

**SCHEDULE I  
(Form 1118)**

(Rev. January 1999)

Department of the Treasury  
Internal Revenue Service

**Reduction of Oil and Gas Extraction Taxes**

▶ Attach to Form 1118

OMB No. 1545-0122

For calendar year \_\_\_\_\_, or other tax year beginning \_\_\_\_\_, and ending \_\_\_\_\_,

Name of corporation \_\_\_\_\_

Employer identification number \_\_\_\_\_

Report all amounts in U.S. dollars. Complete a *separate* Schedule I for *each* applicable category of income.

**Part I Foreign Oil and Gas Extraction Income and Taxes**

	1. Name of foreign country (Use a separate line for each country.)	Gross Oil and Gas Extraction Income From Sources Outside the United States and its Possessions (See instructions.)					
		2. Gross income from extraction of minerals from oil or gas wells	3. Gross income from sale or exchange of assets used in extraction	4. Certain dividends from foreign corporations	5. Constructive distributions under section 951(a)	6. Other	7. Total (add columns 2 through 6)
A							
B							
C							
D							
E							
F							
G							

**Totals** (add lines A through G)

	Deductions			11. Taxable income (column 7 minus column 10)	Oil and Gas Extraction Taxes (attach schedule)		
	8. Definitely allocable deductions	9. Ratable part of deductions not definitely allocable	10. Total (add columns 8 and 9)		12. Paid or accrued	13. Deemed paid	14. Total (add columns 12 and 13)
A							
B							
C							
D							
E							
F							
G							

**Totals** (add lines A through G)

**Part II** Reduction Under Section 907(a)

<b>1</b>	Foreign oil and gas extraction income. (See <b>Line 1</b> in the instructions below.) . . . . .	
<b>2</b>	Multiply line 1 by the highest rate of tax under section 11(b). (See <b>Line 2</b> below.) . . . . .	
<b>3</b>	Total taxes (from Part I, column 14, "Totals" line) . . . . .	
<b>4</b>	Carryover or carryback of disallowed credits. (See section 907(f)—attach schedule.) . . . . .	
<b>5</b>	Total taxes before reduction (add line 3 and line 4) . . . . .	
<b>6</b>	Reduction (subtract line 2 from line 5; if zero or less, enter -0-). Enter here and on Schedule G, Part II, line B of the corresponding Form 1118 . . . . .	

**General Instructions**

*Section references are to the Internal Revenue Code.*

**Who Must File**

If the corporation claims a credit for any income taxes paid, accrued, or deemed paid during the tax year on foreign oil and gas extraction income, complete Schedule I. The amount of the credit may be reduced. See section 907(a) and Regulations section 1.907(a)-1 for details.

**Note:** Schedule I must be completed for *each* applicable separate limitation.

**Method of Reporting**

Report all amounts in U.S. dollars. If it is necessary to convert from foreign currency, attach a statement explaining how the rate was determined.

**Specific Instructions**

**Note:** A net extraction loss from a foreign country offsets extraction income from other foreign countries.

**Part I**

See section 907(c) and Regulations section 1.907(c) for rules on the income to include in Part I.

**Note:** *Do not* include dividend or interest income that is passive income under section 904(d)(2)(A), even though it is from foreign oil and gas extraction or is foreign oil related income. See section 907(c). However *do* include interest and dividend income from foreign oil and gas extraction or that is foreign oil related income if taxes are deemed paid under section 902 for this income.

**Column 2.** Enter gross income from sources outside the United States and its possessions from extraction (by the corporation or any other person) of minerals from oil or gas wells located outside the United States and its possessions.

**Column 3.** Enter gross income from sources outside the United States and its possessions from the sale or exchange of assets used in the trade or business of extracting minerals from oil or gas wells located outside the United States and its possessions.

**Column 4.** Enter dividends from a foreign corporation for taxes deemed paid under section 902 if the dividends are from foreign oil and gas extraction income.

**Column 5.** Include the taxes deemed paid under section 960(a) on foreign oil and gas extraction income.

**Column 6.** Include the corporation's distributive share of partnership foreign oil and gas extraction income.

**Columns 12 and 13.** Attach a schedule to show how the foreign taxes paid, accrued, or deemed paid for foreign oil and gas extraction income were figured.

**Part II**

**Line 1.** Enter the total from Part I, column 11 minus any recapture of foreign oil and gas extraction losses by recharacterizing later extraction income, as described in section 907(c)(4).

**Line 2.** At the time this schedule went to print, the highest rate of tax specified under section 11(b) was 35%.

