



## Instructions

Section references are to the Internal Revenue Code.

### 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.

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

<b>Recordkeeping</b> . . . . .	.19 hr., 51 min.
<b>Learning about the law or the form</b> . . . . .	1 hr., 20 min.
<b>Preparing the form</b> . . . . .	3 hr., 35 min.
<b>Copying, assembling, and sending the form to the IRS</b> . . . . .	32 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. You can write to the IRS at the address listed in the instructions for the tax return with which this form is filed.

### Purpose of Form

Complete Form 5452 if nondividend distributions are made to shareholders under section 301 or section 1368(c)(3).

### Who Must File

All corporations that have made nondividend distributions to their shareholders must file Form 5452.

A **calendar tax year corporation** must file Form 5452 and the items listed under **Supporting Information** with its income tax return due for the tax year in which the nondividend distributions were made.

A **fiscal tax year corporation** must file Form 5452 and the items listed under **Supporting Information** with its income tax return due for the first fiscal year ending after the calendar year in which the nondividend distributions were made.

If the corporation is a member of a consolidated group, the parent corporation must file Form 5452. An S corporation should file this form only for distributions made under section 1368(c)(3).

## Nondividend Distributions

Nondividend distributions are distributions made to shareholders in the normal course of business.

They are considered fully or partially nontaxable as dividends only because the paying corporation's current and accumulated earnings and profits are less than the distributions. Nondividend distributions do not include tax-free stock dividends or distributions exchanged for stock in liquidations or redemptions.

### Corporate Distributions

Complete **Part E**, Corporate Distributions, showing the taxable and nontaxable status of distributions reported to shareholders. The percent of distributions that is taxable and the percent that is nontaxable are based on the amounts shown on each line in the column, Total Amount Paid. If noncash distributions were made, attach a statement and show both the tax bases and fair market values.

### Supporting Information

1. Attach the following information to Form 5452. See Revenue Procedure 75-17, 1975-1 C.B. 677.

- A computation of earnings and profits for the tax year (see the example of a worksheet on page 3 and a blank worksheet on page 4). Also attach a schedule of the differences between the earnings and profits computation and the Schedule M-1 (Form 1120).
- A year-by-year computation of the accumulated earnings and profits, and a schedule of differences since the origin of the company, February 28, 1913, or the last year that information was furnished, whichever is later.
- A tax basis balance sheet. Show application of the net differences to the balance sheet items as shown on Schedule L (Form 1120). Explain any further adjustments necessary to figure the balance sheet on a tax basis. If the corporation used an accelerated method of depreciation, attach a schedule of the depreciation (and any amortization) figured under the straight line method. Also attach a reconciliation of any difference between that amount and the amount deducted on Form 1120 or other comparable return. See Exhibits B and C in Rev. Proc. 75-17.

2. A consolidated filer must also attach the following information.

- A schedule that shows the allocation of the consolidated tax liability and identifies the method used. (Indicate if an intercompany agreement is in effect.)
- A schedule that shows the taxable income or loss of each member of the consolidated group.
- For each member of a consolidated group that made nondividend distributions, provide the information requested in Item 1 above.

### Example of a Worksheet for Figuring Current-Year Earnings and Profits

XYZ Corporation, EIN 00-0000000

123 Main Street

Anycity, Yourstate 20200

	Retained Earnings Shown in Books		Earnings and Profits Current Year		Accumulated Earnings and Profits Credit Balance	Key
	Debit	Credit	Debit	Credit		
Date Incorporated: <u>1/1/80</u>						
Method of Accounting: <u>Accrual</u>						
<b>Balance forward 12/31/93</b>		\$225,000			\$20,900	
<b>1994</b>						
<b>1</b> Taxable income from Form 1120, line 28 (or comparable line of other income tax return) . . .			214,700	\$214,700		a
<b>2</b> Federal income taxes per books and tax return	\$60,000		\$60,000			a
<b>3</b> Excess of capital losses over capital gains (tax basis)	3,600		3,600			a
<b>4</b> Depreciation adjustment on earnings and profits (section 312(k)) . . . . .				24,000		
<b>5</b> Depreciation adjustment on sale of property . . .			4,000			
<b>6</b> Total itemized expenses from line 5, Schedule M-1	11,050					
<b>a</b> Travel and entertainment . . . . .	\$200		200			a
<b>b</b> Life insurance premium greater than cash surrender value (CSV) . . . . .	9,500		9,500			a
<b>c</b> Nondeductible interest paid for tax-exempt bonds	850		850			a
<b>d</b> Contributions carryover . . . . .	500		500			a
<b>e</b> Other (list separately). . . . .						
<b>7</b> Total itemized income from line 7, Schedule M-1		14,500				
<b>a</b> Life insurance proceeds greater than CSV . . .	6,000			6,000		a
<b>b</b> Bad debt recovery (not charged against taxable income) . . . . .	3,500					b
<b>c</b> Tax-exempt interest on municipal bonds . . .	5,000			5,000		a
<b>d</b> Other (list separately). . . . .						
<b>8</b> Refund of prior year Federal income taxes . . .						
<b>9</b> Reserve for contingencies . . . . .	10,000					c
<b>10</b> Additional adjustments:						
.....						
.....						
<b>11</b> Totals . . . . .			78,650	249,700		
<b>Current-Year Earnings and Profits.</b> . . . . .				171,050		
<b>Cash Distributions:</b>						
<i>Preferred stock:</i> 3/15/94, 6/15/94, 9/15/94, 12/15/94	40,000		40,000			a
10,000 Shares at \$1.00/Share = \$40,000						
<i>Common stock:</i>						
1. 3/31/94 - 90,000 Shares at \$1.00 = \$90,000						
From current-year earnings and profits . . . . .	72.81%	65,525	65,525			a
From accumulated earnings and profits . . . . .	23.22%	20,900			(20,900)	a
Total distribution from earnings and profits . . . . .	96.03%	86,425				
From other distribution . . . . .	3.97%	3,575				
Total distribution . . . . .	100%	90,000				
2. 9/30/94 - 90,000 Shares at \$1.00 = \$90,000						
From current-year earnings and profits . . . . .	72.81%	65,525	65,525			a
From other distribution . . . . .	27.19%	24,475				
Total distribution . . . . .	100%	90,000				
Total cash distributions . . . . .	220,000					
Totals . . . . .	304,650	229,200	171,050	171,050		
Current-year change . . . . .	75,450				(20,900)	
<b>Balance forward 12/31/94</b> . . . . .		\$149,550			\$—0—	

**Explanation of Key**

**a** - Identical items on the same line.

**b** - Item offset in 1992. Bad debt reserve method used for book accounting.

**c** - Item partially offset.

## Worksheet for Figuring Current-Year Earnings and Profits

	Retained Earnings Shown in Books		Earnings and Profits Current Year		Accumulated Earnings and Profits Credit Balance	Key
	Debit	Credit	Debit	Credit		
Date Incorporated: _____						
Method of Accounting: _____						
<b>Balance forward 12/31/</b> _____						
<b>19</b> _____						
<b>1</b> Taxable income from Form 1120, line 28 (or comparable line of other income tax return) . . .						
<b>2</b> Federal income taxes per books and tax return						
<b>3</b> Excess of capital losses over capital gains (tax basis)						
<b>4</b> Depreciation adjustment on earnings and profits (section 312(k)) . . . . .						
<b>5</b> Depreciation adjustment on sale of property . . .						
<b>6</b> Total itemized expenses from line 5, Schedule M-1						
<b>a</b> Travel and entertainment . . . . .						
<b>b</b> Life insurance premium greater than cash surrender value (CSV) . . . . .						
<b>c</b> Nondeductible interest paid for tax-exempt bonds						
<b>d</b> Contributions carryover . . . . .						
<b>e</b> Other (list separately) . . . . .						
<b>7</b> Total itemized income from line 7, Schedule M-1						
<b>a</b> Life insurance proceeds greater than CSV . . .						
<b>b</b> Bad debt recovery (not charged against taxable income) . . . . .						
<b>c</b> Tax-exempt interest on municipal bonds . . .						
<b>d</b> Other (list separately). . . . .						
<b>8</b> Refund of prior year Federal income taxes . . .						
<b>9</b> Reserve for contingencies . . . . .						
<b>10</b> Additional adjustments:						
.....						
.....						
<b>11</b> Totals . . . . .						
<b>Current-Year Earnings and Profits</b> . . . . .						
<b>Cash Distributions:</b>						
From current-year earnings and profits . . . . . %						
From accumulated earnings and profits . . . . . %						
Total distribution from earnings and profits . . . . . %						
From other distribution . . . . . %						
Total distribution . . . . . 100%						
Total cash distributions. . . . .						
Totals . . . . .						
Current-year change. . . . .						
<b>Balance forward 12/31/</b> _____						