 \$ <u>232933.</u>
Amount of the net tax liability under section 965 to be paid in installments under section 965(h), if applicable.	Line 6 \$ _____
Amount of the net tax liability under section 965, the payment of which has been deferred, under section 965(i), if applicable.	Line 7 \$ _____

Listing of applicable elections under section 965 or the election provided for in Notice 2018-13 that the taxpayer has made, if applicable.

Provision Under Which Election is Made	Title	Attached (Y or N)
Section 965(h)(1)	Election to Pay Net Tax Liability Under Section 965 in Installments under Section 965(h)(1).	N
Section 965(i)(1)	S Corporation Shareholder Election to Defer payment of Net Tax Liability Under Section 965 Under Section 965(i)(1)	N
Section 965(m)(1)(B)	Statement for Real Estate Investment Trusts Electing Deferred Inclusions Under Section 951(a)(1) By Reason of Section 965 Under Section 965(m)(1)(B)	N
Section 965(n)	Election Not to Apply Net Operating Loss Deduction under section 965(n)	N
Notice 2018-13, Section 3.02	Election Under Section 3.02 of Notice 2018-13 to Use Alternative Method to Compute Post-1986 Earnings and Profits	N

Under penalties of perjury, I declare that I have examined this statement, 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.

- The tax payment related to the transition tax is due by the due date of the tax return without extension
 - However, Code Section 965(h) allows for taxpayers to make an election to pay the transition tax over an eight-year period with no interest
- In order to make a payment resulting from the Code Section 965 transition tax, a taxpayer needs to make two separate payments
- One payment needs to reflect the tax owed on the tax return without regard to Code Section 965
- The second payment needs to reflect tax owed resulting from Code Section 965
- Both payments must be paid by the due date of the applicable return without extension.
- For an 1120 return the 965 payment must be made through wire transfer from the corporation's financial institution
 - Payment by EFTPS is not allowed

■ **965(h)(1) Election**

■ Section 965 tax may be paid in eight annual installments by making the 965(h)(1) election

■ Election Made on the Foreign > Section 965 worksheet > line 20 (Interview Form FRI-2, box 40)

■ Prints in all copies after the TTS

Taxpayer Name: 965, INC.

Taxpayer's Identification Number: 41-2341234

STATEMENT ATTACHED TO AND MADE PART OF
FORM 1120

Name of Taxpayer Tax Form: U.S. CORPORATION TAX RETURN

ELECTION TO PAY NET TAX LIABILITY UNDER SECTION 965 IN INSTALLMENTS UNDER
SECTION 965(h)(1)

965, INC.

elects to pay the Net 965 Tax Liability eligible for installments (as defined herein), for the taxable year ended 12/31/2017, in 8 installments.

TAXPAYER'S NET 965 TAX LIABILITY ELIGIBLE FOR INSTALLMENTS:

(a) Taxpayer's net tax liability for the taxable year with all 965 related amounts	<u>232933.</u>
(b) Taxpayer's net tax liability for the taxable year without 965 related amounts	<u> </u>
(c) Net 965 Tax Liability (excess of (a) over (b))	<u>232933.</u>
(d) If applicable, S Corporation shareholder deferred Net 965 Tax Liability for the taxable year, otherwise zero	<u> </u>
(e) Net 965 Tax Liability eligible for installment payments (excess of (c) over (d))	<u><u>232933.</u></u>

ANTICIPATED INSTALLMENT PAYMENT SCHEDULE:

1. Current tax year (8% of amount on line (e))	<u>18635.</u>
2. Second tax year (8% of amount on line (e))	<u>18635.</u>
3. Third tax year (8% of amount on line (e))	<u>18635.</u>
4. Fourth tax year (8% of amount on line (e))	<u>18635.</u>
5. Fifth tax year (8% of amount on line (e))	<u>18635.</u>
6. Sixth tax year (15% of amount on line (e))	<u>34940.</u>
7. Seventh tax year (20% of amount on line (e))	<u>46587.</u>
8. Eighth tax year (25% of amount on line (e))	<u>58231.</u>

Cross Reference for 965(h)(1) Election Election for Section 965(h)(1)

Government Form	CCH ProSystem fx Forms
Attached to form	Automatic Form FRI-2 Box 30 - if different
Name of taxpayer form	Automatic Form FRI-2 Box 31 - if different
Name of taxpayer	Automatic Form FRI-2 Box 32 and 33 - if different
Taxable year	Automatic
(a)	Calculated Form FRI-2 Box 41 - Override
(b)	Calculated Form FRI-2 Box 42 - Override
(c)	Calculated
(d)	Form FRI-1 Box 37 Form FRI-2 Box 43 - Override
(e)	Calculated
1 - 8	Calculated using (e) above

Taxpayer Name: 965, INC.

Taxpayer's Identification Number: 41-2341234

STATEMENT ATTACHED TO AND MADE PART OF
FORM 1120

Name of Taxpayer Tax Form: U.S. CORPORATION TAX RETURN

ELECTION TO PAY NET TAX LIABILITY UNDER SECTION 965 IN INSTALLMENTS UNDER
SECTION 965(h)(1)

965, INC.

elects to pay the Net 965 Tax Liability eligible for installments (as defined herein), for the taxable year ended 12/31/2017, in
8 installments.

TAXPAYER'S NET 965 TAX LIABILITY ELIGIBLE FOR INSTALLMENTS:

(a) Taxpayer's net tax liability for the taxable year with all 965 related amounts	<u>232933.</u>
(b) Taxpayer's net tax liability for the taxable year without 965 related amounts	<u> .</u>
(c) Net 965 Tax Liability (excess of (a) over (b))	<u>232933.</u>
(d) If applicable, S Corporation shareholder deferred Net 965 Tax Liability for the taxable year, otherwise zero	<u> .</u>
(e) Net 965 Tax Liability eligible for installment payments (excess of (c) over (d))	<u><u>232933.</u></u>

ANTICIPATED INSTALLMENT PAYMENT SCHEDULE:

1. Current tax year (8% of amount on line (e))	<u>18635.</u>
2. Second tax year (8% of amount on line (e))	<u>18635.</u>
3. Third tax year (8% of amount on line (e))	<u>18635.</u>
4. Fourth tax year (8% of amount on line (e))	<u>18635.</u>
5. Fifth tax year (8% of amount on line (e))	<u>18635.</u>
6. Sixth tax year (15% of amount on line (e))	<u>34940.</u>
7. Seventh tax year (20% of amount on line (e))	<u>46587.</u>
8. Eighth tax year (25% of amount on line (e))	<u>58231.</u>



Schedule J Tax Computation and Payment (see instructions)

Part I - Tax Computation

1	Check if the corporation is a member of a controlled group (attach Schedule O (Form 1120))		
2	Income tax. Check if a qualified personal service corporation. See instructions	<input type="checkbox"/>	0.
3	Alternative minimum tax (attach Form 4626)		
4	Add lines 2 and 3		0.
5a	Foreign tax credit (attach Form 1118)	5a	
b	Credit from Form 8834 (see instructions)	5b	
c	General business credit (attach Form 3800)	5c	
d	Credit for prior year minimum tax (attach Form 8827)	5d	
e	Bond credits from Form 8912	5e	
6	Total credits. Add lines 5a through 5e	6	
7	Subtract line 6 from line 4	7	0.
8	Personal holding company tax (attach Schedule PH (Form 1120))	8	
9a	Recapture of investment credit (attach Form 4255)	9a	
b	Recapture of low-income housing credit (attach Form 8611)	9b	
c	Interest due under the look-back method-completed long-term contracts (attach Form 8897)	9c	
d	Interest due under the look-back method-income forecast method (attach Form 8898)	9d	
e	Alternative tax on qualifying shipping activities (attach Form 8902)	9e	
f	Other (see instructions - attach statement)	9f	
10	Total. Add lines 9a through 9f	10	
11	Total tax. Add lines 7, 8, and 10. Enter here and on page 1, line 31	11	Total 965 tax STMT 8 232933.

Part II - Payments and Refundable Credits

12	2016 overpayment credited to 2017	12	
13	2017 estimated tax payments	13	
14	2017 refund applied for on Form 4486	14	()
15	Combine lines 12, 13, and 14	15	
16	Tax deposited with Form 7004	16	
17	Withholding (see instructions)	17	
18	Total payments. Add lines 15, 16, and 17	18	
19	Refundable credits from:		
a	Form 2439	19a	
b	Form 4138	19b	
c	Form 8827, line 8c	19c	
d	Other (attach statement - see instructions)	19d	STMT 9 214298.
20	Total credits. Add lines 19a through 19d	20	214298.
21	Total payments and credits. Add lines 18 and 20. Enter here and on page 1, line 32	21	214298.

FORM 1120 OTHER REFUNDABLE CREDITS STATEMENT 9

DESCRIPTION	AMOUNT
SECTION 965 TAX TO BE PAID IN INSTALLMENTS	214298.
TOTAL TO FORM 1120, SCHEDULE J, LINE 19D	214298.

- If 965(h)(1) election is made the remaining seven installments are show on Schedule J, Part II, line 19d as other refundable credits while the total 965 tax is shown on line 11

- In this example, which has only section 965 tax, the net tax due with the return nets to the first installment of \$18,635 (\$232,933 less \$214,298)

- The remaining seven installment payments will be proforma'd to a yet to be determined form in 2018

- Below is a screen shot of the transmittal letter paragraphs for all systems dealing with tax payments

1120

"Your balance due includes an amount due of \$XXX for the Section 965 tax on deferred foreign income. This tax must be paid separately from the corporation's tax liability net of any section 965 tax. You must make your payment via wire transfer through your financial institution with the tax type 09650. Do not use EFTPS to make payments of Section 965 tax. The IRC Form 965 Transition Tax Statement should be signed by the appropriate officer."

1065 & 1120S

"The IRC Form 965 Transition Tax Statement should be signed by the appropriate officer."

1040

"Your balance due includes an amount due of \$XXX for the Section 965 tax on deferred foreign income. This tax must be paid separately from your individual income tax. Separately mail Form 1040-V, Payment Voucher, for the amount of Section 965 tax due. Include your social security number, daytime phone number, and the words "2017 965 Tax" on your check. Make your check payable to the United States Treasury. Alternatively you may make your payment via wire transfer through your financial institution with the tax type 09650. Do not use EFTPS to make payments of Section 965 tax. The IRC Form 965 Transition Tax Statement should be signed by the taxpayer."

1041

"The balance due includes an amount due of \$XXX for the Section 965 tax on deferred foreign income. This tax must be paid separately from the fiduciary income tax. Separately mail Form 1041-V, Payment Voucher, for the amount of Section 965 tax due. Include the name of the estate or trust, employer identification number and the words "2017 965 Tax" on the check. Make the check payable to the United States Treasury. Alternatively, the payment may be made via wire transfer through a financial institution with the tax type 09650. Do not use EFTPS to make payments of Section 965 tax. The IRC Form 965 Transition Tax Statement should be signed by the appropriate officer representing the fiduciary."

990

"Your balance due includes an amount due of \$XXX for the Section 965 tax on deferred foreign income. This tax must be paid separately from the organization's tax on unrelated business income. You must make your payment via wire transfer through your financial institution with the tax type 09650. Do not use EFTPS to make payments of Section 965 tax. The IRC Form 965 Transition Tax Statement should be signed by the appropriate officer."

- Section 965(n) election
- Next to the 965(h)(1) election we think this will be the next most utilized in the 1120 system
- Allows the taxpayer the election to NOT offset section 965 taxable income with NOL carryovers
- The amount of carryover that can be elected is the net section 965 inclusion (section 965(a) income less 965(c) deduction) plus foreign taxes deemed paid under section 960(a) and (b)
- This will allow the taxpayer to utilize their foreign tax credits or foreign tax deduction to offset the tax calculated on their section 965 taxable income
- Taxpayers would want to do this since new code section 245A will exclude foreign dividends from 10% or more owned foreign corporations from taxation in future years, thus reducing the amount of foreign income and taxes available to utilize their foreign tax credit carryovers against
- The amount of the section 965(n) election will also reduce the NOL deducted on Form 1120, page 1, line 29a from pre-965 taxable income but not below zero
 - This is the only instance that a 965 income/deduction item will affect an amount on 1120, page 1 lines 1 through 30
- Currently the amount NOL carried over to next year is also reduced by the amount of NOL elected on the section 965(n) election
 - Instructions from the IRS in regards to carryovers interaction with 965(n) have been lacking

Cross Reference for the 965(n) Election

Election for Section 965(n)

Government Form	CCH ProSystem fx Forms
Attached to form	Automatic Form FRI-2 Box 30 - if different
Name of taxpayer form	Automatic Form FRI-2 Box 31 - if different
Name of taxpayer	Automatic Form FRI-2 Box 32 and 33 - if different
Taxable year	Automatic Form FRI-2 Box 34 - if different
Paragraph year 1	Current year Form FRI-2 Box 71 - Override
Paragraph year 2	Current year Form FRI-2 Box 72 - Override
Paragraph year 3	Next year Form FRI-2 Box 73 - Override
(a)	IRC Section 965 Transition Tax Statement, Line 1 less Line 3 Form FRI-2 Box 81 - Override
(b)	Form FRI-2 Box 82
(c)	Calculated

Taxpayer Name: SCENARIO 1 965(N), INC.

Taxpayer's Identification Number: 41-2341234

STATEMENT ATTACHED TO AND MADE PART OF
FORM 1120

Name of Taxpayer Tax Form: U.S. CORPORATION TAX RETURN

Taxable Year: 2017

ELECTION NOT TO APPLY NET OPERATING LOSS DEDUCTION UNDER SECTION 965(n)

SCENARIO 1 965(N), INC.

elects, pursuant to section 965(n) that the total described amount on Line (c) below shall not be taken into account in determining the amount of the net operating loss deduction under section 172 for the 2017 taxable year or in determining the amount of the taxable income for the 2017 taxable year which may be reduced by net operating loss carryovers or carrybacks to the 2018 taxable year under section 172.

The three dates in the above paragraph are overridable

DESCRIBED AMOUNT:

- (a) The amount required to be taken into account under section 951(a)(1) by reason of section 965 (determined after the application of section 965(c)), plus *default to 965(a) less 965(c) from TTS - can be overridden* 19429.
- (b) In the case of a domestic corporation which chooses to have benefits of subpart A, part III, of subchapter N (which relates to the foreign tax credit), the taxes deemed to be paid by such corporation under section 960(a) and (b) for the taxable year with respect to the amount described in (a) above which are treated as dividends under section 78. *Input only - no default*
- (c) Total Described Amount (line (a) plus line (b)) 19429.

Amount on line (c) will reduce NOL on the 965 taxable income statement and Form 1120, page 1, line 29a but not below 0

Taxpayer Name: Bob B. Jones

Taxpayer's Identification Number: 423-46-6234

STATEMENT ATTACHED TO AND MADE PART OF FORM: 1040

S Corporation Shareholder Deferral Election Under Section 965(i)(1)

Bob B. Jones

elects, pursuant to section 965(i), to defer its net tax liability under section 965 with respect to the following S corporations until the taxable year of 12/31/2017 that includes the triggering event with respect to such liability:

*Note: date circled above should be Bob B. Jones not a date.
Program in process of changing*

	(a)	(b)	(c)
Name of S Corporation	Acme, Inc	Beta, Inc	
Tax Identification Number of S Corporation	41-2341234	52-3452345	
1 Taxpayer's Net Tax Liability computed with only 965 related amounts from this S Corporation	1,000,000.	2,000,000.	
2 Taxpayer's Net Tax Liability computed without the 965 related amounts from this S Corporation	100,000.	200,000.	
3 Net 965 Tax Liability related to 965 amounts from this S Corporation (line 1 less line 2)	900,000.	1,800,000.	

	(d)	(e)	(f)
Name of S Corporation			
Tax Identification Number of S Corporation			
1 Taxpayer's Net Tax Liability computed with only 965 related amounts from this S Corporation			
2 Taxpayer's Net Tax Liability computed without the 965 related amounts from this S Corporation			
3 Net 965 Tax Liability related to 965 amounts from this S Corporation (line 1 less line 2)			

- Election 965(i)(1)
- This election applies to individuals only who are S corporation shareholders
- N/A for all other systems other than 1040
- Does not apply to 1065 partners only S corp shareholders
- Allows the shareholder to defer the 965 tax indefinitely until a triggering event occurs
- One type of triggering event would be the shareholder's S corp changing to a C corp

Cross reference for Section 965(i)(1) Election

Election for Section 965(i)(1)

Government Form	CCH ProSystem fx Forms
Attached to form	Automatic Form FRI-2 Box 30 - if different
Name of taxpayer	Automatic Form FRI-2 Box 32 and 33 - if different
Taxable year	Automatic Form FRI-2 Box 50 - Override
Name of S Corporation	Form FRI-2 Box 52
Tax ID no.	Form FRI-2 Box 53
Net tax liability computed with 965 amounts	Form FRI-2 Box 54
Net tax liability computed without 965 amounts	Form FRI-2 Box 55
Net 965 tax liability	Calculated

Bob B. Jones

elects, pursuant to section 965(i), to defer its net tax liability under section 965 with respect to the following S corporations until the taxable year of 12/31/2017 that includes the triggering event with respect to such liability:

	(a)	(b)	(c)
Name of S Corporation	Acme, Inc	Beta, Inc	
Tax Identification Number of S Corporation	41-2341234	52-3452345	
1 Taxpayer's Net Tax Liability computed with only 965 related amounts from this S Corporation	1,000,000.	2,000,000.	
2 Taxpayer's Net Tax Liability computed without the 965 related amounts from this S Corporation	100,000.	200,000.	
3 Net 965 Tax Liability related to 965 amounts from this S Corporation (line 1 less line 2)	900,000.	1,800,000.	

	(d)	(e)	(f)
Name of S Corporation			
Tax Identification Number of S Corporation			
1 Taxpayer's Net Tax Liability computed with only 965 related amounts from this S Corporation			
2 Taxpayer's Net Tax Liability computed without the 965 related amounts from this S Corporation			
3 Net 965 Tax Liability related to 965 amounts from this S Corporation (line 1 less line 2)			

- Election 965(m)(1)(b)
- Applies only to 1120-REIT
- Allows the REIT to include the net 965 income inclusion in other income over an 8 year period
- Cannot be used in conjunction with the 965(h)(1) election

Taxpayer Name: 965, INC.

Taxpayer's Identification Number: 41-2341234

STATEMENT ATTACHED TO AND MADE PART OF
FORM 1120-REIT

U.S. INCOME TAX RETURN FOR REAL ESTATE INVESTMENT TRUSTS

STATEMENT FOR REAL ESTATE INVESTMENT TRUSTS ELECTING DEFERRED INCLUSIONS
UNDER SECTION 951(a)(1) BY REASON OF SECTION 965 UNDER SECTION 965(m)(1)(B)

965, INC.

elects to include the section 965(a) inclusion amount and deduction under section 965(c) for the taxable year ended 12/31/2017, over eight years as provided in section 965(m).

Total section 965(a) inclusion amount	<i>The 965(a) inclusion and 965(c) deduction default to the TTS lines 1 and but can be overridden</i>	<u>600000.</u>
Total deduction under section 965(c)		<u>462857.</u>

ANTICIPATED INSTALLMENT SCHEDULE	965(a) INCLUSION AMOUNT	965(c) DEDUCTION
1. Current tax year (8% of the total amounts)	<u>48000.</u>	<u>37029.</u>
2. Second tax year (8% of the total amounts)	<u>48000.</u>	<u>37029.</u>
3. Third tax year (8% of the total amounts)	<u>48000.</u>	<u>37029.</u>
4. Fourth tax year (8% of the total amounts)	<u>48000.</u>	<u>37029.</u>
5. Fifth tax year (8% of the total amounts)	<u>48000.</u>	<u>37029.</u>
6. Sixth tax year (15% of the total amounts)	<u>90000.</u>	<u>69429.</u>
7. Seventh tax year (20% of the total amounts)	<u>120000.</u>	<u>92571.</u>
8. Eighth tax year (25% of the total amounts)	<u>150000.</u>	<u>115712.</u>

The net of these two amounts carries to 1120-REIT, page 1, line 7 - other income

- Unlike 1120, PC, or L the 965 inclusion amount is included in other income

- “SEC 965” prints to the left of line 7 per IRS instructions

1
U.S. Income Tax Return for Real Estate Investment Trusts

Form **1120-REIT** For calendar year 2017
or tax year beginning _____, ending _____

Department of the Treasury
Internal Revenue Service

OMB No. 1545-0123
2017

▶ Go to www.irs.gov/Form1120REIT for instructions and the latest information.

A Year of REIT status election 2009	Please Type or Print	Name 965, INC.	C Employer identification number 41-2341234
B Check if a: 1 REIT with 100% owned subsidiaries (see instructions) <input type="checkbox"/>		Number, street, and room or suite no. (if a P.O. box, see instructions.)	D Date REIT established
2 Personal holding or (other SEC 965) <input type="checkbox"/>		City or town, state, and ZIP code	E Total assets (see instructions) \$ 0.
F Check applicable box(es): (1) <input type="checkbox"/> Final return (2) <input type="checkbox"/> Name change (3) <input type="checkbox"/> Address change (4) <input type="checkbox"/> Amended return			H PBA code (see instructions)
G Identify the type of REIT (see instructions): (1) <input type="checkbox"/> Equity REIT (2) <input type="checkbox"/> Mortgage REIT			

Part I - Real Estate Investment Trust Taxable Income (see instructions)

Income (EXCLUDING income required to be reported in Part II or Part IV)			
1 Dividends	SEE STATEMENT 1	1	3000.
2 Interest		2	
3 Gross rents from real property		3	
4 Other gross rents		4	
5 Capital gain net income (attach Schedule D (Form 1120))		5	
6 Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)		6	
7 Other income (see instructions - attach statement)	SEE STATEMENT 2 SEC 965	7	13971.
8 Total income. Add lines 1 through 7		8	16971.

Deductions (EXCLUDING deductions directly connected with income required to be reported in Part II or Part IV)			
9 Compensation of officers (attach Form 990)			
10 Salaries and wages (less employment taxes) (attach Form 990)	FORM 1120-REIT	OTHER INCOME	STATEMENT 2
11 Repairs and maintenance			
12 Bad debts			
13 Rents	DESCRIPTION		AMOUNT
14 Taxes and licenses	AAA		2000.
15 Interest	BBB		1000.
16 Depreciation (attach Form 4582)	SECTION 965 NET INCOME		10971.
17 Advertising			
18 Other deductions (see instructions - attach Form 990)	TOTAL TO FORM 1120-REIT, PAGE 1, LINE 7		13971.
19 Total deductions. Add lines 9 through 18			

- So as not to include the net 965 amount in the REIT's gross income tests, the 965 inclusion in other income on page 1, line 7 is also included on page 2, Part III, Lines 2(c) and 5(c)

Part II - Tax on Net Income From Foreclosure Property (Section 856(e)) (see instructions)

1	Net gain or (loss) from the sale or other disposition of foreclosure property described in section 1221(a)(1) (attach statement)	1	
2	Gross income from foreclosure property (see instructions - attach statement)	2	
8	Total income from foreclosure property. Add lines 1 and 2	8	
4	Deductions directly connected with the production of income shown on line 3 (attach statement)	4	
5	Net income from foreclosure property. Subtract line 4 from line 3	5	
6	Tax on net income from foreclosure property. Multiply line 5 by 35% (0.35). Enter here and on Schedule J, line 2b	6	

Part III - Tax for Failure To Meet Certain Source-of-Income Requirements (Section 857(b)(5)) (see instructions)

1a	Enter total income from Part I, line 8	1a	16971.	
b	Enter total income from foreclosure property from Part II, line 3	1b		
c	Total. Add lines 1a and 1b	1c		16971.
2a	Enter income from hedging transactions referred to in section 856(c)(5)(G)	2a		
b	Enter income from passive foreign exchange gain referred to in section 856(n)(3). See instructions	2b		
c	Enter income from sources referred to in sections 856(c)(5)(J)(i). See instructions	2c	10971.	
d	Subtract lines 2a, 2b, and 2c from line 1c	2d	6000.	
e	Multiply line 2d by 95% (0.95)	2e		5700.
8	Enter income on line 1c from sources referred to in section 856(c)(2)	8	SEE STATEMENT 6	3000.
4	Subtract line 3 from line 2e. (If zero or less, enter -0-.)	4		2700.
5a	Enter income from hedging transactions referred to in section 856(c)(5)(G)	5a		
b	Enter income from real estate foreign exchange gain referred to in section 856(n)(2). See instructions	5b		
c	Enter income from sources referred to in section 856(c)(5)(J)(i). See instructions	5c	10971.	
d	Subtract lines 5a, 5b, and 5c from line 1c	5d	6000.	
e	Multiply line 5d by 75% (0.75)	5e		4500.
6	Enter income on line 1c from sources referred to in section 856(c)(3)	6		
7	Subtract line 6 from line 5. (If zero or less, enter -0-.)	7		4500.
8	Enter the greater of line 4 or line 7. (If line 8 is zero, do not complete the rest of Part III.)	8		4500.
9	Enter the amount from Part I, line 20	9		<159000.>
10	Enter the net capital gain from Schedule D (Form 1120), line 17	10		
11	Subtract line 10 from line 9	11		0.
12a	Enter total income from Part I, line 8	12a	6000.	
b	Enter the net short-term capital gain from Schedule D (Form 1120), line 7. (If line 7 is a loss, enter -0-.)	12b		
c	Add lines 12a and 12b	12c		6000.
18	Enter capital gain net income from Part I, line 5	18		
14	Subtract line 13 from line 12c	14		6000.
15	Divide line 11 by line 14. Carry the result to five decimal places	15		
16	Section 857(b)(5) tax. Multiply line 8 by line 15. Enter here and on Schedule J, line 2c	16		0.

Part IV - Tax on Net Income From Prohibited Transactions (see instructions)

Election for Section 965(m)(1)(B)

Government Form

CCH ProSystem fx Forms

Election for Section 965(m)(1)(B)

Government Form

CCH ProSystem fx Forms

Name of taxpayer	Automatic Form FRI-2 Box 32 and 33 - if different
Taxable year	Automatic
Total section 965(a) inclusion amount	IRC Section 965 Transition Tax Statement, line 1 Form FRI-2 Box 71 - Override
Total section 965(c) deduction amount	IRC Section 965 Transition Tax Statement, line 3 Form FRI-2 Box 72 - Override
Lines 1 - 8	Calculated using the two amounts above

Taxpayer Name: con 965, Inc

Taxpayer's Identification Number: 12-4341234

Taxpayer Name: con 965, Inc

Taxpayer's Identification Number: 12-4341234

STATEMENT ATTACHED TO AND MADE PART OF
FORM 1120-REIT
U.S. INCOME TAX RETURN FOR REAL ESTATE INVESTMENT TRUSTS

STATEMENT FOR REAL ESTATE INVESTMENT TRUSTS ELECTING DEFERRED INCLUSIONS
UNDER SECTION 951(a)(1) BY REASON OF SECTION 965 UNDER SECTION 965(m)(1)(B)

con 965, Inc

elects to include the section 965(a) inclusion amount and deduction under section 965(c) for the taxable year ended 12/31/2017, over eight years as provided in section 965(m).

Total section 965(a) inclusion amount	<u>300,000.</u>
Total deduction under section 965(c)	<u>231,429.</u>

ANTICIPATED INSTALLMENT SCHEDULE

	965(a) INCLUSION AMOUNT	965(c) DEDUCTION
1. Current tax year (8% of the total amounts)	<u>24,000.</u>	<u>18,514.</u>
2. Second tax year (8% of the total amounts)	<u>24,000.</u>	<u>18,514.</u>
3. Third tax year (8% of the total amounts)	<u>24,000.</u>	<u>18,514.</u>
4. Fourth tax year (8% of the total amounts)	<u>24,000.</u>	<u>18,514.</u>
5. Fifth tax year (8% of the total amounts)	<u>24,000.</u>	<u>18,514.</u>
6. Sixth tax year (15% of the total amounts)	<u>45,000.</u>	<u>34,714.</u>
7. Seventh tax year (20% of the total amounts)	<u>60,000.</u>	<u>46,286.</u>
8. Eighth tax year (25% of the total amounts)	<u>75,000.</u>	<u>57,859.</u>

- Notice 2018-13 election
- Election for alternative method used to compute post-1986 earnings and profits

Taxpayer Name: 965, INC.

Taxpayer's Identification Number: 41-2341234

STATEMENT ATTACHED TO AND MADE PART OF
FORM 1120

Name of Taxpayer Tax Form: U.S. CORPORATION TAX RETURN

ELECTION UNDER SECTION 3.02 OF NOTICE 2018-13 TO USE ALTERNATIVE METHOD TO
COMPUTE POST-1986 EARNINGS AND PROFITS

965, INC.

elects to use an alternative date to determine the post-1986 earnings and profits (including a deficit) of

FOREIGN CORP NAME, INC.

, 123456789, in accordance with the method prescribed in Section 3.02 of Notice 2018-13.

- 1120 Schedule M-3
- 965(a) income posted to M-3, part II, line 25, Other Income with Differences to column A (per books) and column B as a temporary Difference
- Similar treatment for the 965(c) deduction which is posted to M-3, Part III

		SCHEDULE M-3 OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES			STATEMENT 14
		INCOME (LOSS) PER INCOME STATEMENT	TEMPORARY DIFFERENCE	PERMANENT DIFFERENCE	INCOME (LOSS) PER TAX RETURN
DESCRIPTION					
FOREIGN REPATRIATION SECTION					
25	Other income (loss) items with differences (attach stmt.)	6000000.	<6000000.>	0.	0.
TOTAL TO M-3, PART II, LINE 25		6000000.	<6000000.>	0.	0.
25	Other income (loss) items with differences (attach stmt.)	6000000.	<6000000.>		
26	Total income (loss) items. Combine lines 1 through 25			3000.	

		SCHEDULE M-3 OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES			STATEMENT 18
		EXPENSE/DEDUCTION PER INCOME STATEMENT	TEMPORARY DIFFERENCE	PERMANENT DIFFERENCE	EXPENSE/DEDUCTION PER TAX RETURN
DESCRIPTION					
FOREIGN REPATRIATION SECTION					
37	Other expense/deduction items with differences (attach statement)	4628571.	<4628571.>	0.	0.
TOTAL TO M-3, PART III, LINE 37		4628571.	<4628571.>	0.	0.
37	Other expense/deduction items with differences (attach statement)	4628571.	<4628571.>		
37	Total expense/deduction items. Combine lines 1 through 37. Enter here and on Part II, line 27, reporting positive amounts as negative and negative amounts as positive	7639571.	<7639571.>		

JWA

Schedule M-3 (Form 1120) 2017

- On the section 965 returns we have seen preparers have different opinions on M-3 presentation
- Based on this we added code S965 to the Schedule M-3 > Other Information worksheet's Other Income and Deductions Items to Schedule M-3 Adjustment section (Interview Form L-8, boxes 160 and 180)
- Gives them flexibility to present however they want
- At this time we are making no assumptions and adjustments to Schedule M-1

Other Income Items to Schedule M-3 Adjustment

7

Return Code	M-3 Code	Description	Per Income Statement (See Hel)	Permanent	Other Permanent

8

Return Code	M-3 Code	Description	Per Income Statement (See Hel)

Sch M-3 Other Income

	New item instead of replacement [Default]
DEPL	Depletion properties
RENT	Rent
ROY	Royalty
FARM	Farm
CR	Credit adjustments
R179	Recapture of section 179
280F	Section 280F adjustment
TB	Trade or business
S965	Foreign repatriation deduction (Sec. 965(c))
GR	Gross receipts (1120-F only)
NDR	Net decrease in reserves (section 807) - (1120-L only)

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- 1120S
- Section 965(a) inclusion amount shown on line 10 of Schedule K and 965(c) deduction shown on line 12d

Schedule K Shareholders' Pro Rata Share Items		Total amount
Income (Loss)	1 Ordinary business income (loss) (page 1, line 21)	1
	2 Net rental real estate income (loss) (attach Form 8825)	2
	8a Other gross rental income (loss)	8a
	b Expenses from other rental activities (attach statement)	8b
	c Other net rental income (loss). Subtract line 3b from line 3a	3c
	4 Interest income	4
	5 Dividends: a Ordinary dividends	5a
	b Qualified dividends	5b
	6 Royalties	6
	7 Net short-term capital gain (loss) (attach Schedule D (Form 1120S))	7
8a Net long-term capital gain (loss) (attach Schedule D (Form 1120S))		8a
	b Collectibles (28%) gain (loss)	8b
	c Unrecaptured section 1250 gain (attach statement)	8c
	9 Net section 1231 gain (loss) (attach Form 4797)	9
10 Other income (loss) (See instructions) Type Statement 1	10	800,000.
Deductions	11 Section 179 deduction (attach Form 4562)	11
	12a Charitable contributions	12a
	b Investment interest expense	12b
	c Section 59(e)(2) expenditures (1) Type	12c(2)
	(2) Amount Type Statement 2	12d
d Other deductions (See instructions) Type		

Schedule K	Other Income (Loss)	Statement 1	
Description	Amount		
Foreign Repatriation Section 965(a) Income	800,000.		18f
Total Included in Schedule K, Line 10	800,000.		18g
			18a
			18b
			18c
			18d
			18e
			18f
			18g
			14b
			14c
Schedule K	Other Deductions	Statement 2	
Description	Amount		
Foreign Repatriation Section 965(c) Deduction	617,143.		14g
Total to Schedule K, Line 12d	617,143.		14h
			14i

- 965(a) shown as other income, line 10, on Schedule K-1 with code of 'E'
- 965(c) shown as other deductions, line 12, on Schedule K-1 with code of S

ending _____		2	Net rental real estate inc (loss)		
Shareholder's Share of Income, Deductions, Credits, etc. ▶ See separate instructions.		3	Other net rental income (loss)		
Part I Information About the Corporation		4	Interest income		
A Corporation's employer identification number 41-2341234		5a	Ordinary dividends		
B Corporation's name, address, city, state, and ZIP code S Corp 965, Inc.		5b	Qualified dividends	14	Foreign transactions
		6	Royalties		
		7	Net short-term capital gain (loss)		
C IRS Center where corporation filed return Ogden, UT		8a	Net long-term capital gain (loss)		
Part II Information About the Shareholder		8b	Collectibles (28%) gain (loss)		
D Shareholder's identifying number 111-11-1111		8c	Unrecaptured sec 1250 gain		
E Shareholder's name, address, city, state and ZIP code Shareholder One		9	Net section 1231 gain (loss)		
		10	Other income (loss)	15	Alternative min tax (AMT) items
		S*	400,000.		
F Shareholder's percentage of stock ownership for tax year 50.000000%					
		11	Section 179 deduction	16	Items affecting shareholder basis
		12	Other deductions		
		S*	308,572.		

Schedule K-1		Other Income (Loss), Box 10, Code E	
Description	Amount	Shareholder Filing Instructions	
Foreign Repatriation Section 965(a) Income	400,000.	See Shareholders Instructions	
Total	400,000.		

Schedule K-1		Other Deductions, Box 12, Code S	
Description	Amount	Shareholder Filing Instruction	
Foreign Repatriation Section 965(c) Deduction	308,572.	See Shareholders Instructions	
Total	308,572.		

- 1120S Schedule M-3
- Difference between C and S corporation M-3 presentation
- We post the net 965 to "Items With No Differences" in S corp but in C Corp we create a temporary difference
- This is due to the IRS requirement for pre-965 amounts in the 1120 return. If we include the net 965 as taxable income on the 1120 M-3 it would not tie to 1120, page 1 taxable income since the IRS wants 965 amounts excluded from 1120 taxable income
- In an 1120S, since the net 965 adjustment is posted to Schedule K it is included in the taxable income that must tie to Schedule M-3

through 22			
24 Total expense/deduction items (from Part III, line 22)			
25 Other items with no differences	Stmt 6	182,857.	182,857.
26 Reconciliation totals. Combine lines 20 through 25		182,857.	182,857.

Note. Line 26, column (a), must equal Part I, line 11, and column (d) must equal Form 1120S, Schedule K, line 18.

Schedule M-3 (Form 1120S) 2017

Schedule M-3 Other Income (Loss) and Expense / Deduction Statement 6
Items with No Differences

Description	per Income Statement	per Tax Return
Other Income (Loss) - See Statement	800,000.	800,000.
Other Expense / Deduction - See Statement	-617,143.	-617,143.
Total to Schedule M-3, Part II, Line 25	182,857.	182,857.

Schedule M-3 Other Income (Loss) Items with No Differences Statement 7

Description	Income (Loss) per Income Statement	Income (Loss) per Tax Return
Foreign Repatriation Section 965(a) Income	800,000.	800,000.
Total to Schedule M-3, Part II, Line 25	800,000.	800,000.

Schedule M-3 Other Expense/Deduction Items with No Differences Statement 8

Description	Expense/Deduction per Income Statement	Expense/Deduction per Tax Return
Foreign Repatriation Section 965(c) Deduction	617,143.	617,143.
Total to Schedule M-3, Part II, Line 25	617,143.	617,143.



Wolters Kluwer

When you have to be right