

2008 Instructions for Schedule O (Form 1120), Consent Plan and Apportionment Schedule for a Controlled Group

Purpose: This is the first circulated draft of the 2008 Instructions for Schedule O (Form 1120) for your review and comments. See below for a discussion of the major changes.

TPCC Meeting: None, but may be arranged if requested.

Prior Version: The 2008 Instructions for Schedule O (Form 1120) are available at:
<http://www.irs.gov/pub/irs-pdf/i1120c.pdf>

Form: The 2008 Schedule O (Form 1120) was circulated earlier. The latest draft of Schedule O (Form 1120) is attached.

Other Products: Circulations of draft tax forms, instructions, notices, and publications are posted at:
<http://taxforms.web.irs.gov/Circulations/index.htm>

Comments: Please email, fax, call, or mail any comments by **December 19, 2008**. The comment period is shortened to meet print deadlines. Phone comments must be followed up with an email or fax. Comments should also be sent to the reviewer at: Joan.A.McAlpine@irs.gov

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Description of Major Changes to the Instructions for Schedule O (Form 1120) (December 2008)

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What's New

We added this section to show the changes made to the Schedule.

Purpose of schedule. We re-worded this section to clarify the member completing the return is reporting apportionment plan activity.

Who must file. We made text revisions to clarify filing requirements for a consolidated group.

Brother-sister group. The 50% test was explained in more detail.

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We added "Testing Date" and "Testing Period" instructions for guidance on determining if a member is a component member.

Apportionment Plans. A major re-write was done including eliminating the section for **Unequal Apportionment Plan** in lieu adding a detailed description of apportionment plans. This section was confusing to external stakeholders. Their discussions with counsel led to a more detailed approach.

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No apportionment plan in effect. This is a revised title, previously **Equal Apportionment Plan**. The text was re-written for better clarification.

Special allocation rules for a short tax year. We added guidance for corporations with short taxable years and how to determine if they are component members.

Additional Tax Liability Under Section 11(b)(1). We added this section to provide guidance for allocating to component members any additional tax liability imposed by IRC Section 11(b)(1).

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Allocation of AMT Exemption Amount and the Reduction of the AMT Exemption Amount. A paragraph was added to explain in detail how to allocate the AMT exemption amount. (IRC Sections 55(d) and 1561(a))

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Part 1. Apportionment Plan Information. We added instructions for lines 2 and 6, and revised the instructions for lines 3, 4, & 5, to reflect the changes made to the Schedule.

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For **Parts II, III, and IV**, we added explanations for completing all columns and re-wrote the instructions to clarify calculations required to complete the Schedule.

These instructions are a major re-write provided by counsel in conjunction with external stakeholders that, together, formed a work-group (based on their affiliation with the AICPA). There are many textual edits that were minor and not mentioned above, but were made to provide clear guidance to taxpayers.