

on the return for such preceding year, for purposes of determining the applicability of the exception described in section 6655(d)(2), shall be the tax computed on the annual basis in the manner described in section 443(b)(1) (prior to its reduction in the manner described in the last sentence thereof). If the tax rates for the taxable year with respect to which the underpayment occurs differ from the rates applicable to the preceding taxable year, the tax determined in accordance with the preceding sentence shall be recomputed using the rates applicable to the year with respect to which the underpayment occurs.

[T.D. 6500, 25 FR 12152, Nov. 26, 1960]

**§ 1.6655-5 Addition to tax on account of excessive adjustment under section 6425.**

(a) *In general.* (1) Section 6655(g) imposes an addition to the tax under chapter 1 of the Code in the case of any excessive amount (as defined in subparagraph (3) of this paragraph) of an adjustment under section 6425 which is made before the 15th day of the third month following the close of a taxable year beginning after December 31, 1967. This addition to tax is imposed whether or not there was reasonable cause for an excessive adjustment.

(2) If the amount of an adjustment under section 6425 is excessive, there shall be added to the tax under chapter 1 for the taxable year an amount determined at the annual rate referred to in the regulations under section 6621 upon the excessive amount from the date on which the credit is allowed or the refund paid to the 15th day of the third month following the close of the taxable year. A refund is paid on the date it is allowed under section 6407.

(3) The excessive amount is equal to the lesser of the amount of the adjustment or the amount by which (i) the income tax liability (as defined in section 6425(c) of the Code) for the taxable year, as shown on the return for the taxable year, exceeds (ii) the estimated income tax paid during the taxable year, reduced by the amount of the adjustment.

(4) The computation of the addition to the tax imposed by section 6655 is made independently of, and does not af-

fect the computation of, any addition to the tax which a corporation may otherwise owe for an underpayment of an installment of estimated tax.

(5) The provisions of section 6655 may be illustrated by the following example:

*Example.* Corporation A, a calendar year taxpayer, had an underpayment as defined in section 6655(b) for its fourth installment of estimated tax which was due on December 15, 1968, in the amount of \$10,000. Nevertheless, on January 1, 1969, corporation A filed an application for adjustment of overpayment of estimated income tax for 1968 in the amount of \$20,000. On February 15, 1969, the Internal Revenue Service in response to the application, refunded \$20,000 to Corporation A. On March 15, 1969, corporation A filed its 1968 tax return and made a payment in settlement of its total tax liability. Under section 6655(a), corporation A is subject to an addition to tax in the amount of \$150 ( $\$10,000 \times 6 \text{ percent} \times \frac{3}{12}$ ) on account of corporation A's December 15, 1968 underpayment. Under section 6655(g) corporation A is subject to an addition to tax in the amount of \$100 ( $\$20,000 \times 6 \text{ percent} \times \frac{1}{2}$ ) on account of corporation A's excessive adjustment under section 6425. In determining the amount of the addition to tax under section 6655(a) for failure to pay estimated income tax, the excessive adjustment under section 6425 is not taken into account.

(6) An adjustment is generally to be treated as a reduction of estimated income tax paid as of the date of the adjustment. However, for purposes of §§ 1.6655-1 through 1.6655-3, the adjustment is to be treated as if not made in determining whether there has been any underpayment of estimated income tax and, if there is an underpayment, the period during which the underpayment existed.

[T.D. 7059, 35 FR 14548, Sept. 17, 1970, as amended by T.D. 7384, 40 FR 49322, Oct. 22, 1975]

**§ 1.6655-7 Special rules for estimating the corporate alternative minimum tax book income adjustment under the annualization exception.**

(a) *In general.* For purposes of section 6655(e) (relating to the "annualization exception") a corporate taxpayer must take into account the tax imposed by section 55 (relating to the alternative minimum tax) and the tax imposed by section 59A (relating to the environmental tax). Thus, a taxpayer using