

FORM 3920

TAX COMPUTATION SCHEDULE FOR COMPONENT MEMBERS OF CONTROLLED CORPORATE GROUP—1965

Attach to Your Tax Return

or other taxable year beginning ... 1965, ending ... 19... (PLEASE TYPE OR PRINT)

Name and address

PART I—TAX COMPUTATION

1. (a) Taxable Income { Form 1120, page 1, line 30; Form 1120-F, page 3, line 30; Form 1120-L, page 1, line 4; Form 990-T, page 2, line 31 }
(b) Surtax exemption (\$25,000, amount apportioned under section 1561, or line 1(a), whichever is lesser)
(c) Balance (line 1(a) less line 1(b))
2. (a) 22 percent of line 1(a)
(b) 26 percent of line 1(c)
(c) If multiple surtax exemption is elected under section 1562, enter 6 percent of line 1(b)
3. Income tax (line 2, or line 10 of alternative tax computation, whichever is lesser)
4. Foreign tax credit (attach Form 1118)
5. Balance (line 3 less line 4)
6. Investment credit (attach Form 3468)
7. Balance of income tax (line 5 less line 6)
8. Tax under section 541 of the Internal Revenue Code (from Schedule 1120 PH)
9. Tax from recomputing prior year investment credit (attach statement)
10. Total tax—Add lines 7, 8, and 9. Enter here and on { Form 1120, page 1, line 31; Form 1120-F, page 1, line 1; Form 1120-L, page 1, line 12; Form 990-T, page 1, line 15 }

PART II—ALTERNATIVE TAX COMPUTATION

1. Taxable income (line 1(a), Part I)
2. Net long-term capital gain reduced by any net short-term capital loss
3. Line 1 less line 2
4. Surtax exemption (\$25,000, amount apportioned under section 1561, or line 3, whichever is lesser)
5. Line 3 less line 4
6. 25 percent of line 2
7. 22 percent of line 3
8. 26 percent of line 5
9. If multiple surtax exemption is elected under section 1562, enter 6 percent of line 4
10. Total of lines 6 through 9. If applicable, enter here and on line 3, Part I, and write "alt." in the margin to the right of the entry.

INSTRUCTIONS

Taxpayers Required To File Form 3920.—Component members of a controlled group of corporations (1) filing a consolidated return, (2) apportioning a single \$25,000 surtax exemption under section 1561, (3) electing to claim multiple surtax exemptions under section 1562, or (4) otherwise coming within the provisions of section 1561 or 1562, must file Form 3920 with their income tax return. Form 3920 shall be used to compute the tax in lieu of the tax computation schedule on Form 1120, Form 1120-F, Form 1120-L, and Form 990-T.

Surtax Exemption for Component Members of a Controlled Group of Corporations.—Under section 1561, if a corporation is a component member of a controlled group of corporations on December 31 of its taxable year, the surtax exemption shall be—

(1) \$25,000 divided by the number of component members on such December 31, or

(2) If all members consent to an apportionment plan, their portion of \$25,000 determined in accordance with the plan. The sum of the amounts so apportioned shall not exceed \$25,000. See section 1561 and the regulations thereunder for time and manner of making the consent.

The surtax exemption for a component member which has a short taxable year which does not include a December 31 shall be \$25,000 divided by the number of component members in the group on the last day of such taxable year.

If the surtax exemption is determined under (1) or (2) above, the additional 6-percent tax under section 1562 does not apply.

Election of Multiple Surtax Exemptions by a Controlled Group of Corporations.—Subject to the provisions of section 1562, a controlled group of corporations may elect, with respect to a specified December 31, to have each of its component members claim a separate \$25,000 surtax exemption without having to divide equally or apportion one \$25,000 surtax exemption among all component members. Such election is valid only if each component member of the group on such December 31 and each other component member of the group on any succeeding December 31 before the day on which the election is made, consents to such election. See section 1562 and the regulations thereunder for provisions relating to such consent. An election, once made, continues in effect until terminated in the manner provided in section 1562(c). If the group elects to claim multiple surtax exemptions, each component member must pay an additional tax of 6 percent on its first \$25,000 taxable income. If you are the only component member of the controlled group which has taxable income or if your surtax exemption has been disallowed, see section 1562(b)(1).

Controlled Group of Corporations.—In general, the term "controlled group of corporations" means any group of—

(1) *Parent-subsidiary controlled group.*—One or more chains of corporations connected through stock ownership with a common parent corporation if at least 80 percent of the voting power or at least 80 percent of the value of all stock of each of the corporations (except the common parent corporation) is owned by one or more of the other corporations; and if the common parent corporation owns at least 80 percent of the voting power or at least 80 percent of the value of all stock of at least one of the other corporations, excluding, in computing such voting power or value, stock owned directly by such other corporations.

(2) *Brother-sister controlled group.*—Two or more corporations if at least 80 percent of the voting power or at least 80 percent of the value of all stock of each of the corporations is owned by one person who is an individual, estate, or trust.

(3) *Combined group.*—Three or more corporations each of which is a member of a group of corporations described in (1) or (2) above, and one of which is a common parent corporation included in a group of corporations described in (1) above, and also is included in a group of corporations described in (2) above.

(4) *Certain insurance companies.*—Two or more insurance companies subject to taxation under section 802 which are members of a controlled group of corporations described in (1), (2), or (3) above. Such insurance companies shall be treated as a controlled group of corporations separate from any other corporations which are members of the controlled group described in (1), (2), or (3) above.

For the definition of the term "stock" and for rules relating to the determination of stock ownership, see sections 1563(c) and (d).

Component Members.—In general, a corporation is a component member of a controlled group of corporations on a December 31 of any taxable year if the corporation is (1) a member of the controlled group on the December 31 included in such year and is not treated as an excluded member under section 1563(b)(2) and the regulations thereunder, or (2) is not a member of the controlled group on the December 31 but is treated as an additional member under section 1563(b)(3) and the regulations thereunder.

Alternative Tax.—If the net long-term capital gain exceeds the net short-term capital loss, or if there is only a long-term capital gain, the alternative tax should be computed to determine if it produces a lesser tax.