Sup	plemental Homework for Chapter 4-Part-2				
Int	roduction – Combinations of Questions				
<b>1.</b> W	hich of the following taxes is not reported on a schedu	le at	tached to	the annual income tax re	eturn?
а. с.	Alternative Minimum Tax <b>b.</b> Personal Holding Company Tax	A	ccumulate	ed Earnings Tax	В
	<b>533]</b> Which of these taxes is affected by the motives ording dividend policy?	f ma	nagement	for its decisions	
a.	Alternative Minimum Tax b.			ed Earnings Tax	В
c.	Personal Holding Company Tax d.	Α	I of these		
stoc	541, 543] Sue owned stocks that pay dividends of \$ ks in a newly organized SueCorp owned by Sue. This ne dividends. SueCorp does not pay dividends. SueC  Dividends from domestic taxable corporations  Dividends received deduction (Owns 25% of stock)  Taxable Income  Corporate income tax rate  Corporate income tax	s wa Corp	s done to	reduce the tax burden the following: 00 00 %	
Tho	corporation is subject to:		75,00	, o	
<b>a.</b>	Accumulated earnings tax <b>b.</b> Personal holding	g coi	mpany tax	1	В
inve	<b>§541, 543]</b> Alston Corp. has three stockholders and streets in stock and securities. Alston regularly disme as dividends to its stockholders. Alston Corpora Corporation subject to accumulated earnings tax Regulated investment company.	trib itior I	utes 51% ( i is a (an) <b>b.</b> Exemp		D
ofte	533, 547] When you determine (or the IRS determing nowish you could do something to avoid having to put of the following is least likely to be avoided after Alternative Minimum Tax  B.  Personal Holding Company Tax	ay tl the	nat tax. tax liabilit		Α
De	termine whether a corporation is a personal holding	ng co	ompany (F	PHC).	
<b>6.</b> C	romwell Investors, Inc. has ten unrelated equal stoo	kho	lders.		
	the current year, Cromwell's income comprised the				
	Dividends from domestic taxable corporations		\$10,000		
	Interest earned on notes receivable		6,000		

The corporation paid no dividends during the taxable year.

Deductible expenses totaled \$4,000 for the year. Cromwell's liability for PHC tax for the year will be based on undistributed personal holding company income of:

**a.** \$0

**b.** \$3,500

Net rental income

**c.** \$6,500

**d.** \$15,000

CPA

3,000

Α

## 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

D

В

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

D

## 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:

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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 <b>Accumulated Taxable Income</b>	on which the accumulated	earnings tax is based?
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a.	Less	than	\$175	000
a.	LCSS	unan	$\mathcal{I}$	.uuu

D

- **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

D

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?

- Demonstrate that the "reasonable needs" of its business require the retention ١. of all or part of the current year accumulated taxable income
- Pay dividends by March 15 by the following year. II.

С

- 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.

В

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