

**Schedule A  
(Form 8804)**

Department of the Treasury  
Internal Revenue Service

**Penalty for Underpayment of Estimated  
Section 1446 Tax by Partnerships**

▶ Attach to Form 8804.

OMB No. 1545-1119

**2007**

Name	Employer identification number
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**Note.** Generally, the partnership is not required to file this Schedule A (see Part I below for exceptions) because the IRS will figure any penalty owed and bill the partnership. However, the partnership may still use this Schedule A to figure the penalty. If so, enter the amount from page 4, line 61 on line 8 of Form 8804, but **do not attach this Schedule A**.

**Part I Reasons for Filing**—Check the boxes below that apply. If any boxes are checked, the partnership **must** file Schedule A (Form 8804) even if it does not owe a penalty (see instructions).

- The partnership is using the adjusted seasonal installment method.
- The partnership is using the annualized income installment method.

**Part II Current Year and Prior Year Safe Harbors**

1 Enter the total section 1446 tax shown on the partnership's 2007 Form 8804, line 5e. If less than \$500, do not complete or file this form. The partnership does not owe the penalty . . . . .	<b>1</b>	
2 Enter the total section 1446 tax that would be due for 2007, without regard to partner certificates, computed using the effectively connected taxable income (ECTI) allocable to foreign partners for 2006. <b>Caution:</b> <i>This line 2 amount only applies if certain conditions are met (see instructions)</i> . . . . .	<b>2</b>	
3 Enter the <b>smaller</b> of line 1 or line 2. If the partnership is required to skip line 2, enter the amount from line 1 . . . . .	<b>3</b>	

**Part III Figuring the Underpayment**

		(a)	(b)	(c)	(d)
4 <b>Installment due dates.</b> Enter in columns (a) through (d) the 15th day of the 4th, 6th, 9th, and 12th months of the partnership's tax year . . . . .	<b>4</b>				
5 <b>Required installments.</b> If the partnership uses the adjusted seasonal installment method and/or the annualized income installment method, enter the amounts from line 43. If neither of those methods is used, enter 25% of line 3 above in each column . . . . .	<b>5</b>				
6 Estimated section 1446 tax paid or credited for each period (see instructions). For column (a) only, enter the amount from line 6 on line 10 . . . . .	<b>6</b>				
<b>Complete lines 7 through 13 of one column before going to the next column.</b>					
7 Enter amount, if any, from line 13 of the preceding column	<b>7</b>				
8 Add lines 6 and 7 . . . . .	<b>8</b>				
9 Add amounts on lines 11 and 12 of the preceding column	<b>9</b>				
10 Subtract line 9 from line 8. If zero or less, enter -0- . . . . .	<b>10</b>				
11 If the amount on line 10 is zero, subtract line 8 from line 9. Otherwise, enter -0- . . . . .	<b>11</b>				
12 <b>Underpayment.</b> If line 10 is less than or equal to line 5, subtract line 10 from line 5. Then go to line 7 of the next column. Otherwise, go to line 13 . . . . .	<b>12</b>				
13 <b>Overpayment.</b> If line 5 is less than line 10, subtract line 5 from line 10. Then go to line 7 of the next column	<b>13</b>				

**Go to Part VII on page 4 to figure the penalty. Do not go to Part VII if there are no entries on line 12—no penalty is owed.**

**Part IV Adjusted Seasonal Installment Method** (Caution: Use this method only if the base period percentage for any 6 consecutive months is at least 70%. See instructions.)

		(a)	(b)	(c)	(d)
Check this box if the partnership has elected to attach a schedule that expands lines 15 and 22 through 25 to reflect Reg. 1.1446-3(a)(2) (see instructions) . . . . . <input type="checkbox"/>		First 3 months	First 5 months	First 8 months	First 11 months
<b>14</b>	Enter effectively connected taxable income allocable to all foreign partners for the following periods:				
<b>a</b>	Tax year beginning in 2004				
<b>b</b>	Tax year beginning in 2005				
<b>c</b>	Tax year beginning in 2006				
<b>15</b>	Enter effectively connected taxable income allocable to all foreign partners for each period for the tax year beginning in 2007 (see instructions for the treatment of extraordinary items).				
<b>16</b>	Enter effectively connected taxable income allocable to all foreign partners for the following periods:	First 4 months	First 6 months	First 9 months	Entire year
<b>a</b>	Tax year beginning in 2004				
<b>b</b>	Tax year beginning in 2005				
<b>c</b>	Tax year beginning in 2006				
<b>17</b>	Divide the amount in each column on line 14a by the amount in column (d) on line 16a.				
<b>18</b>	Divide the amount in each column on line 14b by the amount in column (d) on line 16b.				
<b>19</b>	Divide the amount in each column on line 14c by the amount in column (d) on line 16c.				
<b>20</b>	Add lines 17 through 19.				
<b>21</b>	Divide line 20 by 3.				
<b>22a</b>	Divide line 15 by line 21.				
<b>b</b>	Extraordinary items (see instructions).				
<b>c</b>	Combine lines 22a and 22b.				
<b>23</b>	Reduction to line 22c amount for valid certifications received from foreign partners under Regulations section 1.1446-6T (see instructions for effective dates before completing this line).				
<b>24</b>	Subtract line 23 from line 22c. If zero or less, enter -0-.				
<b>25</b>	Multiply line 24 by 35%.				
<b>26a</b>	Divide the amount in columns (a) through (c) on line 16a by the amount in column (d) on line 16a.				
<b>b</b>	Divide the amount in columns (a) through (c) on line 16b by the amount in column (d) on line 16b.				
<b>c</b>	Divide the amount in columns (a) through (c) on line 16c by the amount in column (d) on line 16c.				
<b>27</b>	Add lines 26a through 26c.				
<b>28</b>	Divide line 27 by 3.				
<b>29</b>	Multiply the amount in columns (a) through (c) of line 25 by columns (a) through (c) of line 28. In column (d), enter the amount from line 25, column (d).				

**Part V Annualized Income Installment Method**

		(a)	(b)	(c)	(d)
		First _____ months	First _____ months	First _____ months	First _____ months
<b>30</b> Annualization periods (see instructions).	<b>30</b>				
<b>31</b> Enter effectively connected taxable income allocable to all foreign partners for each annualization period (see instructions for the treatment of extraordinary items):					
<b>a</b> Net ordinary income	<b>31a</b>				
<b>b</b> 28% rate gains (non-corporate partners only).	<b>31b</b>				
<b>c</b> Unrecaptured section 1250 gains (non-corporate partners only).	<b>31c</b>				
<b>d</b> Qualified dividend income and net long-term capital gains (including net section 1231 gains) (non-corporate partners only).	<b>31d</b>				
<b>32</b> Annualization amounts (see instructions).	<b>32</b>				
<b>33</b> Annualized effectively connected taxable income allocable to all foreign partners (see instructions for the treatment of extraordinary items):					
<b>a</b> Net ordinary income (multiply line 31a by line 32).	<b>33a</b>				
<b>b</b> Reduction to line 33a for valid partner certificates under Regulations section 1.1446-6T (see instructions).	<b>33b</b>				
<b>c</b> Subtract line 33b from line 33a.	<b>33c</b>				
<b>d</b> 28% rate gains allocable to non-corporate partners (multiply line 31b by line 32).	<b>33d</b>				
<b>e</b> Reduction to line 33d for valid partner certificates under Regulations section 1.1446-6T (see instructions).	<b>33e</b>				
<b>f</b> Subtract line 33e from line 33d.	<b>33f</b>				
<b>g</b> Unrecaptured section 1250 gains allocable to non-corporate partners (multiply line 31c by line 32—see instructions).	<b>33g</b>				
<b>h</b> Qualified dividend income and net long-term capital gains (including net section 1231 gains) allocable to non-corporate partners (multiply line 31d by line 32).	<b>33h</b>				
<b>i</b> Reduction to line 33h for valid partner certificates under Regulations section 1.1446-6T (see instructions).	<b>33i</b>				
<b>j</b> Subtract line 33i from line 33h.	<b>33j</b>				
<b>34</b> Figure the tax on line 33 amounts as follows:					
<b>a</b> Multiply line 33c by 35%.	<b>34a</b>				
<b>b</b> Multiply line 33f by 28%.	<b>34b</b>				
<b>c</b> Multiply line 33g by 25%.	<b>34c</b>				
<b>d</b> Multiply line 33j by 15%.	<b>34d</b>				
<b>e</b> Add lines 34a through 34d.	<b>34e</b>				
<b>35</b> Applicable percentage.	<b>35</b>	25%	50%	75%	100%
<b>36</b> Multiply line 34e by line 35.	<b>36</b>				

**Part VI Required Installments**

		1st installment	2nd installment	3rd installment	4th installment
		<b>Note.</b> Complete lines 37 through 43 of one column before completing the next column.			
<b>37</b> If only Part IV or Part V is completed, enter the amount in each column from line 29 or line 36. If both parts are completed, enter the <b>smaller</b> of the amounts in each column from line 29 or line 36.	<b>37</b>				
<b>38</b> Add the amounts in all preceding columns of line 43 (see instructions).	<b>38</b>				
<b>39</b> <b>Adjusted seasonal or annualized income installments.</b> Subtract line 38 from line 37. If zero or less, enter -0-.	<b>39</b>				
<b>40</b> Enter 25% of line 1 in each column.	<b>40</b>				
<b>41</b> Subtract line 43 of the preceding column from line 42 of the preceding column.	<b>41</b>				
<b>42</b> Add lines 40 and 41.	<b>42</b>				
<b>43</b> <b>Required installments.</b> Enter the <b>smaller</b> of line 39 or line 42 here and on line 5 (see instructions).	<b>43</b>				

**Part VII Figuring the Penalty**

	(a)	(b)	(c)	(d)
<b>44</b> Enter the date of payment or the 15th day of the 4th month after the close of the tax year, whichever is earlier (see instructions). <i>Partnerships that keep their records and books of account outside the United States and Puerto Rico:</i> Use 6th month instead of 4th month.				
<b>45</b> Number of days from due date of installment on line 4 to the date shown on line 44 . . . . .				
<b>46</b> Number of days on line 45 after 4/15/2007 and before 1/1/2008 . . . . .				
<b>47</b> Underpayment on line 12 × $\frac{\text{Number of days on line 46}}{365} \times 8\%$ . . . . .	\$	\$	\$	\$
<b>48</b> Number of days on line 45 after 12/31/2007 and before 4/1/2008 . . . . .				
<b>49</b> Underpayment on line 12 × $\frac{\text{Number of days on line 48}}{366} \times 7\%$ . . . . .	\$	\$	\$	\$
<b>50</b> Number of days on line 45 after 3/31/2008 and before 7/1/2008 . . . . .				
<b>51</b> Underpayment on line 12 × $\frac{\text{Number of days on line 50}}{366} \times 6\%$ . . . . .	\$	\$	\$	\$
<b>52</b> Number of days on line 45 after 6/30/2008 and before 10/1/2008 . . . . .				
<b>53</b> Underpayment on line 12 × $\frac{\text{Number of days on line 52}}{366} \times \%$ . . . . .	\$	\$	\$	\$
<b>54</b> Number of days on line 45 after 9/30/2008 and before 1/1/2009 . . . . .				
<b>55</b> Underpayment on line 12 × $\frac{\text{Number of days on line 54}}{366} \times \%$ . . . . .	\$	\$	\$	\$
<b>56</b> Number of days on line 45 after 12/31/2008 and before 4/1/2009 . . . . .				
<b>57</b> Underpayment on line 12 × $\frac{\text{Number of days on line 56}}{365} \times \%$ . . . . .	\$	\$	\$	\$
<b>58</b> Number of days on line 45 after 3/31/2009 and before 5/16/2009 . . . . .				
<b>59</b> Underpayment on line 12 × $\frac{\text{Number of days on line 58}}{365} \times \%$ . . . . .	\$	\$	\$	\$
<b>60</b> Add lines 47, 49, 51, 53, 55, 57, and 59 . . . . .	\$	\$	\$	\$
<b>61 Penalty.</b> Add columns (a) through (d) of line 60. Enter the total here and on Form 8804, line 8 . . . . .			<b>61</b>	\$

**\*For underpayments paid after June 30, 2008:** For lines 53, 55, 57, and 59 use the penalty interest rate for each calendar quarter, which the IRS will determine during the first month in the preceding quarter. These rates are published quarterly in an IRS News Release and in a revenue ruling in the Internal Revenue Bulletin. To obtain this information on the Internet, access the IRS website at [www.irs.gov](http://www.irs.gov). You can also call 1-800-829-1040 to get interest rate information.

## General Instructions

### What's New

- Final regulations under section 6655 provide guidance with respect to estimated tax requirements. These regulations are applicable for tax years beginning after September 6, 2007.
- For partnerships that elect to use the annualized income installment method, extraordinary items (as defined in Regulations section 1.6655-2(f)(3)(ii)) generally must be taken into account after annualizing the effectively connected taxable income for the annualization period. Similar rules apply if the partnership uses the adjusted seasonal installment method. See the instructions for Parts IV through VI.

### Purpose of Form

Partnerships that have effectively connected taxable income (ECTI) allocable to foreign partners use Schedule A (Form 8804) to determine:

- Whether they are subject to the penalty for underpayment of estimated tax and, if so,
- The amount of the underpayment penalty.

### Who Must File

Generally, the partnership does not have to file this schedule because the IRS will figure the amount of the penalty and notify the partnership of any amount due. However, even if the partnership does not owe a penalty, complete and attach this schedule to the partnership's Form 8804 if the Part II, line 1 amount on page 1 is \$500 or more and either of the following applies:

1. The adjusted seasonal installment method is used.
2. The annualized income installment method is used.

### Who Must Pay the Underpayment Penalty

Generally, a partnership is subject to the penalty if it did not timely pay at least the smaller of:

1. The tax shown on line 5e of its 2007 Form 8804 or
2. The total section 1446 tax that would be due for 2007, without regard to partner certificates, computed using the ECTI allocable to foreign partners for 2006, provided that (1) this amount is at least 50% of the sum of the amounts shown on lines 4c, 4f, 4g, and 4j of its 2007 Form 8804 and (2) the tax year was for a full 12 months. See the instructions for line 2 below for more details.



*In these instructions, "Form 8804" generally refers to the partnership's original Form 8804. However, an amended Form 8804 is considered the original Form 8804 if the amended Form 8804 is filed by the due date (including extensions) of the original Form 8804.*

The penalty is figured separately for each installment due date. Therefore, the partnership may owe a penalty for an earlier due date even if it paid enough tax later to make up the underpayment. This is true even if the partnership is due a refund when its return is filed. However, the partnership may be able to reduce or eliminate the penalty by using the annualized income installment method or the adjusted seasonal installment method. See the instructions for Parts IV and V for details.

### Exception to the Penalty

A partnership will not have to pay a penalty if the tax shown on line 5e of its 2007 Form 8804 is less than \$500.

### How To Use Schedule A

Complete this schedule as follows:

- Check one or both of the boxes in Part I that apply. If the partnership checks a box in Part I, attach Schedule A (Form 8804) to Form 8804. Be sure to check the box on Form 8804, line 8.

- If Part II, line 1 is \$500 or more, complete the rest of page 1 to determine the underpayment for any of the installment due dates.
- If there is an underpayment on line 12 (column (a), (b), (c), or (d)), go to Part VII to figure the penalty.
- Complete Parts IV through VI as appropriate if the partnership uses the adjusted seasonal installment method and/or the annualized income installment method.

## Specific Instructions

### Part I. Reasons for Filing

**Adjusted seasonal installment method and/or annualized income installment method.** If the partnership's income varied during the year because, for example, it operated its business on a seasonal basis, it may be able to lower or eliminate the amount of one or more required installments by using the adjusted seasonal installment method and/or the annualized income installment method.

**Example.** A ski shop, which receives most of its income during the winter months, may benefit from using one or both of these methods to figure its required installments. The annualized income installment or adjusted seasonal installment may be less than the required installment under the current year safe harbor (increased by any reduction recaptured under section 6655(e)(1)(B)) for one or more due dates. Using one or both of these methods may reduce or eliminate the penalty for those due dates.

Use Parts IV through VI on pages 2 and 3 of Schedule A (Form 8804) to figure one or more required installments. If Parts IV through VI are used for any payment due date, those Parts must be used for all subsequent payment due dates. To arrive at the amount of each required installment, Part VI uses the smallest of:

- The adjusted seasonal installment (if applicable),
- The annualized income installment (if applicable), or
- The current year safe harbor (increased by any reduction recaptured under section 6655(e)(1)(B)).

Follow the steps below to determine which parts of the form have to be completed.

- If the partnership is using only the adjusted seasonal installment method, check the applicable box in Part I and complete Parts IV and VI of Schedule A (Form 8804).
- If the partnership is using only the annualized income installment method, check the applicable box in Part I and complete Parts V and VI of Schedule A (Form 8804).
- If the partnership is using both methods, check both of the boxes in Part I and complete all three parts (Parts IV through VI) of Schedule A (Form 8804).

### Part II. Current Year and Prior Year Safe Harbors

**Line 2 (prior year safe harbor).** Enter the total section 1446 tax that would be due for 2007, without regard to partner certificates, computed using the ECTI allocable to foreign partners for 2006.

The partnership may generally use the prior year safe harbor only if it paid the required amount using that method for each of its installment payments of section 1446 tax during the tax year. However, see Regulations section 1.1446-3(b)(3)(ii) for an exception. Also, see the **Note** below. In addition, the partnership may only use the prior year safe harbor if all of the following apply:

- Each installment payment that was made during the tax year, when averaged with all prior installment payments, must have been 25% of the partnership's total section 1446 tax liability under the prior year safe harbor,
- The prior tax year consisted of 12 months,
- The partnership timely files (including extensions) a U.S. return of partnership income (e.g., Form 1065) for the prior tax year, and
- The amount of ECTI for the prior tax year is not less than 50% of the ECTI shown on the current year Form 8804 that is (or will be) timely filed.

If the partnership is not permitted to use the prior year safe harbor method because any of the necessary conditions described above is not met, skip line 2 and enter on line 3 the amount from line 1.

**Note.** If the partnership qualifies for and uses the exception under Regulations section 1.1446-3(b)(3)(ii) to switch to the standard option annualization method during the tax year, the partnership should include on line 2 the total of all installment payments that were made during the tax year under both the prior year safe harbor method and the standard option annualization method. Attach a schedule that explains the computation.

### Part III. Figuring the Underpayment

**Line 6.** Enter the estimated tax payments made by the partnership for its tax year as indicated below. Include any overpayment from line 13 of the partnership's 2006 Form 8804 that was credited to the partnership's first installment period on its 2007 Form 8804. If an installment is due on a Saturday, Sunday, or legal holiday, payments made on the next day that is not a Saturday, Sunday, or legal holiday are considered made on the due date to the extent the payment is applied against that required installment.

Also include on line 6 any:

- Section 1446 tax paid or withheld by another partnership in which the partnership filing this Schedule A (Form 8804) was a partner during the tax year. See the instructions for Form 8804, line 6b, in the Instructions for Forms 8804, 8805, and 8813.
- Section 1445(a) or 1445(e)(1)(B) tax withheld from or paid by the partnership filing this Schedule A (Form 8804) during the tax year for a disposition of a U.S. real property interest. See the instructions for Form 8804, line 6c, in the Instructions for Forms 8804, 8805, and 8813.

**Column (a).** Enter payments made by the date on line 4, column (a).

**Columns (b), (c), and (d).** Enter payments made on or before the date on line 4 for that column and after the date on line 4 of the preceding column.

**Line 12.** If any of the columns in line 12 shows an underpayment, complete Part VII to figure the penalty.

### Parts IV Through VI

**Extraordinary items.** Generally, under the annualized income installment method, extraordinary items must be taken into account after annualizing the effectively connected taxable income for the annualization period. Similar rules apply in determining effectively connected taxable income under the adjusted seasonal installment method. An extraordinary item includes:

- Any item identified in Regulations section 1.1502-76(b)(2)(ii)(C)(1), (2), (3), (4), (7), and (8);
- A section 481(a) adjustment; and
- Net gain or loss from the disposition of 25% or more of the fair market value of the partnership's business assets during the tax year.

These extraordinary items must be accounted for in the appropriate annualization period. However, a section 481(a) adjustment (unless the partnership makes the alternative choice under Regulations section 1.6655-2(f)(3)(ii)(C)) is treated as an extraordinary item occurring on the first day of the tax year in which the item is taken into account in determining effectively connected taxable income.

For more information regarding extraordinary items, see Regulations section 1.6655-2(f)(3)(ii) and the examples in Regulations section 1.6655-2(f)(3)(vii). Also see Regulations section 1.6655-3(d)(3).

**De minimis rule.** Extraordinary items identified above resulting from a particular transaction that total less than \$1 million (other than a section 481(a) adjustment) may be annualized using the general rules of Regulations section 1.6655-2(f), or, if the partnership chooses, may be taken into account after annualizing the effectively connected taxable income for the annualization period.

### Part IV. Adjusted Seasonal Installment Method

**Note.** Part IV does not reflect the lower preferential rates permitted under Regulations section 1.1446-3(a)(2). This was done because, for most taxpayers, the income reported in Part IV will be predominantly (or exclusively) ordinary income. If the partnership wishes to consider lower preferential rates for Part IV (and if the requirements outlined in the third paragraph of the line 31 instructions are met), it must attach a schedule which appropriately expands lines 15 and 22 through 25 to show the applicable special types of income or gain and the applicable percentages (see, for example, lines 33 and 34 of this schedule).

The partnership may use the adjusted seasonal installment method only if the partnership's base period percentage for any 6 consecutive months of the tax year is 70% or more. The base period percentage for any period of 6 consecutive months is the average of the three percentages figured by dividing the ECTI for the corresponding 6 consecutive month period in each of the 3 preceding tax years by the ECTI for each of their respective tax years. Figure the base period percentage using the 6-month period in which the partnership normally receives the largest part of its ECTI.

**Example.** An amusement park with a 2007 calendar tax year receives the largest part of its taxable income during a 6-month period, May through October. To compute its base period percentage for this 6-month period, the amusement park figures its ECTI for each May–October period in 2004, 2005, and 2006. It then divides the ECTI for each May–October period by the total ECTI for that particular tax year. The resulting percentages are: 69% (.69) for May–October 2004, 74% (.74) for May–October 2005, and 67% (.67) for May–October 2006. Because the average of 69%, 74%, and 67% is 70%, the base period percentage for May through October 2007 is 70%. Therefore, the amusement park qualifies for the adjusted seasonal installment method.

**Line 15.** If the partnership has certain extraordinary items, special rules apply. Do not include on line 15 the de minimis extraordinary items that the partnership chooses to include on line 22b. See *Extraordinary items* above.

**Line 22b.** If the partnership has certain extraordinary items of \$1 million or more from a transaction, or a section 481(a) adjustment, special rules apply. Include these amounts on line 22b for the appropriate period. Also include on line 22b the de minimis extraordinary items that the partnership chooses to exclude from line 15. See *Extraordinary items* above.

**Line 23.** Enter the reduction to the line 22c amount by reason of valid certificates received from foreign partners under Regulations section 1.1446-6T. See *Certification of Deductions and Losses* in the Instructions for Forms 8804, 8805, and 8813 for additional information.

### Part V. Annualized Income Installment Method

**Line 30. Annualization periods.** Enter on line 30, columns (a) through (d), respectively, the annualization periods for the option listed below. For example, if the partnership elected Option 1, enter on line 30 the annualization periods 2, 4, 7, and 10, in columns (a) through (d), respectively.



Use Option 1 or Option 2 only if the partnership elected to do so by filing Form 8842, *Election To Use Different Annualization Periods for Corporate Estimated Tax*, by the due date of the first required installment payment. Once made, the election is irrevocable for the particular tax year.

	1st Installment	2nd Installment	3rd Installment	4th Installment
Standard option	3	3	6	9
Option 1 . . . .	2	4	7	10
Option 2 . . . .	3	5	8	11

**Line 31.** Enter on lines 31a through 31d the ECTI allocable to all foreign partners for the months entered for each annualization period in columns (a) through (d) on line 30.

If the partnership has certain extraordinary items, special rules apply. Do not include on line 31a, 31b, 31c, or 31d the de minimis extraordinary items that the partnership chooses to include on line 33a, 33d, 33g, or 33h, respectively. See *Extraordinary items* on page 6.

With respect to lines 31b through 31d, enter the specified types of income allocable to noncorporate partners if (a) such partners would be entitled to use a preferential rate on such income or gain (see Regulations section 1.1446-3(a)(2)) and (b) the partnership has sufficient documentation to meet the requirements of Regulations section 1.1446-3(a)(2)(ii).

If the partnership has net ordinary loss, net short-term capital loss, or net 28% capital loss, each net loss should be netted against the appropriate categories of income and gain to determine the amounts of income and gain to be entered on lines 31b, 31c, and 31d, respectively. See section 1(h) and Notice 97-59, 1997-45 I.R.B. 7, for rules for netting gains and losses. In addition, if the partnership has received any certificates under Regulations section 1.1446-6T, then the netting rules of section 1(h) and Notice 97-59 must be considered in determining the category of income such items offset.

**Line 32. Annualization amounts.** Enter on line 32, columns (a) through (d), respectively, the annualization amounts shown in the tables below for the option used for line 30. For example, if the partnership elected Option 1, enter on line 32 the annualization amounts 6, 3, 1.71429, and 1.2, in columns (a) through (d), respectively.

	1st Installment	2nd Installment	3rd Installment	4th Installment
Standard option	4	4	2	1.33333
Option 1 . . . .	6	3	1.71429	1.2
Option 2 . . . .	4	2.4	1.5	1.09091

**Lines 33a, 33d, 33g, and 33h.** If the partnership has extraordinary items that total \$1 million or more from a particular transaction, or a section 481(a) adjustment, special rules apply. Include these amounts on line 33a, 33d, 33g, or 33h, depending on the type of income against which the item applies, for the appropriate period. Also include on line 33a, 33d, 33g, or 33h the de minimis extraordinary items that the partnership chooses to exclude from line 31a, 31b, 31c, or 31d, respectively. See *Extraordinary items* on page 6.

If the partnership has included on line 33a, 33d, 33g, or 33h any of the items referred to in the previous paragraph, write "E1" and the dollar amount of the item next to the affected line. Attach a schedule which shows the income for that line before the extraordinary item, the amount of the extraordinary item, and the net amount. Also include an explanation of the item, including the authority under which it is being claimed.

**Lines 33b, 33e, and 33i.** Enter the reduction amounts by reason of valid certificates received from foreign partners under Regulations section 1.1446-6T. See *Certification of Deductions and Losses* in the Instructions for Forms 8804, 8805, and 8813 for additional information.

**Line 33g.** Multiply line 31c by line 32 to determine the unrecaptured section 1250 gains allocable to non-corporate partners. If you have a reduction to this amount due to the application of the netting rules referred to in the last sentence of the line 31 instructions above, net

this reduction against the unrecaptured section 1250 gains allocable to non-corporate partners before entering this amount on line 33g. Also attach a schedule showing (1) the amount of partnership level unrecaptured section 1250 gains allocable to foreign partners before the reduction caused by partner level certificates under Regulations section 1.1446-6T; (2) the amount of the reduction for certificates under Regulations section 1.1446-6T; and (3) the net amount reported on line 33g.

## Part VI. Required Installments

**Line 38.** Before completing line 38 in columns (b) through (d), complete lines 39 through 43 in each of the preceding columns. For example, complete lines 39 through 43 in column (a) before completing line 38 in column (b).

**Line 43.** For each installment, enter the smaller of line 39 or line 42 on line 43. Also enter the result on line 5.

## Part VII. Figuring the Penalty

Complete Part VII to determine the amount of the penalty. The penalty is figured for the period of underpayment using the underpayment rate determined under section 6621(a)(2). The period of underpayment runs from the installment due date to the earlier of the date the underpayment is actually paid or the 15th day of the fourth month after the close of the 2007 tax year (the 15th day of the sixth month if the partnership keeps its books and records outside the United States and Puerto Rico). For information on obtaining the interest rate on underpayments paid after June 30, 2008, see the footnote on page 4 of the schedule.

**Line 44.** A payment of estimated tax is applied against underpayments of required installments in the order that installments are required to be paid, regardless of the installment to which the payment pertains.

**Example.** A partnership underpaid the April 15 installment by \$1,000. The June 15 installment requires a payment of \$2,500. On June 11, the partnership deposits \$2,500 to cover the June 15 installment. However, \$1,000 of this payment is applied against the April 15 installment. The penalty for the April 15 installment is figured to June 11 (57 days). The remaining \$1,500 is applied to the June 15 installment as if it were made on June 15.

If the partnership has made more than one payment for a required installment, attach a separate computation for each payment.

**Paperwork Reduction Act Notice.** We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Form	Recordkeeping	Learning about the law or the form	Preparing and sending the form to the IRS
8804, Schedule A, Parts II, III, and VII	27 hr., 58 min.	47 min.	1 hr., 17 min.
8804, Schedule A, Part IV	20 hr., 5 min.	24 min.	44 min.
8804, Schedule A, Part V	21 hr., 3 min.	30 min.	52 min.
8804, Schedule A, Part VI	6 hr., 13 min.	—	6 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.