

**Internal Revenue Service, Treasury**

**§ 1.1502-26**

**§ 1.1502-23 Consolidated net section 1231 gain or loss.**

(a) *In general.* Net section 1231 gains and losses of members arising during consolidated return years are not determined separately. Instead, the consolidated net section 1231 gain or loss is determined under this section for the group as a whole.

(b) *Example.* The following example illustrates the provisions of this section:

*Example. Use of SRLY registers with net gains and net losses under section 1231.* (i) In Year 1, T sustains a \$20 net capital loss. At the beginning of Year 2, T becomes a member of the P group. T's capital loss carryover from Year 1 is subject to SRLY limits under § 1.1502-22(c). The members of the P group contribute the following to the consolidated taxable income for Year 2 (computed without regard to T's net capital loss carryover under § 1.1502-22):

	P	T
<b>Year 1 (SRLY)</b>		
Ordinary .....		
Capital .....		(20)
<b>Year 2</b>		
Ordinary .....	10	20
Capital .....	70	0
§ 1231 .....	(60)	30

(i) Under section 1231, if the section 1231 losses for any taxable year exceed the section 1231 gains for such taxable year, such gains and losses are treated as ordinary gains or losses. Because the P group's section 1231 losses, \$(60), exceed the section 1231 gains, \$30, the P group's net loss is treated as an ordinary loss. T's net section 1231 gain has the same character as the P group's consolidated net section 1231 loss, so T's \$30 of section 1231 income is treated as ordinary income for purposes of applying § 1.1502-22(c). Under § 1.1502-22(c), the group's consolidated net capital gain determined by reference only to T's items is \$0. None of T's capital loss carryover from Year 1 may be taken into account in Year 2.

(c) *Recapture of ordinary loss.* [Reserved]

(d) *Effective date—(1) In general.* This section applies to gains and losses arising in the determination of consolidated net section 1231 gain or loss for taxable years for which the due date (without extensions) of the consolidated return is after June 25, 1999.

(2) *Application to prior periods.* See § 1.1502-21(h)(3) for rules applicable to

groups that applied the rules of this section to consolidated return years ending on or after January 29, 1991, and beginning before January 1, 1997.

[T.D. 8823, 64 FR 36115, July 2, 1999; 64 FR 41784, Aug. 2, 1999]

**§ 1.1502-24 Consolidated charitable contributions deduction.**

(a) *Determination of amount of consolidated charitable contributions deduction.* The deduction allowed by section 170 for the taxable year shall be the lesser of:

(1) The aggregate deductions of the members of the group allowable under section 170 (determined without regard to section 170(b)(2)), plus the consolidated charitable contribution carryovers to such year, or

(2) Five percent of the adjusted consolidated taxable income as determined under paragraph (c) of this section.

(b) *Carryover of excess charitable contributions.* The consolidated charitable contribution carryovers to any consolidated return year shall consist of any excess consolidated charitable contributions of the group, plus any excess charitable contributions of members of the group arising in separate return years of such members, which may be carried over to the taxable year under the principles of section 170(b) (2) and (3). However, such consolidated carryovers shall not include any excess charitable contributions apportioned to a corporation for a separate return year pursuant to paragraph (e) of § 1.1502-79.

(c) *Adjusted consolidated taxable income.* For purposes of this section, the adjusted consolidated taxable income of the group for any consolidated return year shall be the consolidated taxable income computed without regard to this section, section 242, section 243(a) (2) and (3), § 1.1502-25, § 1.1502-26, and § 1.1502-27, and without regard to any consolidated net operating or net capital loss carrybacks to such year.

[T.D. 6894, 31 FR 11794, Sept. 8, 1966]

**§ 1.1502-26 Consolidated dividends received deduction.**

(a) *In general.* (1) The consolidated dividends received deduction for the taxable year shall be the lesser of: