

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

**Shareholder's Statement of IC-DISC Distributions—1999**

OMB No. 1545-0938

Department of the Treasury  
Internal Revenue Service

For calendar year 1999 or other tax year

beginning \_\_\_\_\_, 1999, ending \_\_\_\_\_  
(Complete for each shareholder. See instructions on back of Copy C.)

**COPY A—File with  
Form 1120-IC-DISC**

**Part I Taxable Distributions**

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

**Section A—C Corporations**

4a	Part of line 3 above entitled to section 243 dividends-received deduction . . . . .	<b>4a</b>	
4b	Part of line 3 above NOT entitled to dividends-received deduction . . . . .	<b>4b</b>	

**Section B—Shareholders Other Than C Corporations**

5	Amount of taxable dividends included on line 3 . . . . .	<b>5</b>	
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**Part II Nontaxable Distributions**

6	Actual distributions from previously taxed income and accumulated pre-1985 DISC income . . . . .	<b>6</b>	
7	Other actual nontaxable distributions . . . . .	<b>7</b>	
8	<b>Total nontaxable distributions.</b> Add lines 6 and 7 . . . . .	<b>8</b>	

**Part III Other Information**

9	Accumulated IC-DISC income attributable to stock sold during the year . . . . .	<b>9</b>	
10	Deferred DISC income. See instructions . . . . .	<b>10</b>	

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 1999 or other tax year

beginning \_\_\_\_\_, 1999, ending \_\_\_\_\_

OMB No. 1545-0938

**COPY B—  
For Shareholder**

**Part I Taxable Distributions**

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

**Section A—C Corporations**

4a	Part of line 3 above entitled to section 243 dividends-received deduction . . . . .	<b>4a</b>	
4b	Part of line 3 above NOT entitled to dividends-received deduction . . . . .	<b>4b</b>	

**Section B—Shareholders Other Than C Corporations**

5	Amount of taxable dividends included on line 3 . . . . .	<b>5</b>	
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**Part II Nontaxable Distributions**

6	Actual distributions from previously taxed income and accumulated pre-1985 DISC income . . . . .	<b>6</b>	
7	Other actual nontaxable distributions . . . . .	<b>7</b>	
8	<b>Total nontaxable distributions.</b> Add lines 6 and 7 . . . . .	<b>8</b>	

**Part III Other Information**

9	Accumulated IC-DISC income attributable to stock sold during the year . . . . .	<b>9</b>	
10	Deferred DISC income. You must file Form 8404—see instructions . . . . .	<b>10</b>	

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

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.**

**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**).

**Disposing of IC-DISC Stock.**

**Deemed distributions.** You are treated as having received deemed distributions (line 1c, Part I) 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.

**Actual taxable distributions.** You must pay tax on actual taxable distributions (line 2, Part I) in the year of receipt.

**Section A—C Corporations.** Line 4a, Section A, shows the part of the total taxable distribution on line 3, Part I, 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.

**Section B—Shareholders Other Than C Corporations.** If you are an individual, partnership, S corporation, estate, or trust, line 5 shows the amount of line 3, Part I, 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, Part III). 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 got stock in an IC-DISC from a shareholder described above, you may be able to treat part of the distribution on line 1a or 1b (or both) of Part I as a nontaxable distribution of previously taxed income. See section 996(d) for details.

**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).

**Deferred DISC Income.** Line 10, Part III, 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.

**Note:** Rev. Rul. 99-52, 1999-50 I.R.B. 652, contains the "base period T-bill rate" for line 8 of Form 8404 for tax years beginning in 1999.

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Department of the Treasury  
Internal Revenue Service

**Shareholder's Statement of IC-DISC Distributions—1999**

For calendar year 1999 or other tax year

beginning \_\_\_\_\_, 1999, ending \_\_\_\_\_  
(Complete for each shareholder. See instructions on back of Copy C.)

OMB No. 1545-0938

**COPY C—  
For IC-DISC's records**

**Part I Taxable Distributions**

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

**Section A—C Corporations**

4a	Part of line 3 above entitled to section 243 dividends-received deduction . . . . .	<b>4a</b>	
4b	Part of line 3 above NOT entitled to dividends-received deduction . . . . .	<b>4b</b>	

**Section B—Shareholders Other Than C Corporations**

5	Amount of taxable dividends included on line 3 . . . . .	<b>5</b>	
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**Part II Nontaxable Distributions**

6	Actual distributions from previously taxed income and accumulated pre-1985 DISC income . . . . .	<b>6</b>	
7	Other actual nontaxable distributions . . . . .	<b>7</b>	
8	<b>Total nontaxable distributions.</b> Add lines 6 and 7 . . . . .	<b>8</b>	

**Part III Other Information**

9	Accumulated IC-DISC income attributable to stock sold during the year . . . . .	<b>9</b>	
10	Deferred DISC income. See instructions . . . . .	<b>10</b>	

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 IC-DISC

## 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 year. File Copy A with 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.** On line 1a, enter the shareholder's part of the deemed distributions under section 995(b)(1) and on line 1b, enter the portion 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.

On 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.

**Section A.** Complete for shareholders that are C corporations. 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 4b.** Enter on line 4b all Part I income for C corporation shareholders that is taxable and **not** entitled to the dividends-received deduction.

**Section B.** Complete for shareholders that are individuals, partnerships, S corporations, estates, or trusts. Enter on line 5 each shareholder's portion of taxable dividends included on line 3, Part I.

**Part II—Nontaxable Distributions.** On line 6, enter the shareholder's portion 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.

On line 7, enter the shareholder's part 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, 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 in the IC-DISC during the period the shareholder held the stock.

**Part III, 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.

