

**§ 1.561-1**

Add (see section 556(b)):	
Contributions deductible in computing taxable income under section 63 .....	5,000
Excess property expenses and depreciation over amount of rent received for use of property (\$105,000 - \$5,000) .....	100,000
<b>Total</b> .....	<b>105,000</b>
Deduct (see section 556(b)):	
Federal income taxes .....	59,125
Contributions (within the percentage limitations specified in section 170(b)(1) (A) and (B), determined under the rules provided in section 556(b)(2)) .....	15,000
<b>Total</b> .....	<b>74,125</b>
Net additions under section 556(b) .....	30,875
Taxable income, as adjusted under section 556(b) .....	210,875
Less: Deduction for dividends paid (see section 561) .....	50,000
Undistributed foreign personal holding company income .....	160,875

**DEDUCTION FOR DIVIDENDS PAID**

**§ 1.561-1 Deduction for dividends paid.**

(a) The deduction for dividends paid is applicable in determining accumulated taxable income under section 535, undistributed personal holding company income under section 545, undistributed foreign personal holding company income under section 556, investment company taxable income under section 852, and real estate investment trust taxable income under section 857. The deduction for dividends paid includes:

- (1) The dividends paid during the taxable year;
- (2) The consent dividends for the taxable year, determined as provided in section 565; and
- (3) In the case of a personal holding company, the dividend carryover computed as provided in section 564.

(b) For dividends for which the dividends paid deduction is allowable, see section 562 and § 1.562-1. As to when dividends are considered paid, see § 1.561-2.

[T.D. 6500, 25 FR 11737, Nov. 26, 1960, as amended by T.D. 6598, 27 FR 4093, Apr. 28, 1962]

**§ 1.561-2 When dividends are considered paid.**

(a) *In general.* (1) A dividend will be considered as paid when it is received by the shareholder. A deduction for

dividends paid during the taxable year will not be permitted unless the shareholder receives the dividend during the taxable year for which the deduction is claimed. See section 563 for special rule with respect to dividends paid after the close of the taxable year.

(2) If a dividend is paid by check and the check bearing a date within the taxable year is deposited in the mails, in a cover properly stamped and addressed to the shareholder at his last known address, at such time that in the ordinary handling of the mails the check would be received by the shareholder within the taxable year, a presumption arises that the dividend was paid to the shareholder in such year.

(3) The payment of a dividend during the taxable year to the authorized agent of the shareholder will be deemed payment of the dividend to the shareholder during such year.

(4) If a corporation, instead of paying the dividend directly to the shareholder, credits the account of the shareholder on the books of the corporation with the amount of the dividend, the deduction for a dividend paid will not be permitted unless it be shown to the satisfaction of the Commissioner that such crediting constituted payment of the dividend to the shareholder within the taxable year.

(5) A deduction will not be permitted for the amount of a dividend credited during the taxable year upon an obligation of the shareholder to the corporation unless it is shown to the satisfaction of the Commissioner that such crediting constituted payment of the dividend to the shareholder within the taxable year.

(6) If the dividend is payable in obligations of the corporation, they should be entered or registered in the taxable year on the books of the corporation, in the name of the shareholder (or his nominee or transferee), and, in the case of obligations payable to bearer, should be received in the taxable year by the shareholder (or his nominee or transferee) to constitute payment of the dividend within the taxable year.

(7) In the case of a dividend from which the tax has been deducted and withheld as required by chapter 3 (section 1441 and following), of the Code