



Global COE Hi-Stat Discussion Paper Series 100

**Research Unit for Statistical
and Empirical Analysis in Social Sciences (Hi-Stat)**

**Studying Innovation in Businesses:
New Research Possibilities**

Nicholas Greenia
Kaye Husbands Fealing
Julia Lane

December 2009

Hi-Stat

Institute of Economic Research
Hitotsubashi University
2-1 Naka, Kunitatchi Tokyo, 186-8601 Japan
<http://goe.ier.hit-u.ac.jp>

STUDYING INNOVATION IN BUSINESSES: NEW RESEARCH POSSIBILITIES

Nicholas Greenia¹

Internal Revenue Service

Kaye Husbands Fealing²

University of Minnesota

Julia Lane³

National Science Foundation

This paper was initially presented at the NBER/CRIW summer institute conference. We are grateful for the comments received from participants in that conference, as well as the discussant, Chad Syverson. The views expressed in this paper are the authors' and not necessarily those of either the U.S. Internal Revenue Service or the National Science Foundation.

¹ Statistics of Income Division, (RAS:S) PO Box 2608, Washington DC 20013-2608

² Hubert H. Humphrey Institute of Public Affairs, Center for Science, Technology and Public Policy, 164 Hubert H. Humphrey Center, 301 19th Avenue South, Minneapolis, MN 55455

³ Suite 900, National Science Foundation, 4201 Wilson Blvd, Arlington, VA 22230

ABSTRACT

The rapid pace of globalization and technological change has created demand for more and better analysis to answer key policy questions about the role of businesses in innovation. This demand was codified into law in the America COMPETES Act. However, existing business datasets are not adequate to create an empirically based foundation for policy decisions. This paper argues that the existing IRS data infrastructure could be used in a number of ways to respond to the national imperative. It describes the legal framework within which such a response could take place, and outlines the organizational features that would be required to establish an IRS/researcher partnership. It concludes with a discussion of the role for the research policy community.

Keywords: Business microdata; innovation; confidentiality; researcher access; tax policy

1. INTRODUCTION

The rapid pace of globalization and technological change has created demand for more and better analysis to answer key policy questions about the role of businesses in innovation. These include: Are American firms competing, growing and surviving? What will be the response of businesses to different types of incentives? What are the sources of productivity growth? What is technology-based innovation and how can it be sustained? How can firms create high wage jobs? And, most importantly, where is the empirical evidence that can inform policy?

These calls took on the force of law in 2007. The America COMPETES Act requires studies and long-term reporting on various elements of our national system of innovation, making it clear that it has become a national imperative to provide current and comprehensive statistical analyses of business evolution and business incentives. For example, Section 1102 requests a study by the National Academy of Sciences on government regulations and incentive structures related to innovation, including:

(1) incentive and compensation structures that could effectively encourage long-term value creation and innovation; (2) methods of voluntary and supplemental disclosure by industry of intellectual capital, innovation performance, and indicators of future valuation; ...(5) costs faced by United States businesses engaging in innovation compared to foreign competitors, including the burden placed on businesses by high and rising health care costs; ...(10) all provisions of the Internal Revenue Code of 1986, including tax provisions compliance costs, and reporting requirements, that discourage innovation.

The need for research and data is made even more clear in Section 1201, which requests that the President's Council on Innovation and Competitiveness take on several duties such as "monitoring implementation of public laws and initiatives for promoting innovation, including policies related to research funding, taxation, immigration, trade, and education that are proposed in this Act..."⁴

In this paper we will argue that the Internal Revenue Service has an important role in responding to policy-makers' needs. The tax system is the only available data system that regularly captures the outcomes of innovative and competitive activity through detailed financial (complete income and asset statements) data for the population of businesses, whether employer or not, whether publicly owned or not. Only the tax system captures information on the effect of tax policy intended to stimulate innovation and competitiveness. That information can be used to calculate effective tax rates at the firm or tax-reporting level through audits and other post-return events such as amended filings and carry-backs. In addition, only the tax system can capture the complexity of organizational inter-relationships through the existence of hierarchical ownership crosswalks, information about pass-through entities as well as the relationship between individuals and organizations. In all cases, tax data are quite likely to be more accurate and less subject to non-response than survey data given the enforcement penalties for non-compliance and the monetary advantages of participating in the tax system, such as tax credits, and, of course, refunds.

In practical terms, the existing IRS data infrastructure could be used in a number of ways to respond to the national imperative. Understanding the effects of incentives related to innovation at the firm level could be

⁴ 110th Congress, 1st Session, S. 761, The America Creating Opportunities to Meaningfully Promote Excellence in Technology, Education, and Science Act (or the America COMPETES Act), 2007.

advanced by analyzing microdata collected by the IRS in conjunction with other related survey or administrative data. With appropriate protections, these data could yield invaluable insights into the prospects for economic growth resulting from product, process and managerial innovation, while pinpointing the costs and missed opportunities that arise from misdirected or misused incentives. Microdata analysis could be enhanced by including information from compliance reporting. Furthermore, the enormous sample size would permit study of specific industries of interest, such as service sector data and inform new initiatives for developing service science—an emerging discipline that is targeted in Section 1106 of the America COMPETES Act.⁵ In addition, tax data could be used as a frame to launch and complement a survey on innovation. This survey could generate as much knowledge about innovation and competitiveness as the Survey of Consumer Finances has generated about the sources of American individual and family wealth.

Failure to use the existing system would result in wasting an existing large-scale investment in the IRS data infrastructure. Initiating new data collection would result in a substantial additional burden to the taxpayer at a time when resources are substantially constrained. In addition, new data collections would impose an onerous burden on the business community by requiring that they devote resources to replicating information that has already been provided to the Federal government.

In this paper we sketch an approach that describes how Federal tax data can be used to respond to the national imperative outlined in the America COMPETES Act. We spell out three steps. First, data that can answer key policy questions must be assembled in a form that can be analyzed. Second, access must be structured not only so that government or academic researchers can address the questions being asked but also so that the legal requirements for access are met. Finally, an organizational infrastructure must be put in place to ensure that the analytical work can be built on and replicated. We conclude by identifying a set of possible next steps.

2. BACKGROUND

2.1 EXISTING DATA ON BUSINESSES

The call for better information on businesses has been made clear in both America COMPETES Act and in recent reports such as the report of the Advisory Committee on Measuring Innovation in the 21st Century (<http://www.innovationmetrics.gov>) and the National Academies' report on Understanding Business Dynamics. The reason is that businesses are the basic engines of innovation and economic growth, creating jobs and generating income. Changes in factors that affect firm behavior—such as taxes and regulation—can fundamentally change their growth and job creation capacity. Yet, for a number of reasons, no database exists that is widely accessible to academic researchers so that there is a broad-based examination and discussion of the impact of, for example, tax policy, on firm behavior. The engagement of a scientific community with better access to data could empirically ground the policy debate, and hence lead to wiser scientific and technological policy decisions.

⁵ Service Science comprises “the curricula, training and research programs that are designed to teach individuals to apply scientific, engineering and management disciplines that integrate elements of computer science, operations research, industrial engineering, business strategy, management science, and social and legal sciences, in order to encourage innovation in how organizations create value for customers and shareholders that could not be achieved through such disciplines working in isolation.” Source: America COMPETES Act, 2007.

Several approaches have been taken to create business datasets that researchers can use to increase academic understanding about organizational change. One approach was a partnership between academics and businesses that developed a business database called the PIMS project (Profit Impact of Market Strategy). This project created a panel dataset on some 3,000 firms and provided new insights into business decisions such as market entry, pricing and product quality. However, this project lacked sufficient financial sustainability and was discontinued: there has been little academic research using the data in recent years.

Another approach, partially supported by the National Science Foundation, is to provide access to the Census Bureau's Business Register and related files by permitting researchers to work with the data at eight Research Data Centers. The resulting research has generated new insights into firm behavior, job creation and job destruction. A related infrastructure project was the Longitudinal Employer-Household Dynamics (LEHD) program which provided, for the first time, an infrastructure that could analyze the impact of economic turbulence on worker job ladders, career paths and firm performance. These data are not widely used, however, not least because access costs several thousand dollars a month and researchers must travel to one of the eight Data Center sites.

An important step has also been taken by the Ewing Marion Kauffman Foundation in supporting the Kauffman Firm Survey, a panel study of 4,928 businesses founded in 2004. However, although it provides important information in a number of dimensions, such as the nature of new business formation activity, and a strong user community is developing around its public use files, the focus is on new startups, rather than the universe of firms.

Other approaches that have been used include analyzing commercial datasets, such as Compustat and Center for Research in Security Prices (CRSP). The availability of these files, which provide financial and accounting information on publicly traded companies, has had a major influence on financial and accounting research. Similarly, datasets such as Dunn and Bradstreet and ABI/Inform are often used as sample frames for academic surveys. However, getting representative research data from such commercial sources is difficult since, in addition to omitting small and non-publicly traded businesses, both Compustat and CRSP are aimed at serving institutional investors, and the Dunn and Bradstreet and ABI/Inform datasets are primarily for marketing purposes. As a result, there can be substantial quality issues with these data that make their use in the context of academic research less than optimal.

2.2 CONFIDENTIALITY RESTRICTIONS

The major reason for the lack of researcher access to the high quality business data collected by federal statistical agencies is the protection of confidentiality. Every statistical agency is faced with the same tension. It is charged with collecting high-quality statistical data to inform national policy. It is also charged with protecting the confidentiality of respondents—not only because of the legal mandates but also because public trust and perceptions of that trust are important contributors to data quality and response rates. The legal framework for the protection and dissemination of the administrative, clinical and survey data that underpin much empirical research is complex. One recent, important piece of legislation is the Confidential Information Protection and Statistical Efficiency Act of 2002 (CIPSEA), which established minimum standards for protection of information gathered for a statistical research purpose under a promise of confidentiality by a federal agency. Breaches of confidentiality—especially for tax data—can carry not only criminal penalties, including jail time and fines, but also civil lawsuits for the data custodian responsible for the data release. The overriding requirement for data custodians is that they take “reasonable means” to safeguard the confidentiality of respondent information. However, since this requirement is not typically defined, but is left to the discretion of the agencies, disclosure limitation methodologies vary substantially across agencies, often erring on the side of extreme caution (see Doyle et al., 2001).

The focus on confidentiality protection is not matched by guidance on researcher access. While the authorizing legislation for government agencies typically requires them to produce information for decision makers, researcher access to microdata is not an explicit part of their mandate. The ethical framework is similarly complex. Statistical agencies, as most data collectors and custodians, provide respondents with a guarantee that their identities and the confidentiality of the information they provide will be protected from unauthorized access and use. Safeguarding this guarantee is essential to maintaining the ethics of the researcher-respondent relationship, in which respondents may make themselves vulnerable by disclosing information needed for research purposes. Protection of respondent confidentiality is also critical to maintaining the agencies' reputations and, not coincidentally, their future response rates. Of particular importance in this context, confidentiality protection is also necessary for administrative systems to fulfill their critical mandates in the functioning of government programs, such as the Social Security system and the tax system—which is predicated on voluntary compliance. Unfortunately, stringent confidentiality protections mean that the data, which cost so much to collect and produce, are likely to become less valuable both systemically and from the standpoint of decision-making in both the government and even the marketplace (Lane, 2003).

In sum, the complex legal and ethical frameworks and the severe adverse consequences associated with breaches of confidentiality lead to what Madsen (2003) refers to as the “privacy paradox.” As he points out, data custodians who interpret the right to privacy as a nearly absolute ethical standard might view the responsibility of maintaining confidentiality for individuals in a way that is less than socially optimal. Data custodians who operate within this framework, and establish new and more restrictive controls on data access, act to reduce the scientific value of data, and hence substantially reduce the social benefits of the data collection—benefits that should redound to the individuals who provided the data as well as the decision-making process itself.

3. ASSEMBLING TAX DATA FOR ANALYSIS OF INNOVATION AND COMPETITIVENESS

Tax data provided to the IRS on a small set of key forms⁶ might, if combined, be used to describe the lifecycle of a business, as well as its employees. Although Treasury and the Joint Committee on Taxation have long studied many of these areas, this has necessarily been through the prism of tax analysis.

The beginning of a business employer entity—but not necessarily every new business—starts with the filing of an [SS4](#) form for assignment of an Employer Identification Number (EIN) by the IRS in order to establish its account in the tax system's Business Master File. In a sense, the BMF can be viewed as the business register of the tax system, and, in fact, population extracts from the BMF provide the core of the Census Bureau's own business register, with its annual infusion of selected data variables for the tax system's business employer population. Of great analytical interest in this context, the SS-4 requires the business to tell the IRS whether it is beginning as a sole proprietorship, partnership, corporation or personal service corporation; the state or foreign country in which it is incorporated, and whether it is applying because it is a new entity, has hired employees, has purchased a going business or has changed type of organization (specifying the type). For sole proprietorships that require EIN's (generally, employers) the form also asks for the name and Social Security Number (SSN) of the owner. In addition, this information is requested for the principal officer, general partner; the form also begins classifying a firm in terms of industrial activity by requesting a verbal description of its principal activity and principal line of business – information that is later used by SSA to assign its first (at least for this EIN) NAICS code.

⁶ All of the forms are provided in the appendix and clickable links are provided in the text.

The ongoing financial life of most entities is then described for corporations by a variant of the [1120](#) (U.S. Corporation Tax Return); for pass-through entities by the 1120S (for a schedule S corporation) or [1065](#) (return on partnership income) and their [K-1](#) (shareholder's/partner's share of income and deductions); and for sole proprietorships by the Schedule C or Schedule F filed with the proprietor's 1040. These reports include much detail on both the firm's financial stocks (balance sheet) and flows (income statement). The balance sheet contains detail on assets and liabilities; the income statement contains detail on income and expenses, including total sales, cost of goods sold, gross profits, inventory at the beginning of the year, purchases, cost of labor, dividends, compensation of top officers, as well as foreign ownership. In addition, the Form 851 (affiliations schedule) filed for consolidated corporations, associates subsidiaries (80% ownership rule) with their parent, which files the related 1120, thus, delineating a corporate family of firms at the EIN level. Ultimate owner identification requested on the Form 1120's Schedule K, helps construct corporate family identifications for corporations not filing on a consolidated basis, as well as the ownership for even parent corporations that do file consolidated. Although not perfect, this interlocking ownership data can be helpful in trying to follow the ownership hierarchy of the corporate world.

The financial life of all employees can be traced using Form [1040](#), well known to every American, and the associated W-2, which links employer/employee information by employer and employee for each employee "job" in every tax year, including for partial years.

The coverage of tax data is unsurpassed. The information is universal and as such could provide a time series of population data.⁷ The data are annually replenished by individual return filings for the universe of businesses. Such recordation and coverage are reasonably ensured, given not only the annual filing requirement for taxpayers but also the incentive for businesses to be captured by the system in order to accrue the various tax benefits available; e.g., credits, deductions, adjustments, and of course, refunds.⁸ The result is that data are posted annually to each business's account by EIN. In addition, the data receive at least initial data quality enhancements, both for IRS compliance reasons and in order to correctly post to the taxpayer's account and satisfy its filing requirement. The demographic patterns of businesses, namely firm entrances to, transitions within, and exits from the business universe can thus be accounted for with applications for EIN, entity transactions recording changes within and across EIN accounts owing to business evolution, as well as mergers and acquisitions, and the filing of final returns.

⁷ Although currently, tax year modules on the Business Master File (BMF) are only retained for three years, a prospective study could obviously capture more years. Also, the IRS is presently constructing a Compliance Data Warehouse off-line from master file data, which would be used to capture more years for research purposes. In addition, panel designs are being either considered or implemented for IRS's Statistics of Income (SOI) samples of both corporate (1120 series) and individual (1040 series) data.

⁸ Obviously, the tax system is not perfect on either coverage or accurate reporting, as attested by the latest tax gap estimate of \$345 billion for 2001.

3.1 HOW ARE AMERICAN FIRMS COMPETING?

New light can be shed on the question of how American firms are competing by examining, for example, the degree to which they are foreign owned from questions on Form 1120

If "Yes," attach explanation.

Schedule B		Other Information	
1 What type of entity is filing this return? Check the applicable box:			
a <input type="checkbox"/>	Domestic general partnership	b <input type="checkbox"/>	Domestic limited partnership
c <input type="checkbox"/>	Domestic limited liability company	d <input type="checkbox"/>	Domestic limited liability partnership
e <input type="checkbox"/>	Foreign partnership	f <input type="checkbox"/>	Other ▶
2 Are any partners in this partnership also partnerships?			
3 During the partnership's tax year, did the partnership own any interest in another partnership or in any foreign entity that was disregarded as an entity separate from its owner under Regulations section 301.7701-2 and 301.7701-3? If "Yes," see instructions for required attachment			
		Yes	No

FIGURE 1: SOURCE FORM 1120

- 3 At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).)
- If "Yes," attach a schedule showing: (a) name and employer identification number (EIN), (b) percentage owned, and (c) taxable income or (loss) before NOL and special deduction of such corporation for the tax year ending with or within your tax year.
- 4 Is the corporation a subsidiary in an affiliated group or

FIGURE 2: SOURCE FORM 1120

And Form 1065

- 6 Does this partnership have any foreign partners? If "Yes," the partnership may have to file Forms 8804, 8805 and 8813. See the instructions

FIGURE 3: SOURCE FORM 1065

WHAT WILL BE THE RESPONSE OF BUSINESSES TO DIFFERENT TYPES OF INCENTIVES?

The data also clearly provide a unique opportunity to understand the response of businesses to different types of incentives. Precisely because the tax system's incentive system of rewards for particular business behaviors is reflected in the form of credits, deductions, adjustments, and refunds, tax data can be critical for understanding related economic performance in the marketplace, especially over time.

Of course, tax data are also the only real way of comprehensively understanding business responsiveness to taxes, because effective tax rates can only be calculated using post-return filing information or tax adjustments, available from the filing of return amendments; carry-backs⁹ of an un-used credit, net capital loss (NCL), or net operating

⁹ A carry-back filed within one year of the loss year return's end of accounting period requires usage of **Form 1139** (Corporation Application for Tentative Refund). **Form 1120-X** (amended return) is required for carrybacks taken up

loss (NOL); and IRS-initiated examination efforts of a taxpayer-initiated transaction, including not only the original tax return but also the delinquent omission of or under-reporting on a return filing. Because the Business Master File (BMF) is designed to retain a tax module (tax return and associated transactions for a given tax year) within an EIN account for three years after the latest tax transaction, post-filing transactions, especially carry-backs, can keep some modules active on the BMF for much more than three years. For example, losses owing to product liability can be carried back ten years (bad loans have also qualified for such treatment). For such a case, two phenomena are worth mentioning. First, not only is the destination tax module retrieved – if it had expired and been purged from the BMF – but its retention clock is re-set for 3 more years. Second, for such cases, the IRS retrieves previously removed tax modules between the loss year module or tax year originating the carry-back and the destination tax year, providing a time continuum – and for at least another 3 years (the BMF retention rule). A product liability carried back the full ten years effectively restores all seven years of data scheduled for purging under the routine BMF retention schedule. In combination with the ricochet effect¹⁰ these adjustment transactions can, in some cases, vastly extend the “shelf life” of data retained on the BMF: in some cases, for decades. In general the NOL and NCL come first, followed by credits, in the order they appear on the tax return. For example, an NOL carry-back could free up a previously taken credit for further carry-back, and so on, even resulting in the ultimately released credit being carried forward for use on a future tax return, possibly resulting in some of that year’s credits being carried back, triggering a similar fall of dominoes. This constant churning – the release of previous carry-backs for further carry-back – means that some firms have a continuum of tax modules for much more than three years. If any of these carry-back transactions draw examination interest, the three year retention period can be re-triggered several times, further extending a module’s duration on the BMF. Sophisticated tax avoidance strategies maximizing carry-back tax laws – over time -- can be employed by savvy firms, but the transactions need to be large in order to reap the investments in legal and accounting capital necessary to optimize this usage. Thus, for many of the most interesting and complex industries and size classes—often the predominant companies in corporate America—this continuous churning creates a dynamic and long term record on the BMF that may provide a story of electron-level economic activity for the core of American business.

Unfortunately, although the BMF captures the net tax liability effect of a tax adjustment, say, a carry-back, it does not capture the detail; e.g., whether it was a credit and which type – essentially, the detail on Form 1139. The reason is that almost all post-filing transactions are limited to 80 characters, including the net tax liability amount effect, necessarily limiting the amount of information conveyable. However, the information is captured in the separate processing systems in IRS responsible for processing the various tax adjustment transactions – generally differentiated by whether or not they are IRS Examination-initiated. In conjunction with this knowledge and the proliferation of electronically filed returns, especially by corporations, it does not seem unreasonable to think that the merging of data from the BMF and the adjustments area could be done, given a compelling analytical motivation.

to 3 years after the loss year return’s end of accounting period. Generally, a credit or NOL must be carried back (the period has statutorily varied at 2 or 3 years) , before it can be carried forward (this period has also varied at 5-7 years) for use on future tax returns. An exception is the NOL, which can be carried directly forward if an irrevocable waiver is established.

¹⁰ Carry-backs must be taken in order of priority so that, say, an NOL CBK could free up a previously taken credit for further three year carry-back, etc.

Substantial detail on the adoption and implementation of different types of activities is evident from Form 1120.

25	Domestic production activities deduction (attach Form 8903)	- - - - -
26	Other deductions (attach schedule)	- - - - -

Figure 4: Source Form 1120

3.2 WHAT ARE THE DYNAMICS OF PRODUCTIVITY GROWTH: THE ANALYSIS OF FINANCIAL PERFORMANCE

What are the dynamics of productivity growth? The financial stocks and flows, frequently necessary to support some of the tax rewards claimed, are reported in substantial detail with complete balance sheets and income statements.

Schedule M-1		Reconciliation of Income (Loss) per Books With Income per Return	
Note: Schedule M-3 required instead of Schedule M-1 if total assets are \$10 million or more—see instructions			
1	Net income (loss) per books	- - - - -	
2	Federal income tax per books	- - - - -	
3	Excess of capital losses over capital gains	- - - - -	
4	Income subject to tax not recorded on books this year (itemize):	.....
5	Expenses recorded on books this year not deducted on this return (itemize):	.....
a	Depreciation	\$	
b	Charitable contributions	\$	
c	Travel and entertainment	\$	
6	Add lines 1 through 5	- - - - -	
7	Income recorded on books this year not included on this return (itemize):		
	Tax-exempt interest	\$	
8	Deductions on this return not charged against book income this year (itemize):		
a	Depreciation	\$	
b	Charitable contributions	\$	
9	Add lines 7 and 8	- - - - -	
10	Income (page 1, line 28)—line 6 less line 9	- - - - -	

FIGURE 5: SOURCE FORM 1120

It may also be possible to examine the life course of leading entrepreneurs by following an initial filing of, say, a Schedule C to a Form 1120 series at corporate stature, and even later to the non-profit charitable foundation created with Microsoft wealth. All of this activity should be regarded as economic, even with both paid and volunteer workers engaged for the non-profit stage.

3.3 HOW CAN AMERICAN FIRMS CREATE HIGH WAGE JOBS?

The possible linkages include not only those enabled by EIN, such as employment and compensation from the Form 94X series, but individual level data enabled by the SSN/EIN cross-walk of the W-2 series. Work could be initiated to replicate the very successful LEHD program developed at the US Census Bureau, which has clearly demonstrated how much knowledge can be gained about high wage job creation using linked employer-employee data.

A major related issue is the evolution on jobs with pension coverage. With care, it should also be possible to link even Form 5500 pension data to the business sponsor’s tax return data. Of course, the linking challenge should not be minimized: the 5500 data are on yet another IRS master file, the Employee Plans Master File (EPMF). Although these accounts of employee benefit plans (defined benefit/contribution pension plans, welfare benefit plans) are also established by EIN, this EIN need not be the same as that of their business sponsor, making facile linkage no guarantee of success. However, given that many of the sponsoring businesses take deductions under section 401(a) for employee plan information (5500 and related; e.g., determinations), it seems reasonable to

assume that the IRS could move from employee plan filing to a sponsor's tax filing. Further research would be necessary to "unlock" this relationship, but the potential reward would seem to more than justify this endeavor.

3.4 CREATING A FRAME FOR THE STUDY OF INNOVATIVE ORGANIZATIONS

Of course, tax data alone cannot capture the complexities of product, process or organizational innovation. However, they could be used in a number of creative ways to create a frame upon which innovative organizations behavior can be studied. One obvious approach is to create a survey frame that oversamples firms likely to be innovative—or of particular interest to policy makers. These could include: small firms or multi-nationals; firms in biotechnology or information technology; or recent start-ups or long lived, successful businesses. Oversamples could run the gamut of organizational structures, such as complex organizations or sole proprietorships, from partnerships to non-profits.

Particular types of questions could be asked that match other innovation studies, such as the data being collected on the newly designed Business R&D and Innovation survey being fielded by NSF's Science Resources Statistics division. The survey has five sections: four on R&D finance, R&D strategy, R&D funding and R&D human resources. The fifth section, on innovation, collects a number of important measures, notably information on: innovative activities in goods, services and related activities; patent activity and returns; Intellectual property transfer activities and Intellectual property protection.

4. ACCESS TO TAX DATA

The next step in meeting the national imperative would be to provide researcher access to tax data within the requirements set out by law. There are multiple dimensions along which the case for such access can be made. First, the value added of tax data collection can be increased through access, because data can be repurposed to address the national imperatives outlined above. Second, administrative data quality can be increased because, as the IRS/Census criteria agreement has documented, the use of the data for different purposes can improve data quality in a wide variety of ways.¹¹ Third, the administrative functions of enforcement require statistical methods themselves to be optimally effective and efficient. The very processing goals for administrative data—the ability to administer the tax system effectively and efficiently—are precisely what make them useful for statistical purposes, especially with the advent of e-filing.

Fulfilling the legal requirements for access is obviously critical, and it is important to note that access must be statutorily authorized. There are some existing options that would seem to support the IRS responding to a national economic imperative. For example, researchers could access tax data at the IRS as a contractor (authorized by Section 6103(n) of Title 26).

However, there exists historical precedent for a more innovative approach for studying innovation. This precedent is the Survey of Consumer Finances, which has been conducted for decades by the Federal Reserve Board as a contractor (authorized by section 6103(n) of Title 26) for Treasury to support tax statistics mandated by section 6108(a).

If the nation's policy-makers, particularly those in Congress and/or Treasury, were convinced that the study of business innovation is another national imperative requiring the use of tax data, a similar arrangement might be crafted, in which an institution with standing and gravitas similar to the Federal Reserve Board (FRB) might be

¹¹ <http://www.ces.census.gov/index.php/ces/researchguidelines>

engaged as a contractor. An obvious choice would be the National Science Foundation (NSF), which has a long history of funding social science datasets, including the General Social Survey, the Panel Study of Income Dynamics, and the American National Election Survey. The NSF, particularly the Science of Science and Innovation Policy program, with which two of the authors have strong connections, has the additional advantage of being a government agency with many of the same characteristics as the Federal Reserve Board, as well as a mission to promote basic research in areas that are national priorities. It is worth noting that while each of the social science datasets funded by NSF have been transformational in nature both within and across disciplines, none of them addresses the complexities of organizations, and all were established at least thirty years ago.

The Survey of Consumer Finances (SCF) model provides an excellent example of how minimal tax data might be used for sampling frame purposes. Thus, there might be a two-stage proposal on using tax data to study innovation: first, to provide the frame for the innovation survey, and second, to provide data for validating or supplementing the survey data. The SCF model also presents several advantages over an approach focused on access, say, based upon Research Data Center consortium, controlled by a non-tax agency. First, confidentiality perceptions might be helped from knowing that population tax data would be accessed directly under the IRS' auspices, not by providing a population file to another agency for this purpose. Second, IRS analysts, particularly those in the research and statistical functions, have a wealth of institutional knowledge that might be leveraged for more efficiently understanding not only the data in question but IRS processing needs related to the data. By tapping this resource, not only could outside researchers benefit in their analysis of innovation, but the IRS analysts could also benefit from working with the outside researchers in terms of new techniques learned, whether analytical or processing oriented. This synergistic benefit might well exceed the required benefits of any specific contractual agreement between outside researchers and IRS analysts. Third, amending either the statute or regulations in order to provide an outside agency access to the tax items needed might be avoided entirely, saving precious resources, not the least of which is time to survey and analysis. Fourth, researchers would not need to pay for access to the data, as such access would be integrated with and contingent upon benefiting the tax agency's statistical and research needs.

An alternative to the 6108a mechanism delineated above might be provided by section 6108(b); namely, the statute that permits special statistical studies or tabulations to be conducted by the IRS as the result of an outside request. In such cases, the IRS, usually its Statistics of Income (SOI) office, can accept reimbursement for the additional cost of meeting the request. For a very large or complex study in which resources might be an issue either owing to skill sets needed or competing priorities, it might be possible to use 6103n as authority for engaging such a contractor, which could include outside researchers. Under such an arrangement, funding might come from the outside requester and be used to compensate any contractors needed, in addition to reimbursing SOI for its resources. Outside researchers might be used as consultants for designing the study, in conjunction with inside guidance and expertise provided by the IRS, perhaps the SOI office.

Such a proposed usage of statute is admittedly exceptional, as it was for the SCF. However, if it encountered legal resistance from either main Treasury or the IRS, this might be a finding required by America COMPETES Act's under its mandate to report on (10) all provisions of the Internal Revenue Code of 1986, including tax provisions compliance costs, and reporting requirements that discourage innovation. Surely, the inability to study innovation occasioned by current statute, *especially* when current statute and historical precedent appear to provide the means, could be viewed by Congress and the President as something that discourages innovation, and worthy of fast-track remedial action.

5. ORGANIZATIONAL INFRASTRUCTURE: DEVELOPING A PARTNERSHIP BETWEEN THE IRS AND RESEARCHERS

One of the most complex challenges of this project would be the establishment of a collaborative partnership between a federal agency (main Treasury and/or IRS) and academic researchers. Traditional organizational models of partnerships and strategic alliances are based on business-to-business relationships in the manufacturing or information technology sectors, where firms endeavor to create new products or processes. Research in this area mainly focuses on the motivation for and outcomes of partnerships or strategic alliances [see Roberts (1980); Roberts and Berry (1985); Alster (1986); Contractor and Lorange (1988); Kogut (1988); Olleros and MacDonald (1988); Borys and Jemison (1989); Hamel, Doz and Prahalad (1989); Bertodo (1990); Hamel (1991); Ring and Van de Ven (1992); Bleeke and Ernst (1993); Nichols (1993); Hagedoorn (2002); and Brinkerhoff (2002a)]. Taken together, these studies create a paradigm which: distinguishes strategic alliances from other forms of market structure; codifies a set of conditions which encourage the formation of inter-firm partnerships; establishes metrics by which to measure the success of alliances; and suggests optimal structures of control and corporate governance for cooperative agreements.

Within this literature, the studies of knowledge creation and sharing are most related to the current project. Hagedoorn reviews the corpus of work on the organization and outcomes of R&D partnerships. That body of work establishes which countries and sectors tend to utilize partnership relationships for cost-cutting, strategic or learning purposes. Trust between partners is the primary method identified in these studies for dealing with the confidentiality or sensitivity of shared knowledge. Longevity of the partnership is not important; flexibility to configure and reconfigure relationships among companies is strategically more profitable. Yet, for the purposes of the current study, the focus on business partnerships misses some of the relational elements that are present when a government agency is one of the alliance partners.

There are studies of government-business partnerships as well. For example, Brinkerhoff (2002a,b) focuses on government-nonprofit partnerships. In the former study, Brinkerhoff focuses on assessment not only related to performance of the partnerships but also their design and implementation. In the latter study, she develops an "inter-organizational relationship matrix" that suggests a taxonomic approach to constructing and implementing the relationship. One dimension measures "mutuality," where organizations either place high or low on a scale that measures interdependence of each organization's mission, objectives and responsibilities, as well as the level to which partners coordinate decision-making processes. The other dimension measures "organizational identity." Here, organizations that have strong, independent identities place high on the scale. Using this framework, a "partnership" has organizations that are interdependent particularly when decisions are made and one organization is not identifiably dominant in terms of mission or expertise. If mutual decision-making were not a characteristic of the relationship, then the Brinkerhoff's framework would suggest either a contracting or extension relationship. If one of the organizations had a dominant identity vis-à-vis the others, then the paradigm would suggest that the work be done internally or by an extension of the organization. This last case characterizes a relationship that might facilitate partnering with the IRS on the use of tax microdata for studies related to innovation.

However, there is a need for more explicit rules of engagement that allow collaboration between researchers and a government agency, particularly when highly sensitive information is accessed and analyzed. When partnerships involve the sharing and creation of knowledge and other intangible assets, with the added intricacies that come with federal statutes regulating the collection and use of sensitive data, then the organizational structure is inherently complex. Little research has been done in this area and few organizational templates exist for

university-government knowledge-creation (or data development or data usage) partnerships. Figure 6 provides some insight into the type of organizational structure that might make sense.

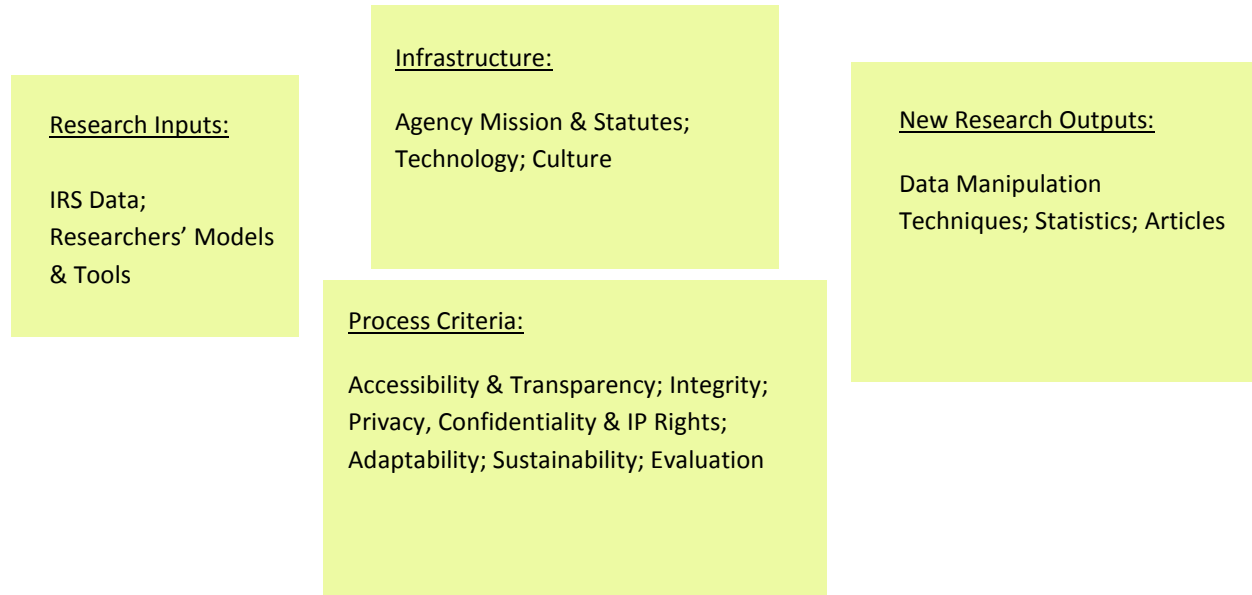


FIGURE 6

In the case of data extraction and analysis, this schematic suggests that the university-government partnership must have the following features:

Agency Mission: The partnership must serve the agency mission. Researchers must be able to demonstrate that their access is necessary to help the tax administration system. This should not be an insuperable challenge, particularly given that [throughout] IRS must process data for tax administration purposes in such a way that statistical usage is also optimized. Researchers will need to recognize that economic research may in and of itself not assist the IRS directly with its central mission, ensuring that the appropriate amount of tax is paid by everyone. However, because data quality is so critical for effectively and efficiently administering the tax system—including statistical systems for administration—the connection should not be that difficult to make. The perceptions problem for researchers should not be underestimated with this administrative perspective,¹² and any project would need to monitor perceptions, particularly given the compliance structure of the current federal tax system. One approach would be to focus on how the data system can be improved for both administrative and statistical research purposes—honestly, they are not that different in terms of the systems and data quality that are needed. If researchers are daunted by this potential, they should not be, but if they insist on resisting a role that serves both purposes, they should understand their exclusion from both access and input.

Accessibility: Researchers must have ready access to the data for the reasons outlined in the initial sections of this paper. Yet, access and research projects must comply with agency mission and statutes that govern data collection, storage and sharing, avoiding the potential perception that access is granted for academic fishing expeditions or only to serve the researcher in his/her professional aggrandizement.

¹² See Greenia, Jensen and Lane (2001).

Clearly, current access modalities are very far from ideal. Yet advances in the computer sciences could be used to address access issues in a more scientific manner. Indeed, there is no basis from a computer security point of view why researchers could not access confidential data remotely from their offices, especially when physical security is also addressed. For example, IRS agents must have access, including remote access, to confidential tax data for their field examination activities, including in their hotel rooms and at clients' business sites. Protecting databases against intruders has a long history in computer science (Dobkin et al., 1979). Computer scientists themselves are interested in protecting the confidentiality of the data on which they do research (for example, the Abilene Observatory supports the collection and dissemination of network data, such as IP addresses). Cyberinfrastructure advances have the potential to greatly expand the set of access modalities, particularly with respect to remote access. The Cybertrust initiative at NSF has created a research community that focuses on developing network computers that are more predictable and less vulnerable to attack and abuse, that are developed, configured, operated, and evaluated by a well-trained workforce, and that educate the public in the secure and ethical operation of such computers. The Department of Defense has developed different levels of web-based access ranging from unclassified (nipr-net) to secret (sipr-net) to top-secret (jwics-net) using off the shelf technology. Similarly, the PORTIA project focuses on both the technical challenges of handling sensitive data and the policy and legal issues facing data subjects, data owners and data users. Indeed, recent developments at European statistical agencies, such as Statistics Sweden, Statistics Netherlands and the UK Office of National Statistics, as well as the NORC data enclave, have demonstrated that remote access is not only feasible, but is low cost and as secure as on site access procedure.

Transparency: The data consortium must minimize the burden on agency staff by developing a high quality metadata documentation system, whereby information about code, variable structures, historical anomalies and previous research is linked in a user friendly format. *Education and training* of the data consortium members (users) will be implemented by a third party (neither the agency staff nor users).

Integrity: A *peer review process* must be put in place to ensure the integrity of data use, particularly with respect to purposes and procedures that researchers and analysts propose. The reviewers will also determine priorities for using the data. Reviewers must be able to garner and assess community and user input on data development and distribution.

Privacy, Confidentiality and Intellectual Property Rights: The data consortium must utilize an organizational infrastructure that ensures that researchers and analysts have the ability to access, analyze, and visualize the data without compromising privacy and confidentiality of the respondents. It must also be clear who has the intellectual property rights for publications and patents that are produced in the data consortium.

Adaptability: The data consortium must be able to adapt to technological changes and changes in data taxonomies. This ensures the ongoing quality and longitudinal consistency of the data.

Sustainability: It must be a partnership that creates a database and access to the database ensuring that analytical work can be built on and replicated. An *incentive structure* must be created that encourages new discoveries on what can be done with the data and punishes mal activities. It is worth noting that the importance of avoiding even the perception of a "mal" activity cannot be over-emphasized with respect to tax data. One such incident could destroy the entire arrangement for many years to come.

6. SUMMARY AND NEXT STEPS

This paper provides an outline of the potential value of access to tax data that addresses a current national imperative. It has identified the key issues that need to be addressed before such access could occur, and begins to identify an organizational structure that could be developed to advance the joint interests of both the tax agency and the research community.

There are several steps that need to be taken before this approach can become reality. Several are readily apparent.

1. The research policy community could work with the appropriate federal agencies, to determine whether the proposed approach can provide a scientific basis to guide science and innovation policy.
2. The research policy community could work with the appropriate federal agencies to identify the resource and scientific infrastructure necessary to facilitate the approach.
3. The research policy community could work with the appropriate federal agencies to identify the organizational infrastructure that is most likely to achieve the goals of the America COMPETES Act.
4. The research policy community could work with the appropriate federal agencies to identify the access and confidentiality requirements that will ensure that the minimal data access required by law is attained.
5. The research policy community could work with the appropriate federal agencies to identify the resource requirements necessary to bring the proposed approach to the implementation stage.

REFERENCES

- Alster, Norm (1986), "Power Partners: Winning Through Strategic Alliances," *Electronic Business*, March 1, pp. 101-08.
- Bertodo, R..G. (1990), "The Strategic Alliance: Automotive Paradigm for the 1990s," *International Journal of Technology Management*, vol. 5, no. 4, pp. 375-88.
- Bleeke, Joel and David Ernst (1993), *Collaborating to Compete*, John Wiley & Sons.
- Borys, Bryan and David B. Jemison (1989), "Hybrid Arrangements as Strategic Alliances: Theoretical Issues in Organizational Combinations," *Academy of Management Review*, vol. 14, no. 2, 234-49.
- Contractor and Lorange, "Why Should Firms Cooperate?" in *Cooperative Strategies in International Business*, Lexington, 1988.
- Doyle, Pat, Julia Lane, Jules Theeuwes and Laura Zayatz *Confidentiality, Disclosure and Data Access: Theory and Practical Applications for Statistical Agencies*, North Holland, 2001
- Gold, Andrew, Arvind Malhotra and Albert Segars (2001), "Knowledge Management: An Organizational Capabilities Perspective" *Journal of Management Information Systems*, Vol. 18, no. 1, pp. 185-214.
- Greenia, Nick, J. Bradford Jensen and Julia Lane "Business Perceptions of Confidentiality," in *Confidentiality, Disclosure, and Data Access: Theory and Practical Applications for Statistical Agencies*, ed. Pat Doyle, Julia I. Lane, Jules J. M. Theeuwes, and Laura V. Zayatz, 2001, New York: Elsevier Science North Holland Press
- Hamel, Gary (1991), "Competition for Competence and Inter-Partner Learning Within International Strategic Alliances," *Strategic Management Journal*, vol. 12, pp. 83-103.
- Hamel, Gary, Yves L. Doz and C.K. Prahalad (1989), "Collaborate with Your Competitors—and Win," *Harvard Business Review*, January-February, pp. 133-39.
- Hagedoorn, John (2002), "Inter-firm R&D Partnerships: An Overview of Major Trends and Patterns Since 1960," *Research Policy*, Vol. 31, pp. 477-92.
- Brinkerhoff, Jennifer M. (2002a), "Assessing and Improving Partnership Relationships and Outcomes: A Proposed Framework," *Evaluation and Program Planning*, Vol. 25, pp. 215-31.
- Brinkerhoff, Jennifer M. (2002b), "Government-nonprofit Partnership: A Defining Framework," *Public Administration Development*, Vol. 22, pp. 19-30.
- Kogut, Bruce (1988), "Joint Ventures: Theoretical and Empirical Perspectives," *Strategic Management Journal*, vol. 9, pp. 319-32.
- Lane, Julia (2007) Optimizing the Use of Microdata: An Overview of the Issues *Journal of Official Statistics*, pp. 299—317

Lane, Julia (2003). "Uses of Microdata: Keynote Speech," in *Statistical Confidentiality and Access to Microdata: Proceedings of the Seminar Session of the 2003 Conference of European Statisticians*. Geneva, pp. 11- 20.

Madsen, Peter (2003) "The Ethics of Confidentiality: The Tension Between Confidentiality and the Integrity of Data Analysis in Social Science Research", mimeo, Carnegie Mellon University

National Science Foundation, DataNet. <http://www.nsf.gov/pubs/2007/nsf07601/nsf07601.pdf>

Nichols, Nancy A. (1993), "From Complacency to Competitiveness: An Interview with Vitro's Ernesto Martens," *Harvard Business Review*, September-October, pp. 163-71.

Olleros, Francisco-Javier and Roderick J. MacDonald (1988), "Strategic Alliances: Managing Complementarily to Capitalize on Emerging Technologies," *Technovation*, vol. 7, pp. 155-76.

Roberts, Edward B. (1980), "New Ventures for Corporate Growth," *Harvard Business Review*, July-August, pp. 134-142.

Roberts, Edward B. and Charles A. Berry (1985), "Entering New Businesses: Selecting Strategies for Success," *Sloan Management Review*, Spring, pp. 3-17.

APPENDICES

Form SS-4 (Rev. July 2007) Department of the Treasury Internal Revenue Service	Application for Employer Identification Number (For use by employers, corporations, partnerships, trusts, estates, churches, government agencies, Indian tribal entities, certain individuals, and others.) ▶ See separate instructions for each line. ▶ Keep a copy for your records.	OMB No. 1545-0003 EIN
1 Legal name of entity (or individual) for whom the EIN is being requested		
Type or print clearly.	2 Trade name of business (if different from name on line 1)	3 Executor, administrator, trustee, "care of" name
	4a Mailing address (room, apt., suite no. and street, or P.O. box)	5a Street address (if different) (Do not enter a P.O. box.)
	4b City, state, and ZIP code (if foreign, see instructions)	5b City, state, and ZIP code (if foreign, see instructions)
	6 County and state where principal business is located	
	7a Name of principal officer, general partner, grantor, owner, or trustor	7b SSN, ITIN, or EIN
	8a Is this application for a limited liability company (LLC) (or a foreign equivalent)? <input type="checkbox"/> Yes <input type="checkbox"/> No		8b If 8a is "Yes," enter the number of LLC members ▶
8c If 8a is "Yes," was the LLC organized in the United States? <input type="checkbox"/> Yes <input type="checkbox"/> No		
9a Type of entity (check only one box). Caution. If 8a is "Yes," see the instructions for the correct box to check.		
<input type="checkbox"/> Sole proprietor (SSN) _____ <input type="checkbox"/> Partnership <input type="checkbox"/> Corporation (enter form number to be filed) ▶ _____ <input type="checkbox"/> Personal service corporation <input type="checkbox"/> Church or church-controlled organization <input type="checkbox"/> Other nonprofit organization (specify) ▶ _____ <input type="checkbox"/> Other (specify) ▶ _____		
<input type="checkbox"/> Estate (SSN of decedent) _____ <input type="checkbox"/> Plan administrator (TIN) _____ <input type="checkbox"/> Trust (TIN of grantor) _____ <input type="checkbox"/> National Guard <input type="checkbox"/> State/local government <input type="checkbox"/> Farmers' cooperative <input type="checkbox"/> Federal government/military <input type="checkbox"/> REMIC <input type="checkbox"/> Indian tribal governments/enterprises Group Exemption Number (GEN) if any ▶ _____		
9b If a corporation, name the state or foreign country (if applicable) where incorporated	State	Foreign country
10 Reason for applying (check only one box)		
<input type="checkbox"/> Started new business (specify type) ▶ _____ <input type="checkbox"/> Hired employees (Check the box and see line 13.) <input type="checkbox"/> Compliance with IRS withholding regulations <input type="checkbox"/> Other (specify) ▶ _____		
<input type="checkbox"/> Banking purpose (specify purpose) ▶ _____ <input type="checkbox"/> Changed type of organization (specify new type) ▶ _____ <input type="checkbox"/> Purchased going business <input type="checkbox"/> Created a trust (specify type) ▶ _____ <input type="checkbox"/> Created a pension plan (specify type) ▶ _____		
11 Date business started or acquired (month, day, year). See instructions.	12 Closing month of accounting year	
13 Highest number of employees expected in the next 12 months (enter -0- if none).		14 Do you expect your employment tax liability to be \$1,000 or less in a full calendar year? <input type="checkbox"/> Yes <input type="checkbox"/> No (If you expect to pay \$4,000 or less in total wages in a full calendar year, you can mark "Yes.")
Agricultural	Household		Other
15 First date wages or annuities were paid (month, day, year). Note. If applicant is a withholding agent, enter date income will first be paid to nonresident alien (month, day, year) ▶		
16 Check one box that best describes the principal activity of your business.		
<input type="checkbox"/> Construction <input type="checkbox"/> Rental & leasing <input type="checkbox"/> Transportation & warehousing <input type="checkbox"/> Accommodation & food service <input type="checkbox"/> Wholesale-agent/broker <input type="checkbox"/> Real estate <input type="checkbox"/> Manufacturing <input type="checkbox"/> Finance & insurance <input type="checkbox"/> Other (specify)		
17 Indicate principal line of merchandise sold, specific construction work done, products produced, or services provided.		
18 Has the applicant entity shown on line 1 ever applied for and received an EIN? <input type="checkbox"/> Yes <input type="checkbox"/> No If "Yes," write previous EIN here ▶ _____		
Third Party Designee	Complete this section only if you want to authorize the named individual to receive the entity's EIN and answer questions about the completion of this form.	
	Designee's name	Designee's telephone number (include area code) ()
	Address and ZIP code	Designee's fax number (include area code) ()
Under penalties of perjury, I declare that I have examined this application, and to the best of my knowledge and belief, it is true, correct, and complete.		Applicant's telephone number (include area code) ()
Name and title (type or print clearly) ▶		Applicant's fax number (include area code) ()
Signature ▶	Date ▶	

1120 U.S. Corporation Income Tax Return

Form Department of the Treasury Internal Revenue Service

OMB No. 1545-0123

For calendar year 2007 or tax year beginning _____, 2007, ending _____, 20 **2007**

▶ See separate instructions.

A Check if:

1a Consolidated return (attach Form 851) **Use IRS label.**

b Life/nonlife consolidated return **Otherwise, print or type.**

2 Personal holding co. (attach Sch. PH)

3 Personal service corp. (see instructions)

4 Schedule M-3 attached

B Employer identification number _____

C Date incorporated _____

D Total assets (see instructions) \$ _____

E Check if: (1) Initial return (2) Final return (3) Name change (4) Address change

Income	1a	Gross receipts or sales		b	Less returns and allowances		c	Bal ▶	1c		
	2	Cost of goods sold (Schedule A, line 8)							2		
	3	Gross profit. Subtract line 2 from line 1c							3		
	4	Dividends (Schedule C, line 19)							4		
	5	Interest							5		
	6	Gross rents							6		
	7	Gross royalties							7		
	8	Capital gain net income (attach Schedule D (Form 1120))							8		
	9	Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)							9		
	10	Other income (see instructions—attach schedule)							10		
	11	Total income. Add lines 3 through 10							▶	11	
Deductions (See instructions for limitations on deductions.)	12	Compensation of officers (Schedule E, line 4)							12		
	13	Salaries and wages (less employment credits)							13		
	14	Repairs and maintenance							14		
	15	Bad debts							15		
	16	Rents							16		
	17	Taxes and licenses							17		
	18	Interest							18		
	19	Charitable contributions							19		
	20	Depreciation from Form 4562 not claimed on Schedule A or elsewhere on return (attach Form 4562)							20		
	21	Depletion							21		
	22	Advertising							22		
	23	Pension, profit-sharing, etc., plans							23		
	24	Employee benefit programs							24		
	25	Domestic production activities deduction (attach Form 8903)							25		
	26	Other deductions (attach schedule)							26		
	27	Total deductions. Add lines 12 through 26							▶	27	
	28	Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11								28	
29	Less: a	Net operating loss deduction (see instructions)		29a							
	b	Special deductions (Schedule C, line 20)		29b						29c	
30	Taxable income. Subtract line 29c from line 28 (see instructions)								30		
31	Total tax (Schedule J, line 10)								31		
Tax and Payments	32a	2006 overpayment credited to 2007	32a								
	b	2007 estimated tax payments	32b								
	c	2007 refund applied for on Form 4466	32c								
	d	Bal ▶	32d								
	e	Tax deposited with Form 7004	32e								
	f	Credits: (1) Form 2439 (2) Form 4136	32f							32g	
33	Estimated tax penalty (see instructions). Check if Form 2220 is attached								▶	33	
34	Amount owed. If line 32g is smaller than the total of lines 31 and 33, enter amount owed									34	
35	Overpayment. If line 32g is larger than the total of lines 31 and 33, enter amount overpaid									35	
36	Enter amount from line 35 you want: Credited to 2008 estimated tax									▶	36
		Refunded								▶	

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Sign Here

Signature of officer _____ Date _____ Title _____

May the IRS discuss this return with the preparer shown below (see instructions)? Yes No

Paid Preparer's Use Only

Preparer's signature _____ Date _____ Check if self-employed Preparer's SSN or PTIN _____

Firm's name (or yours if self-employed), address, and ZIP code _____ EIN _____

Phone no. () _____

For Privacy Act and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11450Q Form **1120** (2007)

Schedule A Cost of Goods Sold (see instructions)

1	Inventory at beginning of year	1	
2	Purchases	2	
3	Cost of labor	3	
4	Additional section 263A costs (attach schedule)	4	
5	Other costs (attach schedule)	5	
6	Total. Add lines 1 through 5	6	
7	Inventory at end of year	7	
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2	8	

9a Check all methods used for valuing closing inventory:

(i) Cost

(ii) Lower of cost or market

(iii) Other (Specify method used and attach explanation.) ▶

b Check if there was a writedown of subnormal goods

c Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970)

d If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO 9d

e If property is produced or acquired for resale, do the rules of section 263A apply to the corporation? Yes No

f Was there any change in determining quantities, cost, or valuations between opening and closing inventory? If "Yes," attach explanation Yes No

Schedule C Dividends and Special Deductions (see instructions)

	(a) Dividends received	(b) %	(c) Special deductions (a) × (b)
1	Dividends from less-than-20%-owned domestic corporations (other than debt-financed stock)	70	
2	Dividends from 20%-or-more-owned domestic corporations (other than debt-financed stock)	80	
3	Dividends on debt-financed stock of domestic and foreign corporations	see instructions	
4	Dividends on certain preferred stock of less-than-20%-owned public utilities	42	
5	Dividends on certain preferred stock of 20%-or-more-owned public utilities	48	
6	Dividends from less-than-20%-owned foreign corporations and certain FSCs	70	
7	Dividends from 20%-or-more-owned foreign corporations and certain FSCs	80	
8	Dividends from wholly owned foreign subsidiaries	100	
9	Total. Add lines 1 through 8. See instructions for limitation		
10	Dividends from domestic corporations received by a small business investment company operating under the Small Business Investment Act of 1958	100	
11	Dividends from affiliated group members	100	
12	Dividends from certain FSCs	100	
13	Dividends from foreign corporations not included on lines 3, 6, 7, 8, 11, or 12		
14	Income from controlled foreign corporations under subpart F (attach Form(s) 5471)		
15	Foreign dividend gross-up		
16	IC-DISC and former DISC dividends not included on lines 1, 2, or 3		
17	Other dividends		
18	Deduction for dividends paid on certain preferred stock of public utilities		
19	Total dividends. Add lines 1 through 17. Enter here and on page 1, line 4		
20	Total special deductions. Add lines 9, 10, 11, 12, and 18. Enter here and on page 1, line 29b		

Schedule E Compensation of Officers (see instructions for page 1, line 12)

Note: Complete Schedule E only if total receipts (line 1a plus lines 4 through 10 on page 1) are \$500,000 or more.

1	(a) Name of officer	(b) Social security number	(c) Percent of time devoted to business	Percent of corporation stock owned		(f) Amount of compensation
				(d) Common	(e) Preferred	
			%	%	%	
			%	%	%	
			%	%	%	
			%	%	%	
			%	%	%	
2	Total compensation of officers					
3	Compensation of officers claimed on Schedule A and elsewhere on return					
4	Subtract line 3 from line 2. Enter the result here and on page 1, line 12					

Schedule J Tax Computation (see instructions)

1	Check if the corporation is a member of a controlled group (attach Schedule O (Form 1120))	<input type="checkbox"/>	
2	Income tax. Check if a qualified personal service corporation (see instructions)	<input type="checkbox"/>	2
3	Alternative minimum tax (attach Form 4626)		3
4	Add lines 2 and 3		4
5a	Foreign tax credit (attach Form 1118)		5a
b	Credits from Forms 5735 and 8834		5b
c	General business credit. Check applicable box(es): <input type="checkbox"/> Form 3800 <input type="checkbox"/> Form 5884 <input type="checkbox"/> Form 6478 <input type="checkbox"/> Form 8835, Section B <input type="checkbox"/> Form 8844 <input type="checkbox"/> Form 8846		5c
d	Credit for prior year minimum tax (attach Form 8827)		5d
e	Bond credits from: <input type="checkbox"/> Form 8860 <input type="checkbox"/> Form 8912		5e
6	Total credits. Add lines 5a through 5e		6
7	Subtract line 6 from line 4		7
8	Personal holding company tax (attach Schedule PH (Form 1120))		8
9	Other taxes. Check if from: <input type="checkbox"/> Form 4255 <input type="checkbox"/> Form 8611 <input type="checkbox"/> Form 8697 <input type="checkbox"/> Form 8866 <input type="checkbox"/> Form 8902 <input type="checkbox"/> Other (attach schedule)		9
10	Total tax. Add lines 7 through 9. Enter here and on page 1, line 31		10

Schedule K Other Information (see instructions)

	Yes	No		Yes	No
1	Check accounting method: a <input type="checkbox"/> Cash				
	b <input type="checkbox"/> Accrual c <input type="checkbox"/> Other (specify) ▶				
2	See the instructions and enter the:				
a	Business activity code no. ▶				
b	Business activity ▶				
c	Product or service ▶				
3	At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).)				
	If "Yes," attach a schedule showing: (a) name and employer identification number (EIN), (b) percentage owned, and (c) taxable income or (loss) before NOL and special deduction of such corporation for the tax year ending with or within your tax year.				
4	Is the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group?				
	If "Yes," enter name and EIN of the parent corporation ▶				
5	At the end of the tax year, did any individual, partnership, corporation, estate, or trust own, directly or indirectly, 50% or more of the corporation's voting stock? (For rules of attribution, see section 267(c).)				
	If "Yes," attach a schedule showing name and identifying number. (Do not include any information already entered in 4 above.) Enter percentage owned ▶				
6	During this tax year, did the corporation pay dividends (other than stock dividends and distributions in exchange for stock) in excess of the corporation's current and accumulated earnings and profits? (See sections 301 and 316.)				
	If "Yes," file Form 5452, Corporate Report of Nondividend Distributions. If this is a consolidated return, answer here for the parent corporation and on Form 851, Affiliations Schedule, for each subsidiary.				
7	At any time during the tax year, did one foreign person own, directly or indirectly, at least 25% of (a) the total voting power of all classes of stock of the corporation entitled to vote or (b) the total value of all classes of stock of the corporation?				
	If "Yes," enter: (a) Percentage owned ▶				
	and (b) Owner's country ▶				
c	The corporation may have to file Form 5472, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business. Enter number of Forms 5472 attached ▶				
8	Check this box if the corporation issued publicly offered debt instruments with original issue discount <input type="checkbox"/>				
	If checked, the corporation may have to file Form 8281, Information Return for Publicly Offered Original Issue Discount Instruments.				
9	Enter the amount of tax-exempt interest received or accrued during the tax year ▶ \$				
10	Enter the number of shareholders at the end of the tax year (if 100 or fewer) ▶				
11	If the corporation has an NOL for the tax year and is electing to forego the carryback period, check here <input type="checkbox"/>				
	If the corporation is filing a consolidated return, the statement required by Regulations section 1.1502-21(b)(3) must be attached or the election will not be valid.				
12	Enter the available NOL carryover from prior tax years (Do not reduce it by any deduction on line 29a.) ▶ \$				
13	Are the corporation's total receipts (line 1a plus lines 4 through 10 on page 1) for the tax year and its total assets at the end of the tax year less than \$250,000?				
	If "Yes," the corporation is not required to complete Schedules L, M-1, and M-2 on page 4. Instead, enter the total amount of cash distributions and the book value of property distributions (other than cash) made during the tax year. ▶ \$				

Schedule L Balance Sheets per Books		Beginning of tax year		End of tax year	
		(a)	(b)	(c)	(d)
Assets					
1	Cash				
2a	Trade notes and accounts receivable				
b	Less allowance for bad debts	()		()	
3	Inventories				
4	U.S. government obligations				
5	Tax-exempt securities (see instructions)				
6	Other current assets (attach schedule)				
7	Loans to shareholders				
8	Mortgage and real estate loans				
9	Other investments (attach schedule)				
10a	Buildings and other depreciable assets				
b	Less accumulated depreciation	()		()	
11a	Depletable assets				
b	Less accumulated depletion	()		()	
12	Land (net of any amortization)				
13a	Intangible assets (amortizable only)				
b	Less accumulated amortization	()		()	
14	Other assets (attach schedule)				
15	Total assets				
Liabilities and Shareholders' Equity					
16	Accounts payable				
17	Mortgages, notes, bonds payable in less than 1 year				
18	Other current liabilities (attach schedule)				
19	Loans from shareholders				
20	Mortgages, notes, bonds payable in 1 year or more				
21	Other liabilities (attach schedule)				
22	Capital stock: a Preferred stock				
	b Common stock				
23	Additional paid-in capital				
24	Retained earnings—Appropriated (attach schedule)				
25	Retained earnings—Unappropriated				
26	Adjustments to shareholders' equity (attach schedule)				
27	Less cost of treasury stock	()		()	
28	Total liabilities and shareholders' equity				

Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return				
Note: Schedule M-3 required instead of Schedule M-1 if total assets are \$10 million or more—see instructions				
1	Net income (loss) per books		7	Income recorded on books this year not included on this return (itemize):
2	Federal income tax per books			Tax-exempt interest \$
3	Excess of capital losses over capital gains . . . . .			.....
4	Income subject to tax not recorded on books this year (itemize): .....			.....
5	Expenses recorded on books this year not deducted on this return (itemize):		8	Deductions on this return not charged against book income this year (itemize):
a	Depreciation \$		a	Depreciation \$
b	Charitable contributions \$		b	Charitable contributions \$
c	Travel and entertainment \$ .....			.....
6	Add lines 1 through 5		9	Add lines 7 and 8
			10	Income (page 1, line 28)—line 6 less line 9

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)				
1	Balance at beginning of year		5	Distributions: a Cash
2	Net income (loss) per books			b Stock
3	Other increases (itemize):			c Property
	.....		6	Other decreases (itemize):
	.....		7	Add lines 5 and 6
4	Add lines 1, 2, and 3		8	Balance at end of year (line 4 less line 7)

Form 1065 Department of the Treasury Internal Revenue Service	U.S. Return of Partnership Income For calendar year 2007, or tax year beginning _____, 2007, ending _____, 20____. ▶ See separate instructions.	OMB No. 1545-0099 <div style="font-size: 2em; font-weight: bold; text-align: center;">2007</div>
A Principal business activity	Name of partnership	D Employer identification number : :
B Principal product or service	Use the IRS label. Otherwise, print or type. Number, street, and room or suite no. If a P.O. box, see the instructions.	E Date business started
C Business code number	City or town, state, and ZIP code	F Total assets (see the instructions) \$

- G** Check applicable boxes: (1) Initial return (2) Final return (3) Name change (4) Address change (5) Amended return
H Check accounting method: (1) Cash (2) Accrual (3) Other (specify) ▶ _____
I Number of Schedules K-1. Attach one for each person who was a partner at any time during the tax year ▶ _____
J Check if Schedule M-3 attached. _____

Caution. Include only trade or business income and expenses on lines 1a through 22 below. See the instructions for more information.

Income	1a Gross receipts or sales	1a			
	b Less returns and allowances	1b		1c	
	2 Cost of goods sold (Schedule A, line 8)			2	
	3 Gross profit. Subtract line 2 from line 1c			3	
	4 Ordinary income (loss) from other partnerships, estates, and trusts (attach statement)			4	
	5 Net farm profit (loss) (attach Schedule F (Form 1040))			5	
	6 Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797)			6	
	7 Other income (loss) (attach statement)			7	
8 Total income (loss). Combine lines 3 through 7			8		
Deductions <small>(see the instructions for limitations)</small>	9 Salaries and wages (other than to partners) (less employment credits)			9	
	10 Guaranteed payments to partners			10	
	11 Repairs and maintenance			11	
	12 Bad debts			12	
	13 Rent			13	
	14 Taxes and licenses			14	
	15 Interest			15	
	16a Depreciation (if required, attach Form 4562)	16a			
	b Less depreciation reported on Schedule A and elsewhere on return	16b		16c	
	17 Depletion (Do not deduct oil and gas depletion.)			17	
	18 Retirement plans, etc.			18	
	19 Employee benefit programs			19	
	20 Other deductions (attach statement)			20	
	21 Total deductions. Add the amounts shown in the far right column for lines 9 through 20			21	
22 Ordinary business income (loss). Subtract line 21 from line 8			22		

Sign Here	Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than general partner or limited liability company member manager) is based on all information of which preparer has any knowledge.		
	Signature of general partner or limited liability company member manager	Date	May the IRS discuss this return with the preparer shown below (see instructions)? <input type="checkbox"/> Yes <input type="checkbox"/> No
Paid Preparer's Use Only	Preparer's signature	Date	Check if self-employed <input type="checkbox"/>
	Firm's name (or yours if self-employed), address, and ZIP code	EIN ▶	Preparer's SSN or PTIN
		Phone no. ()	

Schedule A Cost of Goods Sold (see the instructions)

1	Inventory at beginning of year	1		
2	Purchases less cost of items withdrawn for personal use	2		
3	Cost of labor	3		
4	Additional section 263A costs (attach statement)	4		
5	Other costs (attach statement)	5		
6	Total. Add lines 1 through 5	6		
7	Inventory at end of year	7		
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2	8		

- 9a Check all methods used for valuing closing inventory:
- (i) Cost as described in Regulations section 1.471-3
 - (ii) Lower of cost or market as described in Regulations section 1.471-4
 - (iii) Other (specify method used and attach explanation) ▶
- b Check this box if there was a writedown of "subnormal" goods as described in Regulations section 1.471-2(c) . . . ▶
- c Check this box if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970) ▶
- d Do the rules of section 263A (for property produced or acquired for resale) apply to the partnership? . . . Yes No
- e Was there any change in determining quantities, cost, or valuations between opening and closing inventory? Yes No
- If "Yes," attach explanation.

Schedule B Other Information

	Yes	No
1 What type of entity is filing this return? Check the applicable box:		
a <input type="checkbox"/> Domestic general partnership		
b <input type="checkbox"/> Domestic limited partnership		
c <input type="checkbox"/> Domestic limited liability company		
d <input type="checkbox"/> Domestic limited liability partnership		
e <input type="checkbox"/> Foreign partnership		
f <input type="checkbox"/> Other ▶		
2 Are any partners in this partnership also partnerships? . . .		
3 During the partnership's tax year, did the partnership own any interest in another partnership or in any foreign entity that was disregarded as an entity separate from its owner under Regulations section 301.7701-2 and 301.7701-3? If "Yes," see instructions for required attachment . . .		
4 Did the partnership file Form 8893, Election of Partnership Level Tax Treatment, or an election statement under section 6231(a)(1)(B)(ii) for partnership-level tax treatment, that is in effect for this tax year? See Form 8893 for more details . . .		
5 Does this partnership meet all three of the following requirements?		
a The partnership's total receipts for the tax year were less than \$250,000;		
b The partnership's total assets at the end of the tax year were less than \$600,000; and		
c Schedules K-1 are filed with the return and furnished to the partners on or before the due date (including extensions) for the partnership return . . .		
If "Yes," the partnership is not required to complete Schedules L, M-1, and M-2; Item F on page 1 of Form 1065; or Item L on Schedule K-1.		
6 Does this partnership have any foreign partners? If "Yes," the partnership may have to file Forms 8804, 8805 and 8813. See the instructions . . .		
7 Is this partnership a publicly traded partnership as defined in section 469(k)(2)? . . .		
8 Has this partnership filed, or is it required to file, a return under section 6111 to provide information on any reportable transaction?		
9 At any time during calendar year 2007, did the partnership have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? See the instructions for exceptions and filing requirements for Form TD F 90-22.1. If "Yes," enter the name of the foreign country. ▶		
10 During the tax year, did the partnership receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If "Yes," the partnership may have to file Form 3520. See the instructions . . .		
11 Was there a distribution of property or a transfer (for example, by sale or death) of a partnership interest during the tax year? If "Yes," you may elect to adjust the basis of the partnership's assets under section 754 by attaching the statement described under <i>Elections Made By the Partnership</i> in the instructions . . .		
12 Enter the number of Forms 8865, Return of U.S. Persons With Respect to Certain Foreign Partnerships, attached to this return ▶		

Designation of Tax Matters Partner (see the instructions)

Enter below the general partner designated as the tax matters partner (TMP) for the tax year of this return:

Name of designated TMP ▶ _____ Identifying number of TMP ▶ _____

Address of designated TMP ▶ _____

Schedule K Partners' Distributive Share Items		Total amount	
Income (Loss)	1 Ordinary business income (loss) (page 1, line 22)	1	
	2 Net rental real estate income (loss) (attach Form 8825)	2	
	3a Other gross rental income (loss)	3a	
	b Expenses from other rental activities (attach statement)	3b	
	c Other net rental income (loss). Subtract line 3b from line 3a	3c	
	4 Guaranteed payments	4	
	5 Interest income	5	
	6 Dividends: a Ordinary dividends	6a	
	b Qualified dividends	6b	
	7 Royalties	7	
	8 Net short-term capital gain (loss) (attach Schedule D (Form 1065))	8	
9a Net long-term capital gain (loss) (attach Schedule D (Form 1065))	9a		
b Collectibles (28%) gain (loss)	9b		
c Unrecaptured section 1250 gain (attach statement)	9c		
10 Net section 1231 gain (loss) (attach Form 4797)	10		
11 Other income (loss) (see instructions) Type ▶	11		
Deductions	12 Section 179 deduction (attach Form 4562)	12	
	13a Contributions	13a	
	b Investment interest expense	13b	
	c Section 59(e)(2) expenditures: (1) Type ▶ (2) Amount ▶	13c(2)	
d Other deductions (see instructions) Type ▶	13d		
Self-Employment	14a Net earnings (loss) from self-employment	14a	
	b Gross farming or fishing income	14b	
	c Gross nonfarm income	14c	
Credits	15a Low-income housing credit (section 42(j)(5))	15a	
	b Low-income housing credit (other)	15b	
	c Qualified rehabilitation expenditures (rental real estate) (attach Form 3468)	15c	
	d Other rental real estate credits (see instructions) Type ▶	15d	
	e Other rental credits (see instructions) Type ▶	15e	
	f Other credits (see instructions) Type ▶	15f	
Foreign Transactions	16a Name of country or U.S. possession ▶		
	b Gross income from all sources	16b	
	c Gross income sourced at partner level	16c	
	Foreign gross income sourced at partnership level		
	d Passive category ▶ e General category ▶ f Other ▶	16f	
	Deductions allocated and apportioned at partner level		
	g Interest expense ▶ h Other ▶	16h	
	Deductions allocated and apportioned at partnership level to foreign source income		
	i Passive category ▶ j General category ▶ k Other ▶	16k	
	l Total foreign taxes (check one): ▶ Paid <input type="checkbox"/> Accrued <input type="checkbox"/> k Other ▶	16l	
m Reduction in taxes available for credit (attach statement)	16m		
n Other foreign tax information (attach statement)			
Alternative Minimum Tax (AMT) Items	17a Post-1986 depreciation adjustment	17a	
	b Adjusted gain or loss	17b	
	c Depletion (other than oil and gas)	17c	
	d Oil, gas, and geothermal properties—gross income	17d	
	e Oil, gas, and geothermal properties—deductions	17e	
	f Other AMT items (attach statement)	17f	
Other Information	18a Tax-exempt interest income	18a	
	b Other tax-exempt income	18b	
	c Nondeductible expenses	18c	
	19a Distributions of cash and marketable securities	19a	
	b Distributions of other property	19b	
	20a Investment income	20a	
	b Investment expenses	20b	
c Other items and amounts (attach statement)			

Analysis of Net Income (Loss)

1 Net income (loss). Combine Schedule K, lines 1 through 11. From the result, subtract the sum of Schedule K, lines 12 through 13d, and 16l						1
2 Analysis by partner type:	(i) Corporate	(ii) Individual (active)	(iii) Individual (passive)	(iv) Partnership	(v) Exempt organization	(vi) Nominee/Other
a General partners						
b Limited partners						

Schedule L	Balance Sheets per Books	Beginning of tax year		End of tax year	
		(a)	(b)	(c)	(d)
Assets					
1	Cash				
2a	Trade notes and accounts receivable				
b	Less allowance for bad debts				
3	Inventories				
4	U.S. government obligations				
5	Tax-exempt securities				
6	Other current assets (attach statement)				
7	Mortgage and real estate loans				
8	Other investments (attach statement)				
9a	Buildings and other depreciable assets				
b	Less accumulated depreciation				
10a	Depletable assets				
b	Less accumulated depletion				
11	Land (net of any amortization)				
12a	Intangible assets (amortizable only)				
b	Less accumulated amortization				
13	Other assets (attach statement)				
14	Total assets				
Liabilities and Capital					
15	Accounts payable				
16	Mortgages, notes, bonds payable in less than 1 year				
17	Other current liabilities (attach statement)				
18	All nonrecourse loans				
19	Mortgages, notes, bonds payable in 1 year or more				
20	Other liabilities (attach statement)				
21	Partners' capital accounts				
22	Total liabilities and capital				

Schedule M-1 Reconciliation of Income (Loss) per Books With Income (Loss) per Return

Note. Schedule M-3 may be required instead of Schedule M-1 (see instructions).

1	Net income (loss) per books	6	Income recorded on books this year not included on Schedule K, lines 1 through 11 (itemize):
2	Income included on Schedule K, lines 1, 2, 3c, 5, 6a, 7, 8, 9a, 10, and 11, not recorded on books this year (itemize):	a	Tax-exempt interest \$
3	Guaranteed payments (other than health insurance)	7	Deductions included on Schedule K, lines 1 through 13d, and 16l, not charged against book income this year (itemize):
4	Expenses recorded on books this year not included on Schedule K, lines 1 through 13d, and 16l (itemize):	a	Depreciation \$
a	Depreciation \$	8	Add lines 6 and 7
b	Travel and entertainment \$	9	Income (loss) (Analysis of Net Income (Loss), line 1). Subtract line 8 from line 5
5	Add lines 1 through 4		

Schedule M-2 Analysis of Partners' Capital Accounts

1	Balance at beginning of year	6	Distributions: a Cash
2	Capital contributed: a Cash	b	Property
	b Property	7	Other decreases (itemize):
3	Net income (loss) per books	8	Add lines 6 and 7
4	Other increases (itemize):	9	Balance at end of year. Subtract line 8 from line 5
5	Add lines 1 through 4		

**Schedule K-1
(Form 1065)**

Department of the Treasury
Internal Revenue Service

2007

For calendar year 2007, or tax
year beginning _____, 2007
ending _____, 20____

Partner's Share of Income, Deductions, Credits, etc.

▶ See back of form and separate instructions.

Final K-1 Amended K-1 OMB No. 1545-0099

Part I Information About the Partnership

A Partnership's employer identification number _____

B Partnership's name, address, city, state, and ZIP code _____

C IRS Center where partnership filed return _____

D Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number _____

F Partner's name, address, city, state, and ZIP code _____

G General partner or LLC member-manager Limited partner or other LLC member

H Domestic partner Foreign partner

I What type of entity is this partner? _____

J Partner's share of profit, loss, and capital:

	Beginning	Ending
Profit	_____ %	_____ %
Loss	_____ %	_____ %
Capital	_____ %	_____ %

K Partner's share of liabilities at year end:

Nonrecourse \$ _____

Qualified nonrecourse financing . . . \$ _____

Recourse \$ _____

L Partner's capital account analysis:

Beginning capital account \$ _____

Capital contributed during the year . . \$ _____

Current year increase (decrease) . . \$ _____

Withdrawals & distributions . . . \$ (_____)

Ending capital account \$ _____

Tax basis GAAP Section 704(b) book
 Other (explain) _____

Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
		19	Distributions
12	Section 179 deduction		
13	Other deductions		
		20	Other information
14	Self-employment earnings (loss)		
*See attached statement for additional information.			
For IRS Use Only			

Form **1040** Department of the Treasury—Internal Revenue Service **U.S. Individual Income Tax Return 2007** | IRS Use Only—Do not write or staple in this space.

For the year Jan. 1–Dec. 31, 2007, or other tax year beginning _____, 2007, ending _____, 20 _____ OMB No. 1545-0074

Label (See instructions on page 12.) Use the IRS label. Otherwise, please print or type.

LABEL HERE

Your first name and initial _____ Last name _____ Your social security number _____

If a joint return, spouse's first name and initial _____ Last name _____ Spouse's social security number _____

Home address (number and street). If you have a P.O. box, see page 12. _____ Apt. no. _____

City, town or post office, state, and ZIP code. If you have a foreign address, see page 12. _____

▲ You must enter your SSN(s) above. ▲

Checking a box below will not change your tax or refund.

Presidential Election Campaign ▶ Check here if you, or your spouse if filing jointly, want \$3 to go to this fund (see page 12) ▶ You Spouse

Filing Status

1 Single 4 Head of household (with qualifying person). (See page 13.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶

2 Married filing jointly (even if only one had income)

3 Married filing separately. Enter spouse's SSN above and full name here. ▶ 5 Qualifying widow(er) with dependent child (see page 14)

Check only one box.

Exemptions

6a Yourself. If someone can claim you as a dependent, do not check box 6a

b Spouse

(1) First name	Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) <input checked="" type="checkbox"/> if qualifying child for child tax credit (see page 15)
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>

If more than four dependents, see page 15.

Boxes checked on 6a and 6b No. of children on 6c who:
 • lived with you
 • did not live with you due to divorce or separation (see page 16)
 Dependents on 6c not entered above

d Total number of exemptions claimed Add numbers on lines above ▶

Income

7 Wages, salaries, tips, etc. Attach Form(s) W-2 7

8a Taxable interest. Attach Schedule B if required 8a

b Tax-exempt interest. Do not include on line 8a 8b

9a Ordinary dividends. Attach Schedule B if required 9a

b Qualified dividends (see page 19) 9b

10 Taxable refunds, credits, or offsets of state and local income taxes (see page 20) 10

11 Alimony received 11

12 Business income or (loss). Attach Schedule C or C-EZ 12

13 Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶ 13

14 Other gains or (losses). Attach Form 4797 14

15a IRA distributions 15a 15b Taxable amount (see page 21)

16a Pensions and annuities 16a 16b Taxable amount (see page 22)

17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E 17

18 Farm income or (loss). Attach Schedule F 18

19 Unemployment compensation 19

20a Social security benefits 20a 20b Taxable amount (see page 24)

21 Other income. List type and amount (see page 24) 21

22 Add the amounts in the far right column for lines 7 through 21. This is your total income ▶ 22

Adjusted Gross Income

23 Educator expenses (see page 26) 23

24 Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ 24

25 Health savings account deduction. Attach Form 8889 25

26 Moving expenses. Attach Form 3903 26

27 One-half of self-employment tax. Attach Schedule SE 27

28 Self-employed SEP, SIMPLE, and qualified plans 28

29 Self-employed health insurance deduction (see page 26) 29

30 Penalty on early withdrawal of savings 30

31a Alimony paid b Recipient's SSN ▶ 31a

32 IRA deduction (see page 27) 32

33 Student loan interest deduction (see page 30) 33

34 Tuition and fees deduction. Attach Form 8917 34

35 Domestic production activities deduction. Attach Form 8903 35

36 Add lines 23 through 31a and 32 through 35 36

37 Subtract line 36 from line 22. This is your adjusted gross income ▶ 37

Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.

If you did not get a W-2, see page 19.

Enclose, but do not attach, any payment. Also, please use Form 1040-V.

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see page 83. Cat. No. 11320B Form **1040** (2007)