

Such amounts are reported as negative numbers.

Line 2a. This line of column (d) is the unsuspended taxes under section 909 as a result of related income taken into account by the foreign corporation, certain U.S. corporate owners of the foreign corporation, or a member of such U.S. corporate owner's consolidated group. Report the unsuspended taxes on line 2a of column (d) as a positive number. Report the unsuspended taxes as negative numbers on line 2a of column (a), (b), (c), or (e), as applicable.

Line 2b. This line of column (d) accounts for foreign income taxes that are suspended in the current tax year. Report such amounts as negative numbers.

Line 3. Enter the current year E&P (or deficit in E&P) amount from the applicable line 5c of Schedule H (Form 5471). For example, if you are completing Schedule J for the passive category (that is, you have entered "PAS" on line a at the top of page 1 of Schedule J), enter the current year E&P (or deficit in E&P) amount from Schedule H (Form 5471), line 5c(ii), in the applicable column. Line 3 should never have an amount entered in column (e).

Line 4. Report as a positive number E&P attributable to distributions of PTEP from lower-tier foreign corporations. Generally, the E&P of a CFC attributable to amounts that are, or have been, included in the gross income of a U.S. shareholder under section 951(a) are not, when distributed through a chain of ownership described in section 958(a), also included in the gross income of another CFC in such chain for purposes of the application of section 951(a) to such other CFC with respect to such U.S. shareholder. See section 959(b).

Line 5a. Enter earnings carried over to a foreign surviving corporation after an acquisition by a foreign corporation of the assets of another foreign corporation in a transaction described in section 381. See Regulations section 1.367(b)-7. The amounts entered on line 5a may be negative or positive. Negative amounts are hovering deficits reported in column (d) of line 5a.

Line 5b. If the foreign surviving corporation had a deficit in E&P prior to a transaction described in section 381, such deficit is recharacterized as a hovering deficit after such nonrecognition transaction. See section 381(c)(2)(B) and Regulations sections 1.367(b)-7(d)(2)(i) (post-1986 undistributed earnings) and 1.367(b)-7(e)(1) (pre-1987 E&P not previously taxed). An amount equal to the deficit reported in column (a), (b), or (c) of line 5a is included as a positive amount on line 5b of column (a), (b), or (c), respectively. An amount equal to the total

hovering deficits reported on line 5b of columns (a), (b), and (c) is included as a negative number in column (d) of line 5b.

Line 6. Attach a statement detailing the nature and amount of any adjustments not accounted for in the E&P determined before reduction for distributions and inclusions (that is, adjustments other than those listed on lines 2a through 5b). Do not include amounts reported on line 1b. An example of an adjustment entered on Line 6 is the foreign taxes imposed on receipt of a distribution of PTEP from a lower-tier foreign corporation.

Example. Domestic Corporation, a U.S. shareholder, wholly owns the only class of stock of CFC1, a foreign corporation. CFC1, in turn, wholly owns the only class of stock of CFC2, a foreign corporation. CFC2, in turn, wholly owns the only class of stock of CFC3, a foreign corporation. The functional currency of Domestic Corporation, CFC1, CFC2, and CFC3 is the U.S. dollar. During Year 1, Domestic Corporation reports an inclusion under section 951(a)(1) of \$100 as a result of subpart F income of CFC3. During Year 2, CFC3 distributes \$40 to CFC2. CFC2 pays withholding tax of \$4 on the distribution from CFC3. Such tax is related to previously taxed subpart F income. Domestic Corporation reports on CFC2's Form 5471, Schedule J, line 4, column (e) (x), as a positive number, the \$40 PTEP distribution. Domestic Corporation reports on line 6, column (e)(x), as a negative number, the \$4 of tax on the PTEP distribution.

Line 7. Enter on line 7 E&P as of the close of the tax year before actual distributions or inclusions under section 951(a)(1) or section 951A during the year.

Line 8. Enter amounts included in gross income of the U.S. shareholder(s) under section 951(a)(1)(A) or section 951A with respect to the CFC. Report the inclusion as a negative amount in columns (a) through (c), as applicable. Report the inclusion as a positive amount in columns (e)(vi) through (e)(x), as applicable. Amounts reported as positive numbers on line 8 of column (e)(viii) should only be reported with respect to negative amounts on line 8 of column (a). The negative amounts could be reported on a different Schedule J than the positive amounts if such amounts are reclassified from one separate category to another separate category.

Note. Section 951(a)(1)(A) inclusions are taken into account for the tax year before actual distributions and section 951(a)(1)(B) inclusions. See section 959(a).

Note. The amount included in gross income of U.S. shareholders of the CFC under section 951A might not be known if

there is more than one U.S. shareholder. In that case, see the example in the instructions for Schedule P for reporting information.

Note. The amount reported on line 8 will not necessarily equal the tested income reported on Schedule I-1. For an example of when this might occur, see Regulations section 1.951A-5(b)(2)(ii).

Line 9. Report actual distributions as negative numbers.

Note. Actual distributions are taken into account for the tax year before section 951(a)(1)(B) inclusions. See section 959(f)(2). An actual distribution is first out of PTEP, if any, and then out of the section 959(c)(3) balance. See section 959(c).

Note. The total of all amounts entered in Schedule R (Form 5471), column (d) must equal the amount on line 9, column (f) of the Schedule J (Form 5471) that is filed with code "TOTAL" entered on line a of that Schedule J.

Line 10. Use line 10 to report reclassifications of section 959(c)(2) PTEP in columns (e)(vi) through (e)(x) to section 959(c)(1) PTEP in columns (e)(i) through (e)(v). A potential section 951(a)(1)(B) inclusion results in a reclassification of section 959(c)(2) PTEP, if any, to section 959(c)(1) PTEP before reclassification out of the section 959(c)(3) E&P balance. See section 959(a)(2) and (f)(1). The amounts reclassified are reported as negative numbers in columns (e)(vi) through (e)(x) and positive numbers in columns (e)(i) through (e)(v), as applicable.

Line 11. Use this line to report E&P not previously taxed, which is treated as earnings invested in U.S. property and, therefore, reclassified to section 959(c)(1) PTEP (column (e)(iii)). The amounts reclassified are reported as negative numbers in columns (a) through (c) and positive numbers in column (e)(iii), as applicable.

Line 12. Attach a statement detailing the nature and amount of any adjustments in E&P not accounted for on lines 8 through 11. Do not include adjustments required to be reported on line 1b or line 6.

Line 13. The hovering deficit offset included in column (d) is reported as a positive number. The same amount entered in column (d) is reported as a negative number on line 13 of column (a) or (b), as appropriate. See section 381(c)(2)(B) and Regulations section 1.367(b)-7(d)(2)(ii).

Schedule M

Every U.S. person described in Category 4 must file Schedule M to report the

transactions that occurred during the foreign corporation's annual accounting period ending with or within the U.S. person's tax year.

If a U.S. corporation that owns stock in a foreign corporation is a member of a consolidated group, list the common parent as the U.S. person filing Schedule M.

Important. In translating the amounts from functional currency to U.S. dollars, use the average exchange rate for the foreign corporation's tax year. See section 989(b). Report the exchange rate in the entry space provided at the top of Schedule M using the "divide-by convention" specified under [Reporting exchange rates on Form 5471](#), earlier.

Name of person filing Form 5471. The name of the person filing Form 5471 is generally the name of the U.S. person described in the applicable category or categories of filers (see [Categories of Filers](#), earlier). However, in the case of a consolidated return, enter the name of the U.S. parent in the field for "Name of person filing Form 5471."

Reference ID number of foreign corporation. Use the reference ID number shown on Form 5471, line 1b(2).

Lines 4 and 19. Report on these lines platform contribution transaction payments received and paid by the foreign corporation (without giving effect to any netting of payments due and owed). See Regulations section 1.482-7(b)(1)(ii). The corporation is required to complete both lines only if the corporation provides a platform contribution to other controlled participants and is required to make platform contribution transaction payments to other controlled participants that provide a platform contribution to other controlled cost sharing arrangement participants.

Lines 5 and 20. Report on these lines cost sharing transaction payments received and paid by the foreign corporation (without giving effect to any netting of payments due and owed). See Regulations section 1.482-7(b)(1)(i). The corporation is required to complete line 5 only if the corporation itself incurred intangible development costs. If the corporation does not itself incur intangible development costs, then it should only report cost sharing transaction payments made on line 20.

Lines 9 and 24. Report on line 9 the sum of tiered hybrid dividends received by the foreign corporation during its tax year. Report on line 24 the sum of hybrid dividends or tiered hybrid dividends paid by the foreign corporation during its tax year.

Lines 10 and 25. Report on these lines dividends received and paid by the foreign corporation not previously taxed under subpart F in the current year or in any prior year.

Lines 13 and 28. Report on these lines loan guarantee fees received (line 13) and loan guarantee fees paid (line 28). See section 482.

Lines 14 and 29. Report on these lines "other amounts received" (line 14) and "other amounts paid" (line 29).

If an amount is entered on line 14, you must attach a statement that includes the following information. Column (a) of the attached statement should provide a description of the type of other amounts received during the annual accounting period. Columns (b) through (f) should request dollar amounts of the specified other amounts received during the annual accounting period by the foreign corporation from the persons listed in the headings for columns (b) through (f). These headings must comport to those used on the Schedule M (Form 5471) to which this statement is attached. The attached statement must include a "totals" line that ties into the amounts reported in each column of line 14.

If an amount is entered on line 29, you must attach a statement that includes the following information. Column (a) of the attached statement should provide a description of the type of other amount paid during the annual accounting period. Columns (b) through (f) should request dollar amounts of the specified other amounts paid during the annual accounting period by the foreign corporation to the persons listed in the headings for columns (b) through (f). These headings must comport to those used on the Schedule M (Form 5471) to which this statement is attached. The attached statement must include a "totals" line that ties into the amounts reported in each column of line 29.

Lines 31 and 33. Report on these lines the largest aggregate outstanding accounts receivable and payable balances during the year with the related parties described in columns (b) through (f). Report only accounts receivables or payables arising in connection with the provision of services or the sale or processing of property. Only net accounts receivables and payables to the extent that the CFC's books net the accounts payable against the receivables as payment of the accounts receivable.

Lines 32 and 34. Report on these lines the largest outstanding balances during the year of gross amounts borrowed from, and gross amounts loaned to, the related parties described in columns (b) through (f). Do not enter aggregate cash flows,

year-end loan balances, average balances, or net balances. Do not include an account receivable or payable balance arising in connection with the provision of services or the sale or processing of property if the amount of such balance does not, at any time during the tax year, exceed what is ordinary and necessary to carry on the trade or business. Any outstanding balance from these transactions should be reported on the Balance Sheet (Form 5471, Schedule F, page 4) and possibly also on Schedule M, lines 31 and 33.

Accrued payments and receipts. A corporation that uses an accrual method of accounting must use accrued payments and accrued receipts for purposes of computing the total amount to enter on each line of Schedule M.

Schedule O

Schedule O is used to report the organization or reorganization of a foreign corporation and the acquisition or disposition of its stock.

Every U.S. citizen or resident described in Category 2 must complete Part I. Every U.S. person described in Category 3 must complete Part II.

See Regulations section 1.6046-1(i) for rules on determining when U.S. persons constructively own stock of a foreign corporation and therefore are subject to the section 6046 filing requirements.

Name of person filing Form 5471. The name of the person filing Form 5471 is generally the name of the U.S. person described in the applicable category or categories of filers (see [Categories of Filers](#), earlier). However, in the case of a consolidated return, enter the name of the U.S. parent in the field for "Name of person filing Form 5471."

Reference ID number of foreign corporation. Use the reference ID number shown on Form 5471, line 1b(2).

Part I

Column (d). Enter the date the shareholder first acquired 10% or more (in value or voting power) of the outstanding stock of the foreign corporation.

Column (e). Enter the date the shareholder acquired (whether in one or more transactions) an additional 10% or more (in value or voting power) of the outstanding stock of the foreign corporation.