

another group) in such manner as the corporations which were included in the consolidated return may, subject to the approval of the Commissioner, agree upon or in the absence of an agreement upon the method used in allocating the tax liability of the members of the group under the provisions of section 1552(a).

(g) *Computing periods of limitation—(1) Income incorrectly included in consolidated return.* If:

(i) A consolidated return is filed by a group for the taxable year, and

(ii) The tax liability of a corporation whose income is included in such return must be computed on the basis of a separate return (or on the basis of a consolidated return with another group), then for the purpose of computing any period of limitation with respect to such separate return (or such other consolidated return), the filing of such consolidated return by the group shall be considered as the making of a return by such corporation.

(2) *Income incorrectly included in separate returns.* If a consolidated return is required for the taxable year under the provisions of paragraph (a)(2) of this section, the filing of separate returns by the members of the group for such year shall not be considered as the making of a return for the purpose of computing any period of limitation with respect to such consolidated return unless there is attached to each such separate return a statement setting forth:

(i) The most recent taxable year of the member for which its income was included in a consolidated return, and

(ii) The reasons for the group's belief that a consolidated return is not required for the taxable year.

(h) *Method of filing return and forms—(1) Consolidated return made by common parent corporation.* The consolidated return shall be made on Form 1120 for the group by the common parent corporation. The consolidated return, with Form 851 (affiliations schedule) attached, shall be filed with the district director with whom the common parent would have filed a separate return.

(2) [Reserved]. For further guidance, see § 1.1502-75T(h)(2).

(3) *Persons qualified to execute returns and forms.* Each return or form required

to be made or prepared by a corporation must be executed by the person authorized under section 6062 to execute returns of separate corporations.

(i) [Reserved]

(j) *Statements and schedules for subsidiaries.* The statement of gross income and deductions and the schedules required by the instructions on the return shall be prepared and filed in columnar form so that the details of the items of gross income, deductions, and credits for each member may be readily audited. Such statements and schedules shall include in columnar form a reconciliation of surplus for each corporation, and a reconciliation of consolidated surplus. Consolidated balance sheets as of the beginning and close of the taxable year of the group, taken from the books of the members, shall accompany the consolidated return and shall be prepared in a form similar to that required for reconciliation of surplus.

(k) *Cross-reference.* See § 1.338(h)(10)-1(d)(7) for special rules regarding filing consolidated returns when a section 338(h)(10) election is made for a target acquired from a selling consolidated group.

[T.D. 6894, 31 FR 11794, Sept. 8, 1966, as amended by T.D. 7016, 34 FR 15556, Oct. 7, 1969; T.D. 7024, 35 FR 2774, Feb. 10, 1970; T.D. 7244, 37 FR 28897, Dec. 30, 1972; T.D. 7246, 38 FR 766, Jan. 4, 1973; T.D. 8438, 57 FR 44333, Sept. 25, 1992; T.D. 8515, 59 FR 2984, Jan. 20, 1994; T.D. 8560, 59 FR 41675, 41700, Aug. 15, 1994; T.D. 8858, 65 FR 1237, Jan. 7, 2000; 66 FR 9929, Feb. 13, 2001; T.D. 9100, 68 FR 70707, Dec. 19, 2003]

§ 1.1502-75T Filing of consolidated returns (temporary).

(a) through (h)(1) [Reserved]. For further guidance, see § 1.1502-75(a) through (h)(1).

(2) *Filing of Form 1122 for first year.* If, under the provisions of § 1.1502-75 (a)(1), a group wishes to file a consolidated return for a taxable year, then a Form 1122 ("Authorization and Consent of Subsidiary Corporation To Be Included in a Consolidated Income Tax Return") must be executed by each subsidiary. For taxable years beginning before January 1, 2003, the executed Forms 1122 must be attached to the consolidated return for the taxable year. For

taxable years beginning after December 31, 2002, the group must attach either executed Forms 1122 or unsigned copies of the completed Forms 1122 to the consolidated return. If the group submits unsigned Forms 1122 with its return, it must retain the signed originals in its records in the manner required by § 1.6001-1(e). Form 1122 is not required for a taxable year if a consolidated return was filed (or was required to be filed) by the group for the immediately preceding taxable year.

(h)(3) through (k) [Reserved]. For further guidance, see § 1.1502-75(h)(3) through (k).

[T.D. 9100, 68 FR 70707, Dec. 19, 2003]

§ 1.1502-76 Taxable year of members of group.

(a) *Taxable year of members of group—*
 (1) *Change to parent's taxable year.* The consolidated return of a group must be filed on the basis of the common parent's taxable year, and each subsidiary must adopt the common parent's annual accounting period for the first consolidated return year for which the subsidiary's income is includible in the consolidated return. If any member is on a 52-53-week taxable year, the rule of the preceding sentence shall, with the advance consent of the Commissioner, be deemed satisfied if the taxable years of all members of the group end within the same 7-day period. Any request for such consent shall be filed with the Commissioner of Internal Revenue, Washington, DC 20224, not later than the 30th day before the due date (not including extensions of time) for the filing of the consolidated return.

(2) *Includible insurance company as member of group.* If an includible insurance company required by section 843 to file its return on the basis of a calendar year is a member of the group and if the common parent of such group files its return on the basis of a fiscal year, then the first consolidated return which includes the income of such insurance company may be filed on the basis of the common parent's fiscal year, provided, however, that if such insurance company is a member of the group on the last day of the common parent's taxable year, all members other than such insurance company

change to a calendar year or to a 52-53-week taxable year ending within a 7-day period which includes December 31, effective immediately after the close of the common parent's taxable year. If any member changes to a 52-53-week taxable year, the advance consent of the Commissioner shall be obtained in accordance with subparagraph (1) of this paragraph.

(b) *Items included in the consolidated return—*(1) *General rules—*(i) *In general.* A consolidated return must include the common parent's items of income, gain, deduction, loss, and credit for the entire consolidated return year, and each subsidiary's items for the portion of the year for which it is a member. If the consolidated return includes the items of a corporation for only a portion of its tax year determined without taking this section into account, items for the portion of the year not included in the consolidated return must be included in a separate return (including the consolidated return of another group). The rules of this paragraph (b) must be applied to prevent the duplication or elimination of the corporation's items.

(ii) *The day a corporation becomes or ceases to be a member—*(A) *End of the day rule.* (1) *In general.* If a corporation (S), other than one described in paragraph (b)(1)(ii)(A)(2) of this section, becomes or ceases to be a member during a consolidated return year, it becomes or ceases to be a member at the end of the day on which its status as a member changes, and its tax year ends for all Federal income tax purposes at the end of that day. Appropriate adjustments must be made if another provision of the Internal Revenue Code or the regulations thereunder contemplates the event occurring before or after S's change in status. For example, S's items restored under § 1.1502-13 immediately before it becomes a nonmember are taken into account in determining the basis of S's stock under § 1.1502-32. On the other hand, if a section 338(g) election is made in connection with S becoming a member, the deemed asset sale under that section takes place before S becomes a member. See § 1.338-10(a)(5) (deemed sale excluded from purchasing corporation's consolidated return.)