

the common parent, to an apportionment plan filed pursuant to this section is required on behalf of the component members filing the consolidated return.

[T.D. 7528, 42 FR 64697, Dec. 28, 1977; 43 FR 4603, Feb. 3, 1978]

§ 1.1562-0 Effective date.

The provisions of §§1.1562-1 through 1.1562-7 apply only to taxable years beginning before January 1, 1975.

(Secs. 1561(a), (83 Stat. 599; 26 U.S.C. 1561 (a)) and 7805 (68A Stat. 917; 26 U.S.C. 7805, of the Internal Revenue Code))

[T.D. 7528, 42 FR 64702, Dec. 28, 1977]

§ 1.1562-1 Privilege of controlled group to elect multiple surtax exemptions.

(a) *Election*—(1) *In general.* (i) Under section 1562(a)(1) a controlled group of corporations has the privilege of electing to have each of its component members make its returns without regard to section 1561 (relating to single surtax exemption in the case of a controlled group of corporations). The election shall be made with respect to a particular December 31 and shall be valid only if each corporation which is required to consent to the election under the provisions of paragraph (a)(1) of §1.1562-3 gives its consent in the manner and within the time prescribed in such section. An election shall not be considered as made with respect to a particular December 31 until each corporation which is required to consent to the election under paragraph (c)(1) of §1.1562-3 files the original of a statement described in such paragraph (or, the original of a statement incorporating its consent is filed on its behalf). Accordingly, for purposes of returns filed before an election is made, the surtax exemption of component members of a controlled group of corporations shall be determined in accordance with section 1561 and the regulations thereunder. (If a valid election is made after the return is filed and within the time prescribed in §1.1562-3, such return should be amended (or a claim for refund should be made) to reflect the change in the amount of the surtax exemption (and the imposition

of the additional tax) resulting from the election.)

(ii) An election once made with respect to a particular December 31 may not thereafter be withdrawn unless such election is terminated with respect to such December 31 in accordance with the provisions of section 1562(c) and §1.1562-2.

(iii) An election under section 1562(a)(1) may be made by a controlled group of corporations with respect to any December 31 (after December 31, 1962), unless:

(a) A component member of such group on such December 31 joins, or is required to join, in the filing of a consolidated return for its taxable year which includes such date, or

(b) Such controlled group is not eligible to make an election with respect to such December 31 by reason of section 1562(d).

See also section 243(b)(3)(A), relating to effect of election of 100-percent dividends received deduction, which may prevent a controlled group from making an election under section 1562(a)(1) with respect to a particular December 31.

(2) *Years for which effective.* (i) A valid election under section 1562(a)(1) by a controlled group of corporations with respect to a particular December 31 is effective with respect to:

(a) The taxable year of each component member of such group on such December 31 which includes such December 31, and

(b) Any succeeding taxable year of any corporation which is a component member of such group (or a successor group) on a succeeding December 31 included within any such succeeding taxable year.

Under section 1562(c) and §1.1562-2, an election under section 1562(a)(1) may be terminated with respect to a December 31 referred to in either (a) or (b) of this subdivision. For years affected by termination, see paragraph (c) of §1.1562-2.

(ii) For the application of an election under section 1562(a)(1) to certain short taxable years not including a December 31, see section 1562(f)(2) and §1.1562-6.

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