

[4830-01-p]

Published April 25, 2006

DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

REG-133036-05

RIN 1545-BE85

Guidance under Section 1502; Amendment of Tacking Rule Requirements of Life-Nonlife Consolidated Regulations

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Notice of proposed rule making by cross-reference to temporary regulations.

SUMMARY: In the Rules and Regulations section of this issue of the **Federal Register**, the IRS is issuing temporary regulations relating to the requirements for including insurance companies in a life-nonlife consolidated return. The text of those regulations also serves as the text of these proposed regulations. These regulations affect corporations filing life-nonlife consolidated returns.

DATES: Written or electronic comments and requests for a public hearing must be received by July 24, 2006.

ADDRESSES: Send submissions to: CC:PA:LPD:PR (REG-133036-05), room 5203, Internal Revenue Service, PO Box 7604, Ben Franklin Station, Washington, DC 20044. Submissions may be hand-delivered Monday through Friday between the hours of 8 a.m. and 4 p.m. to CC:PA:LPD:PR (REG-133036-05), Courier's Desk, Internal Revenue Service, 1111 Constitution Avenue, NW., Washington, DC, or sent electronically, via the

IRS Internet site at [www.irs.gov/regs](http://www.irs.gov/regs) or via the Federal eRulemaking Portal at [www.regulations.gov](http://www.regulations.gov) (IRS - REG-133036-05).

FOR FURTHER INFORMATION CONTACT: Concerning the proposed regulations, Drafting Attorney, Ross Poulsen, (202) 622-7770; concerning submission of comments and/or requests for a public hearing, Richard Hurst, [Richard.A.Hurst@irsounsel.treas.gov](mailto:Richard.A.Hurst@irsounsel.treas.gov), (202) 622-7180 (not toll-free numbers).

SUPPLEMENTARY INFORMATION:

### **Background and Explanation of Provisions**

Temporary regulations in the Rules and Regulations section of this issue of the **Federal Register** amend the Income Tax Regulations (26 CFR part 1) under section 1502 relating to the life-nonlife consolidated return regulations. The temporary regulations contain an exception (the tacking rule) to the five-year affiliation rules of sections 1503(c)(2) and 1504(c)(2). The temporary regulations replace the tacking rule of §1.1502-47(d)(12)(v) with a rule that does not contain a condition relating to the separation of profitable activities from loss activities. The text of those regulations also serves as the text of these proposed regulations. The preamble to the temporary regulations explains the amendments.

### **Special Analyses**

It has been determined that this notice of proposed rulemaking is not a significant regulatory action as defined in Executive Order 12866. Therefore, a regulatory assessment is not required. It is hereby certified that these regulations will not have a significant economic impact on a substantial number of small entities. This certification is based on

the fact that these regulations primarily affect affiliated groups of corporations with one or more life insurance company members, which tend to be larger businesses. Moreover, the number of taxpayers affected is minimal. Therefore, a Regulatory Flexibility Analysis under the Regulatory Flexibility Act (5 U.S.C. chapter 6) is not required. Pursuant to section 7805(f) of the Internal Revenue Code, this notice of proposed rulemaking will be submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on its impact on small business.

### **Comments and Requests for a Public Hearing**

Before these proposed regulations are adopted as final regulations, consideration will be given to any written (a signed original and eight (8) copies) or electronic comments that are submitted timely to the IRS. All comments will be available for public inspection and copying. A public hearing will be scheduled if requested in writing by any person that timely submits written comments. If a public hearing is scheduled, notice of the date, time, and place for the public hearing will be published in the **Federal Register**.

### **Drafting Information**

The principal author of these regulations is Ross Poulsen, Office of Associate Chief Counsel (Corporate). However, other personnel from the IRS and Treasury Department participated in their development.

### **List of Subjects in 26 CFR Part 1**

Income taxes, Reporting and recordkeeping requirements.

### **Proposed Amendments to the Regulations**

Accordingly, 26 CFR part 1 is proposed to be amended as follows:

**PART 1--INCOME TAXES**

Paragraph 1. The authority citation for part 1 continues to read, in part, as follows:

Authority: 26 U.S.C. 7805 \* \* \*

Par. 2. Section 1.1502-47 is amended by:

1. Adding paragraphs (b)(2)(i) and (b)(2)(ii).
2. Removing paragraph (d)(12)(v)(C).
3. Redesignating paragraph (d)(12)(v)(D) and (d)(12)(v)(E) as (d)(12)(v)(C) and (d)(12)(v)(D).
4. Revising paragraph (d)(12)(v), and newly-designated paragraphs (d)(12)(v)(C) and (d)(12)(v)(D).

The revisions and additions read as follows:

§1.1502-47 Consolidated returns by life-nonlife groups.

[The text of this proposed section is the same as the text of §1.1502-47T published elsewhere in this issue of the **Federal Register**]

Par. 3. Section 1.1502-76 is amended by:

1. Removing paragraph (a)(2).
2. Redesignating paragraph (a)(1) as paragraph (a).
3. Revising the paragraph heading for newly-designated paragraph (a).

The revision reads as follows:

§1.1502-76 Taxable year of members of group.

[The text of this proposed section is the same as the text of §1.1502-76T published elsewhere in this issue of the **Federal Register**]

Mark E. Matthews,  
Deputy Commissioner for Services and Enforcement.