

**SCHEDULE O  
(Form 1120)**

(December 2006)

Department of the Treasury  
Internal Revenue Service

**Consent Plan and Apportionment Schedule  
for a Controlled Group**

▶ **Attach to Form 1120, 1120-C, 1120-F, 1120-FSC, 1120-L, 1120-PC, 1120-REIT, or 1120-RIC.**  
▶ **See separate instructions.**

OMB No. 1545-0123

Name

Employer identification number

**Part I Apportionment Plan Information**

**1** Type of controlled group:

- a**  Parent-subsidiary group
- b**  Brother-sister group
- c**  Combined group
- d**  Life insurance companies only

**2** This corporation has been a member of this group:

- a**  For the entire tax year.
- b**  From \_\_\_\_\_, 20\_\_\_\_\_, until \_\_\_\_\_, 20\_\_\_\_\_.

**3** This corporation consents to:

- a**  Adopt an apportionment plan.
- b**  Amend the current apportionment plan.
- c**  Terminate the current apportionment plan.

**4** Check the applicable box, below, concerning the status of the group's apportionment plan (see instructions).

- a**  No apportionment plan is in effect and none is being adopted.
- b**  An apportionment plan is already in effect. It was adopted for the tax year ending \_\_\_\_\_, 20\_\_\_\_\_, and for all succeeding tax years.
- c**  All the members of this group are currently amending a previously adopted plan, which was in effect for the tax year ending \_\_\_\_\_, 20\_\_\_\_\_, and for all succeeding tax years.
- d**  All the members of this group are adopting an apportionment plan, effective for the current tax year, which ends on \_\_\_\_\_, 20\_\_\_\_\_, and for all succeeding tax years.
- e**  The plan was terminated, effective \_\_\_\_\_, 20\_\_\_\_\_, because:
  - (i)*  This group ceased to remain in existence during the calendar year ending on the December 31st subsequent to the adoption of the plan.
  - (ii)*  A corporation which was a component member of this group on the December 31st of this tax return year is not a component member of this group on the succeeding December 31st.
  - (iii)*  A corporation which was not a component member of this group on the December 31st of this tax return year is a component member of this group on the succeeding December 31st.
  - (iv)*  All the members of the group have agreed to terminate the previously adopted plan.

**5** If all the members of this group are adopting a plan or amending the current plan for a tax year after the due date (including extensions) of the tax return for this corporation, is there at least one year remaining on the statute of limitations from the date this corporation filed its amended return for such tax year for assessing any resulting deficiency? See instructions.

- a**  Yes.
  - (i)*  The statute of limitations for this year will expire on \_\_\_\_\_, 20\_\_\_\_\_.
  - (ii)*  On \_\_\_\_\_, 20\_\_\_\_\_, this corporation entered into an agreement with the Internal Revenue Service to extend the statute of limitations for purposes of assessment until \_\_\_\_\_, 20\_\_\_\_\_.
- b**  No.

**Part II Taxable Income Apportionment** (See instructions)

**Caution:** Each total in Part II, column (g) for each component member must agree with Form 1120, page 1, line 30 or the comparable line of such member's tax return.

(a) Group member's name and employer identification number	(b) Tax year end (Yr-Mo)	Taxable Income Amount Allocated to Each Bracket					(g) Total (add columns (c) through (f))
		(c) 15%	(d) 25%	(e) 34%	(f) 35%		
1 _____							
2 _____							
3 _____							
4 _____							
5 _____							
6 _____							
7 _____							
8 _____							
9 _____							
10 _____							
<b>Total</b>							

Draft as of  
11/20/2006

**Part III** **Income Tax Apportionment** (See instructions)

(a) Group member's name	Income Tax Apportionment						(h) Total income tax (combine lines (b) through (g))
	(b) 15%	(c) 25%	(d) 34%	(e) 35%	(f) 5%	(g) 3%	
1 _____							
2 _____							
3 _____							
4 _____							
5 _____							
6 _____							
7 _____							
8 _____							
9 _____							
10 _____							
<b>Total</b>							

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**Part IV Other Apportionments** (See instructions)

(a) Group member's name	Other Apportionments				
	(b) Accumulated earnings credit	(c) AMT exemption amount	(d) Phaseout of AMT exemption amount	(e) Penalty for failure to pay estimated tax	(f) Other
1 _____					
2 _____					
3 _____					
4 _____					
5 _____					
6 _____					
7 _____					
8 _____					
9 _____					
10 _____					
<b>Total</b>					

Draft as of 11/20/2006

# Instructions for Schedule O (Form 1120) (December 2006)



Department of the Treasury  
Internal Revenue Service

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## Consent Plan and Apportionment Schedule for a Controlled Group

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

### General Instructions

#### Purpose of Schedule

Use Schedule O to show the apportionment of taxable income, income tax, and certain tax benefit items between the members of a controlled group.

Schedule O is filed by a corporation with its income tax return, amended return, or claim for refund, if appropriate, for each tax year that it is a component member of the controlled group. Schedule O serves to indicate that all members of the controlled group:

- Are not adopting an apportionment plan,
- Already have an apportionment plan in effect,
- Are amending a previously adopted apportionment plan,
- Are adopting an apportionment plan, or
- Are terminating the existing apportionment plan.

By filing this schedule, the corporation consents to the adoption or amendment of an apportionment plan by the controlled group and to the allocation by the members of the controlled group of certain tax benefit items.

The apportionment plan (including an amended plan) remains in effect until it is terminated.

#### Who Must File

Schedule O must be filed by a corporation with its income tax return, amended return, or claim for refund (if appropriate) for each tax year that it is a member of the controlled group, even if no apportionment plan in effect. The common parent of a consolidated group can file one Schedule O for all the members of the consolidated group with that Schedule O containing the required information for each member.

### Definitions

#### Types of controlled groups

**Parent-subsidiary group.** A parent-subsidiary group is one or more chains of corporations connected through stock ownership with a common parent corporation if:

- Stock possessing at least 80% of the total combined voting power of all classes of stock entitled to vote or at least 80% of the total value of shares of all classes of stock of each of the corporations, except the common parent corporation, is directly or indirectly owned by one or more of the other corporations; and
- The common parent corporation directly or indirectly owns stock possessing at least 80% of the total combined voting power of all classes of stock entitled to vote or at least 80% of the total value of shares of all classes of stock of at least one of the other corporations, excluding, in computing such voting power or value, stock owned directly by such other corporations.

For purposes of determining whether a corporation is a member of a parent-subsidiary controlled group of corporations, within the meaning of section 1563(a)(1), stock owned by a corporation means:

- Stock owned directly by the corporation, and
- Stock owned with the application of section 1563(e)(1), (2), and (3).

**Brother-sister group.** A brother-sister group is two or more corporations if the same five or fewer persons who are individuals, estates, or trusts directly or indirectly own stock possessing:

1. At least 80% of the total combined voting power of all classes of stock entitled to vote or at least 80% of the total value of shares of all classes of the stock of each corporation, and
2. More than 50% of the total combined voting power of all classes of stock entitled to vote or more than 50% of the total value of shares of all classes of stock of each corporation,

taking into account the stock ownership of each such person only to the extent such stock ownership is identical with respect to each such corporation.

The definition of brother-sister group does not include (1) above, for purposes of determining and allocating the following.

- Taxable income brackets,
- Accumulated earnings credit,
- Alternative minimum tax exemption amount,
- Phaseout of the alternative minimum tax exemption amount, or
- The additional tax.

For purposes of determining whether a corporation is a member of a brother-sister controlled group of corporations, within the meaning of section 1563(a)(2), stock owned by a person who is an individual, estate, or trust means:

- Stock owned directly by such person, and
- Stock owned with the application of section 1563(e).

**Combined group.** A combined group is three or more corporations each of which is a member of a parent-subsidiary group or a brother-sister group, and one of which is:

- A common parent corporation included in a group of corporations in a parent-subsidiary group, and also
- Included in a group of corporations in a brother-sister group.

**Life insurance companies.** Two or more insurance companies subject to tax under section 801 which are members of a parent-subsidiary, brother-sister, or combined group of a controlled group of corporations, will be treated as a controlled group of corporations separate from any other corporations which are members of the controlled group of corporations as a parent-subsidiary, brother-sister, or combined group. However, the preceding sentence does not apply to any life insurance company that is a member (whether eligible or ineligible) of a life-nonlife affiliated group for which a section 1504(c)(2)

election is effective. Instead, such life insurance company will be treated as a member of the life-nonlife controlled group (a deemed parent-subsidiary controlled group).

### Component member

A corporation is a component member of a controlled group of corporations on a December 31 of any tax year (and with respect to the tax year which includes such December 31) if the corporation:

- Is a member of such controlled group of corporations on the December 31 included in the year and is not treated as an excluded member defined below, or
- Is not a member of the controlled group of corporations on the December 31 included in such year but is treated as an additional member as defined below.

### Excluded members

A corporation which is a member of a controlled group of corporations on December 31 of any tax year will be treated as an excluded member of such group for the tax year including such December 31 if such corporation is:

- A member of such group for less than one-half the number of days in such tax year which precede such December 31,
- Exempt from tax under section 501(a) (except a corporation which is subject to tax on its unrelated business taxable income under section 511) for such tax year,
- A foreign corporation subject to tax under section 881 for such tax year,
- An insurance company subject to tax under section 801 (other than an insurance company which is a member of a controlled group described above under Types of controlled groups),
- A franchised corporation, as defined in section 1563(f)(4), or
- An S corporation as defined in section 1361.

In determining how many days a corporation has been a member of a controlled group, the group must take into account the day it is sold or liquidated, but does not take into account either: (a) the day such corporation is acquired or created, or (b) the December 31 of such corporation's tax year.

### Additional members

A corporation (other than an S corporation) which (a) was a member of a controlled group of corporations at any time during a calendar year,

(b) is not a member of such group on December 31 of such calendar year, and (c) is not described, with respect to such group, in section 1563(b)(2)(B),(C),(D), or (E), will be treated as an additional member of such group on December 31 for its tax year including such December 31 if it was a member of such group for one-half (or more) of the number of days in such tax year which precede such December 31.

### Overlapping groups

If a corporation is a component member of more than one controlled group of corporations with respect to any tax year, that corporation will be treated as a component member of only one controlled group. The determination as to the group of which such corporation is a component member shall be made under regulations prescribed by the Secretary.

### Excluded stock

The term "stock" does not include:

- Nonvoting stock which is limited and preferred as to dividends,
- Treasury stock, and
- Stock which is treated as "excluded stock" under section 1563(c)(2)(A) in the case of a parent-subsidiary controlled group or section 1563(c)(2)(B) in the case of a brother-sister controlled group.

### Unequal apportionment plan

Members of a controlled group can elect an unequal apportionment plan and divide the taxable income brackets as they want. If any members are also members of a consolidated group, the consolidated group will be treated as one component member of the controlled group for purposes of apportionment. There is no need for consistency among taxable income brackets. The controlled group may apportion all, some, or none of the taxable income bracket amounts between its members. However, the total amount for all members cannot be more than the total amount in each taxable income bracket.

### Equal apportionment plan

If no apportionment plan is adopted (or in effect), members of a controlled group must divide the amount in each taxable income bracket equally among themselves (regardless of whether any member is a member of a consolidated group). For example, Controlled Group AB consists of Corporation A and Corporation B.

They do not elect an apportionment plan. Therefore, each corporation is entitled to:

- \$25,000 (one-half of \$50,000) on Part II, Column (c),
- \$12,500 (one-half of \$25,000) on Part II, Column (d), and
- \$4,962,500 (one-half of \$9,925,000) on Part II, Column (e).

## General Instructions for Parts I, II, III, and IV

**Component members of a consolidated group.** If several of these component members are also members of a consolidated group, then with respect to those members provide only the name, EIN (and if necessary the tax year) of the common parent of the group (and not of the other members of that consolidated group). Indicate that this corporation is the parent of a group and the number of members of that consolidated group, not including the parent.

**No apportionment plan adopted or in effect.** If the component members do not adopt an apportionment plan or have an apportionment plan in effect, they must apportion all amounts equally among themselves. For purposes of the preceding sentence, if any component members of a controlled group of corporations are also members of a consolidated group, such members will be treated as separate component members of the controlled group.

## Specific Instructions

### Part I. Apportionment Plan Information

**Line 1. Type of controlled group.** A member of a controlled group must check the applicable box to indicate the type of group. The term "controlled group" means any parent-subsidiary group, brother-sister group, or combined group. See Definitions above.

**Note.** The corporation is required to provide information regarding status of the group's apportionment plan. In connection with the information provided, the corporation may be required to indicate whether all of the component members of the controlled group are adopting, amending, or terminating an

apportionment plan. If all the members of a controlled group complete a written agreement setting forth the terms of the adopted or amended apportionment plan (or an agreement to terminate the previously adopted plan), each member of the group may rely on this agreement as a basis for its answers to line 4. The agreement must be signed by an authorized person on behalf of each component member of the controlled group. Each member must retain as part of its records either the original or a copy of such agreement. The agreement should contain the group's apportionment methodology (e.g., percentages) for each tax benefit item.

**Line 4. Status of apportionment plan.** A member of a controlled group must check the applicable box to indicate the status of the group's apportionment plan. If the group is adopting an apportionment plan or amending the current apportionment plan for a prior tax year, there must be at least one year remaining on the statute of limitations for each member of the group for assessing any resulting deficiency. For more details, see the instructions for line 5, below.

**Line 5. Statute of limitations.** An apportionment plan may not be adopted for a particular tax year unless:

1. There is at least one year remaining in the statutory period (including any extensions thereof) for the assessment of a deficiency against the corporation, the tax liability of which would be increased by the adoption of such plan, or

2. If there is less than one year remaining with respect to the corporation, it has entered into an agreement with the Service extending the statutory period for the limited purpose of assessing any deficiency against that corporation attributable to the adoption of the apportionment plan.

## Part II. Taxable Income Apportionment

**Columns (c) through (f).** Enter the member's share of each taxable income bracket as applicable. Members of a controlled group are entitled to one \$50,000, one \$25,000, and one \$9,925,000 taxable income bracket amount (in that order) on columns (c), (d), and (e). See *Equal apportionment plan* and *Unequal apportionment plan* above.

**Column (c).** Enter taxable income (Form 1120, page 1, line 30, or the comparable line of the corporation's income tax return) or the corporation's share of the \$50,000 taxable income bracket, whichever is less.

**Column (d).** Enter taxable income (Form 1120, page 1, line 30, or the comparable line of the corporation's income tax return) less the corporation's share of column (c) or the corporation's share of the \$25,000 taxable income bracket, whichever is less.

**Column (e).** Enter taxable income (Form 1120, page 1, line 30, or the comparable line of the corporation's income tax return) less the corporation's share of columns (c) and (d) or the corporation's share of the \$9,925,000 taxable income bracket, whichever is less.

**Column (f).** Enter taxable income (Form 1120, page 1, line 30, or the comparable line of the corporation's income tax return) less the corporation's share of columns (c) through (e).

## Part III. Income Tax Apportionment

**Columns (f) and (g).** Members of a controlled group are treated as one group to figure the applicability of the

additional 5% tax and the additional 3% tax. If an additional tax applies, each member will pay that tax based on the part of the amount used in each taxable income bracket to reduce that member's tax. See section 1561(a).

**Column (f).** If the taxable income of the controlled group exceeds \$100,000, enter this member's share of the smaller of: 5% of the taxable income in excess of \$100,000, or \$11,750.

**Column (g).** If the taxable income of the controlled group exceeds \$15 million, enter this member's share of the smaller of: 3% of the taxable income in excess of \$15 million, or \$100,000.

## Part IV. Other Apportionments

**Column (b), Accumulated Earnings Credit.** The component members of a controlled group of corporations may allocate the amount of the accumulated earnings unequally if they adopt an apportionment plan or have an apportionment plan in effect.

If any component member of the controlled group is a corporation described in section 535(c)(2)(B), the amount to be apportioned among the component members is \$150,000 (rather than \$250,000).

**Columns (c) and (d), AMT Exemption Amount and Phase of AMT Exemption Amount.** In applying section 55(d)(3), the alternative minimum taxable income of all component members shall be taken into account and any decrease in the exemption amount shall be allocated to the component members of the group in the same manner as the exemption amount was allocated to the members.

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