component member of the controlled group on such December 31. In the event of a termination under this subparagraph, each component member of the controlled group on such December 31 (other than such new member) should, within 30 days after such new member files the statement of refusal to consent, file notification of the termination with the district director with whom it filed (or will file) an income tax return for its taxable year which includes such December 31.

(ii) For purposes of subdivision (i) of this subparagraph, a corporation shall be considered to be a new member of a controlled group of corporations on a December 31 if such corporation:

(a) Is a component member of such group on such December 31, and

(b) Was not a member of such group on the January 1 immediately preceding such December 31.

(3) *Consolidated returns.* (i) If any corporation which is a component member of a controlled group of corporations on a December 31 joins, or is required to join, in the filing of a consolidated return for its taxable year which includes such date, then an election under section 1562(a)(1) which is effective with respect to preceding taxable years of component members of the group shall terminate with respect to such December 31. In the event of a termination under this subparagraph, each component member of the controlled group on such December 31 which does not join in the filing of a consolidated return for the taxable year which includes such date, should, within 30 days after such consolidated return is filed, file notification of the termination with the district director with whom it filed (or will file) an income tax return for its taxable year which includes such December 31.

(ii) The provisions of this subparagraph may be illustrated by the following example:

Example. On each day of 1964 and 1965, Brown, an individual, owns all the stock of corporations M and P. Corporation P, in turn, owns all the stock of corporation S. Each corporation files a separate return for its taxable year ending on December 31, 1964. On April 30, 1965, the controlled group of corporations consisting of M, P, and S makes an election under section 1562(a)(1) with respect to December 31, 1964. On March 15, 1966, P and S join in the filing of a consolidated return for their taxable years ending December 31, 1965, and M files a separate return for its taxable year ending on such date. Under this subparagraph, the election by the controlled group with respect to December 31, 1964, is terminated with respect to December 31, 1965. On or before April 14, 1966, M should file notification of the termination with the district director with whom it filed its income tax return for 1965.

(4) *Controlled group no longer in existence.* If a controlled group of corporations is considered as going out of existence with respect to a particular December 31 under paragraph (b) of § 1.1562–5, and if there is no successor group in respect of such controlled group under the rules provided in paragraph (c) of such section, then an election under section 1562(a)(1) with respect to such controlled group shall terminate with respect to such December 31.

(c) *Effect of termination.* A termination under subparagraph (1), (2), (3), or (4) of paragraph (b) of this section is effective with respect to the December 31 referred to in such subparagraph. An election, once terminated, is no longer effective. Thus, a termination is effective with respect to the taxable year of each component member of a controlled group of corporations which includes such December 31 and with respect to all succeeding taxable years of each corporation which is a component member of such group (or a successor group). Moreover, after a termination, the controlled group (and any successor group) may not make a new election except as provided in section 1562(d) and § 1.1562–4.

[T.D. 6845, 30 FR 9745, Aug. 5, 1965]

§ 1.1562–3 Consents to election and termination.

(a) *Consents required*—(1) *General.* An election under paragraph (a)(1) of § 1.1562–1, or a termination by consent under paragraph (b)(1) of § 1.1562–2, may be made by a controlled group of corporations with respect to a particular December 31 only if each corporation, which was a component member of such group (or a successor group) on any December 31 falling within the period beginning on the particular December 31 and ending on the most recently past December 31, consents to

the election or termination within the time prescribed in paragraph (b) of this section and in the manner prescribed in paragraph (c) of this section. Such election or termination may be made with respect to a particular December 31 whether or not the electing or terminating group ceases to remain in existence under the principles of paragraph (a) of §1.1562–5 before such election or termination is made. In the case of an election with respect to December 31, 1963, if each corporation which is required to consent to the election under the rules provided in Treasury Decision 6733, approved May 11, 1964 (29 FR 6320, C.B. 1964–1 (Part 1), 635) gives its consent in the manner provided in such Treasury Decision before December 31, 1964, then a valid election under section 1562(a)(1) shall be considered to have been made with respect to December 31, 1963.

(2) *Examples*. The provisions of subparagraph (1) of this paragraph may be illustrated by the following examples:

Example (1). P Corporation is the common parent of a parent-subsidiary controlled group of which corporations P, S–1, and S–2 are component members on December 31, 1965. On December 31, 1966, the controlled group consists of the same component members as on December 31, 1965, except that S–1 is no longer a component member on December 31, 1966. On December 31, 1967, the controlled group of corporations consists of the same component members as on December 31, 1966, except that corporation S–3 is also a component member on December 31, 1967. In January 1968, the controlled group desires to make an election under section 1562(a)(1) with respect to December 31, 1965. Such election may be made only if P, S–1 (even though S–1 was not a component member of the group on December 31, 1966, or December 31, 1967), S–2, and S–3 (even though S–3 was not a component member of the group on December 31, 1965, or December 31, 1966) consent to the election.

Example (2). Assume the same facts as in example (1) and further assume that in January 1968, the controlled group makes a valid election with respect to December 31, 1965. If, in July 1968, the controlled group desires to terminate the election with respect to December 31, 1966, P, S–2, and S–3 must consent to the termination.

(b) *Time for consents*—(1) *Consents to election*. The consent of each component member of a controlled group of corporations which is required with respect to an election for a particular December 31, shall be made at any time after such December 31 and before the expiration of 3 years after the date on which the income tax return, for the taxable year of the component member of the group on such December 31 which has the taxable year ending first on or after such date, is required to be filed (determined without regard to any extensions of time for the filing of such return). See section 1562(e)(1).

(2) *Consents to termination*. The consent of each component member of a controlled group of corporations which is required with respect to a termination for a particular December 31, shall be made at any time after such December 31 and before the expiration of 3 years after such date. See section 1562(e)(2).

(3) *Examples*. The provisions of this paragraph may be illustrated by the following examples:

Example (1). The component members of a controlled group of corporations on December 31, 1965, consist of 2 calendar-year corporations, X and Y. The group desires to make an election under section 1562(a)(1) with respect to December 31, 1965. Under subparagraph (1) of this paragraph, the required consents to the election must be made after December 31, 1965, and on or before March 15, 1969. The result is the same whether or not X or Y (or both) ceases to be a component member of the group after December 31, 1965, and whether or not X or Y (or both) is granted an extension of time for the filing of its income tax return for 1965.

Example (2). Assume the same facts as in example (1) except that X files its income tax return on the basis of a fiscal year ending January 31, and Y files its income tax return on the basis of a fiscal year ending on June 30. Under subparagraph (1) of this paragraph, the last day on which the required consents may be made with respect to an election for December 31, 1965, is April 15, 1969.

Example (3). Assume the same facts as in example (1) or (2) except that an election under section 1562(a)(1) is effective for X's and Y's taxable years including December 31, 1965. Assume further that the group desires to terminate the election with respect to December 31, 1965. Under subparagraph (2) of this paragraph, the required consents to the termination must be made after December 31, 1965, and on or before December 31, 1968.

(c) *Manner of consenting*—(1) *General rule*. (i) The consent of a corporation to an election or termination with respect to a particular December 31 (other than

a corporation which is a wholly-owned subsidiary in respect of such election or termination) shall be made by means of a statement, signed by any person who is duly authorized to act on behalf of the consenting corporation, stating that such corporation consents to an election or termination (as the case may be) with respect to such December 31. Such statement shall set forth the name, address, and taxpayer account number of the consenting member and the internal revenue district where the original of the statement is to be filed. The consent of more than one component member may be incorporated in a single statement. The original of a statement of consent shall be filed with the district director with whom the component member of the group on the particular December 31 which has the taxable year ending first on or after such date filed its return for such taxable year. (If two or more component members have the same such taxable year, a statement of consent may be filed with the district director with whom the return for any such taxable year is filed.) The original of a statement shall have attached thereto information (referred to in this paragraph as ''group identification'') setting forth the name, address, taxpayer account number, and taxable year of each component member of the controlled group on such December 31 (including wholly-owned subsidiaries). If the particular December 31 is a December 31 other than the December 31 immediately preceding the date on which such statement is filed then, as part of the ''group identification'', the original of the statement shall also set forth the information required in the preceding sentence with respect to each other corporation which was a component member of the group (or a successor group) on any December 31 occurring after the particular December 31 on which the consenting corporation was a component member of such group. If more than one original statement is filed, a statement may incorporate the group identification by reference to the name, address, taxpayer account number, and taxable year of a component member of the group which has attached such group identification to the original of its statement.

(ii) Each corporation which was a component member of the electing (or terminating) controlled group (or a successor group) on a December 31 falling within the period beginning on the particular December 31 and ending on the most recently past December 31 (other than a wholly-owned subsidiary in respect of such election or termination) should attach a copy of its consent (or a copy of the statement incorporating its consent) to each income tax return, amended return, or claim for refund filed with its district director for a taxable year which includes any such December 31. Such copy should either have attached thereto information on group identification or incorporate such information by reference to the name, address, taxpayer account number, and taxable year of a component member of the group which has attached such information to its income tax return, amended return, or claim for refund filed with the same district director for a taxable year which includes any such December 31.

(2) *Wholly-owned subsidiaries.* (i) Each corporation which is a wholly-owned subsidiary of a controlled group of corporations in respect of an election or termination with respect to a particular December 31 shall be deemed to consent to such election or termination (as the case may be). For purposes of this section, a corporation shall be considered to be a wholly-owned subsidiary of a controlled group in respect of an election or termination with respect to a particular December 31 if, on each day falling within the period beginning on the first day of such corporation's taxable year which included such December 31 and ending on the day on which such election or termination is made (or, if such corporation was not in existence on each day of such period, on each day falling within such period during which the corporation was in existence), all the stock of such corporation is owned directly by one or more corporations which are component members of such group (or a successor group) on any December 31 falling within such period.

(ii) Each wholly-owned subsidiary should attach a statement to an income tax return, amended return, or claim for refund filed with its district

director for each taxable year which contains a December 31 falling within the period described in the last sentence of subdivision (i) of this subparagraph, stating that an election or termination (as the case may be) is effective for such taxable year and containing the information which would be required to be set forth in a statement of consent to the election or termination filed pursuant to subparagraph (1)(i) of this paragraph. Information on group identification may either be attached to the statement or incorporated by reference to the name, address, taxpayer account number, and taxable year of a component member of the group which has attached such group identification to an income tax return, amended return, or claim for refund filed with the same district director for the taxable year including such date.

(d) *Effect of consent*. Under section 1562(e), any consent to an election under section 1562(a)(1) or a termination under section 1562(c)(1) is deemed to be a consent to the application of section 1562(g)(1) (relating to tolling of statute of limitations on assessment of deficiencies). See § 1.1562–7.

[T.D. 6845, 30 FR 9746, Aug. 5, 1965]

§ 1.1562–4 Election after termination.

(a) *In general*. Under section 1562(d), if a controlled group of corporations has made a valid election under section 1562(a)(1), and such election is terminated by any one of the occurrences described in paragraph (b) of § 1.1562–2, then such group (or any controlled group which is a successor to such group within the meaning of paragraph (c) of § 1.1562–5) is not eligible to make an election under section 1562(a)(1) with respect to any December 31 before the sixth December 31 after the particular December 31 with respect to which such termination was effective. For the particular December 31 with respect to which a termination is effective, see paragraph (c) of § 1.1562–2.

(b) *Example*. The provisions of this section may be illustrated by the following example:

Example. In 1965, a controlled group of corporations makes a valid election under section 1562(a)(1) with respect to December 31, 1964. In 1967, the election is terminated with respect to December 31, 1964, by consent pursuant to paragraph (b)(1) of § 1.1562–2. The group (or any successor group) is not eligible to make another election with respect to any December 31 before December 31, 1970 (i.e., the sixth December 31 after December 31, 1964, the particular December 31 with respect to which such termination was effective). If in this example the election had been terminated with respect to December 31, 1965, instead of December 31, 1964, the group (or any successor group) would not be eligible to make another election with respect to any December 31 before December 31, 1971.

[T.D. 6845, 30 FR 9747, Aug. 5, 1965]

§ 1.1562–5 Continuing and successor controlled groups.

(a) *Controlled group continuing in existence*. For purposes of §§ 1.1561–3 and 1.1562–1 through 1.1562–4:

(1) *Parent-subsidiary group*. A parent-subsidiary controlled group of corporations shall be considered as remaining in existence as long as (i) such group is not considered, under paragraph (c)(3) of this section, to be a successor controlled group in respect of another controlled group, and (ii) its common parent corporation remains as a common parent and satisfies the requirements of paragraph (a)(2)(i)*(b)* of § 1.1563–1 with respect to the ownership of stock of at least one corporation.

(2) *Brother-sister group*. A brother-sister controlled group of corporations shall be considered as remaining in existence as long as the requirements of paragraph (a)(3)(i) of § 1.1563–1 continue to be satisfied with respect to at least two corporations, taking into account the stock ownership of only those five or fewer persons whose stock ownership was taken into account with respect to the election under section 1562(a)(1).

(3) *Combined group*. A combined group of corporations shall be considered as remaining in existence as long as (i) the brother-sister controlled group of corporations referred to in paragraph (a)(4)(i) of § 1.1563–1 in respect of such combined group remains in existence (within the meaning of subparagraph (2) of this paragraph), and (ii) at least one such corporation is a common parent of a parent-subsidiary controlled group of corporations referred to in such paragraph (a)(4)(i).