



**Calculate the corporation's PHC tax.**

7. A corporation is classified as a personal holding company.

Net income per books- before income taxes	\$325,000
Dividends-received deduction	25,000
Taxable income	300,000
Regular federal income tax liability is	100,250
Pays dividends to its shareholders	\$19,000

The personal holding company tax for the year is:

- a. \$80,448   b. \$62,930.   c. \$57,610.   d. \$41,150   e. Other

8. A corporation reported taxable income of \$140,000 for the year.

The company has provided the following information:

Dividends received deduction	37,000
Contributions in excess of 10%	4,000
Federal income taxes for the year	37,850
Dividends paid in the year	12,000

No additional dividends were paid. What is the UPHCI for the year?

- a. Less than \$100,000
- b. More than \$100,000, but not more than \$125,000
- c. More than \$125,000, but not more than \$150,000
- d. More than \$150,000, but not more than \$200,000
- e. More than \$200,000

9. A corporation is classified as a personal holding company. Its taxable income is \$300,000 and its regular federal income tax liability is \$100,250 for the current year. The company claims a \$25,000 dividends-received deduction and pays \$19,000 dividends to its shareholders.

The personal holding company tax for the current year is

- a. \$41,150   b. \$62,930   c.. \$57,610   d. \$50,610.   e. Other

**Determine whether a corporation is liable for the accumulated earnings tax.**

10. The accumulated earnings tax can be imposed

- a. On both partnerships and corporations.
- b. On companies that make distributions in excess of accumulated earnings.
- c. On personal holding companies.
- d. Regardless of the number of stockholders in a corporation. (CPA)

**Calculate the amount of the corporation's accumulated earnings tax.**

11. Atlanta Corporation (a construction corporation) is accumulating a significant amount of earnings and profits. Although the corporation is closely held, it is not a personal holding company. The following facts relate to the tax year:

Dividend income from a qualified domestic corporation (less than 20% owned)	\$30,000
Taxable income	\$450,000
Federal income tax	\$153,000
Dividends paid in current year	\$119,000
Accumulated earnings credit	\$13,000

What is **Accumulated Taxable Income** on which the accumulated earnings tax is based?

- a. Less than \$175,000
- b. More than \$175,000, but not more than \$180,000
- c. More than \$180,000, but not more than \$185,000
- d. More than \$185,000, but not more than \$190,000
- e. More than \$190,000

12. A manufacturing corporation has beginning balance of Accumulated Earnings and Profits of \$125,000. During the current year, the corporation has current earnings and profits (and adjusted taxable income) of \$400,000. The business has business needs for retaining \$100,000 of the current earnings.

What is the accumulated earnings credit for the current year?

- a. \$0.      b. \$25,000      c. \$100,000      d. \$125,000.      e. Other

**Explain how a corporation can avoid the personal holding company tax.**

**Explain how a corporation can avoid the accumulated earnings tax, etc.**

13. Dart Corp., a calendar-year domestic C corporation, is not a personal holding company. For purposes of the accumulated earnings tax, Dart has accumulated taxable income for the current year.

Which step(s) can Dart take to eliminate or reduce any accumulated earnings tax?

- I. Demonstrate that the "reasonable needs" of its business require the retention of all or part of the current year accumulated taxable income
  - II. Pay dividends by March 15 by the following year.
- a. I only.                      b. II only.
  - c. Both I and II              d. Neither I nor II              CPA

14. The accumulated earnings tax does not apply to

- a. Corporations that have more than 100 stockholders.
- b. Personal holding companies.
- c. Corporations filing consolidated returns.
- d. Corporations that have more than one class of stock.      [CPA ]