

**UNITED STATES TAX COURT  
WASHINGTON, DC 20217**

VHC, INC. AND SUBSIDIARIES, )  
                                    )  
Petitioner(s),                 )  
                                    )  
v.                                 ) Docket No. 21583-15.  
                                    )  
COMMISSIONER OF INTERNAL REVENUE, )  
                                    )  
Respondent                     )

**O R D E R**

The Court issued its opinion, T.C. Memo. 2017-220, in this case on November 7, 2017. On March 22, 2018, the parties filed their computations for entry of decision, which were not in agreement. The parties filed responses regarding the computations on April 20, 2018, and May 14, 2018.

Petitioner contends that it is entitled to the domestic production activities deduction for tax years 2011-13. The Court disallowed bad debt deductions which resulted in adjustments to gross income in certain years. Respondent contends for tax years 2011-13 petitioner increased the domestic production activities deduction by amounts that were not part of the record and not mathematical changes based upon the Court's opinion.

Petitioner contends that the increase in net income resulting from the disallowance of bad debt allows petitioner to deduct its passive losses when they incurred in tax year 2011, rather than having to carry them forward to tax year 2012. Respondent contends that respondent is unable to determine how a disallowance of bad debt deductions against active income bears any relationship to the allowance of passive losses.

Upon due consideration, it is

ORDERED that respondent shall file a revised computation for entry of decision by July 9, 2018. It is further

ORDERED that the revised computation shall show the original amounts for the domestic activities production credit for tax years 2011-13 and new amounts for the credit based upon changes in gross income due to the disallowance of the bad debt deduction. The revised computation shall include the new amounts. It is further

ORDERED that the revised computation shall allow a passive loss in tax year 2011 based upon the changes to active income due to the disallowance of bad debt deductions.

**(Signed) Kathleen Kerrigan  
Judge**

Dated: Washington, D.C.  
June 8, 2018