

**SCHEDULE I  
(Form 1118)**

(Rev. December 2009)

**Reduction of Foreign Oil and Gas Taxes**

OMB No. 1545-0122

▶ Attach to Form 1118

Department of the Treasury  
Internal Revenue Service

For calendar year 20\_\_\_\_, or other tax year beginning\_\_\_\_, 20\_\_\_\_, and ending\_\_\_\_, 20\_\_\_\_

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 Combined Foreign Oil and Gas Income and Taxes**

	1. Name of foreign country (Use a separate line for each country.)	Gross Foreign Oil and Gas Income From Sources Outside the United States and its Possessions (See instructions.)					
		2. Gross foreign oil and gas extraction income	3. Gross foreign oil related income	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							
<b>Totals</b> (add lines A through F)							

	Deductions			11. Taxable income (column 7 minus column 10)	Foreign Oil and Gas 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							
<b>Totals</b>							

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

<b>1</b>	Combined foreign oil and gas income. (See the instructions for <b>Line 1</b> 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, line B of the corresponding Form 1118 . . . . .	

**General Instructions**

*Section references are to the Internal Revenue Code unless otherwise noted.*

**Who Must File**

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

Complete Schedule I for each applicable category of income.

**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**

**Part I**

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

**Note. Do not** include any dividend or interest income that is passive income. See the instructions for Form 1118 for the definition of passive income.

**Column 2.** Enter gross income from sources outside the United States and its possessions from the following:

- The extraction (by the corporation or any other person) of minerals from oil or gas wells located outside the United States and its possessions.
- 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.

See section 907(c)(1).

**Column 3.** Enter gross income from sources outside the United States and its possessions from the following:

- The processing of minerals extracted (by the corporation or any other person) of minerals from oil or gas wells (located outside the United States and its possessions) into their primary products.
- The transportation of such minerals or primary products.
- The distribution or sale of such minerals or primary products.
- The disposition of assets used in the trade or business described in the three previous bulleted items.
- The performance of any other related service.

See section 907(c)(2).

**Column 4.** Enter dividends (including section 78 gross-up) from a foreign corporation on which taxes are deemed paid

under section 902 only if the dividends are paid out of foreign oil and gas extraction income or foreign oil related income of the distributing corporation and are not passive income. Dividends from foreign corporations for which the corporation is not entitled to compute a deemed paid credit are passive income and are not included in Part I.

**Column 5.** Enter amounts taxable under section 951(a) (including section 78 gross-up) that are attributable to the controlled foreign corporation's combined foreign oil and gas income.

**Column 6.** Include the corporation's distributive share of partnership combined foreign oil and gas income. Also include in column 6 interest income paid by a foreign corporation on which taxes are deemed paid under section 902, to the extent it is paid out of foreign oil-related income. However, do not include interest income paid by a foreign subsidiary out of foreign oil and gas extraction income of the payor, even if it is not passive income.

See section 907(c)(3).

**Column 11.** For each country, subtract column 10 from column 7 and enter the result in column 11. When totaling the column 11 amounts, note that a taxable loss from a foreign country offsets taxable income from other countries.

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

**Part II**

**Line 1.** Enter the total from Part I, column 11, minus any recapture 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%.