

(F) Divide this paragraph (e), *Example (vi)(A)* by this paragraph (e), *Example (vi)(E)* = \$3,545,326

(G) Determine the tax on this paragraph (e), *Example (vi)(F)* = \$1,205,411

(H) Taxable income for first 9 months of 2006 (\$450,000) divided by total taxable income for 2006 (\$480,000) = .9375

(I) Taxable income for first 9 months of 2007 (\$900,000) divided by total taxable income for 2007 (\$960,000) = .9375

(J) Taxable income for first 9 months of 2008 (\$1,800,000) divided by total taxable income for 2008 (\$1,920,000) = .9375

(K) Add this paragraph (e), *Example (vi)(H)*, (I), and (J) and divide by 3 = .9375

(L) Multiply this paragraph (e), *Example (vi)(G)* by this paragraph (e), *Example (vi)(K)* = \$1,130,073

(M) 100% of this paragraph (e), *Example (vi)(L)* = \$1,130,073

(N) Amount of all prior required installments for 2009 = \$576,300

(O) Amount of adjusted seasonal installment for the third installment payment (this paragraph (e), *Example (vi)(M)*) less this paragraph (e), *Example (vi)(N)*) = \$553,773

(vii) To determine the amount of the fourth installment under the rules of section 6655(e)(3) and paragraph (a) of this section, the following computation is necessary:

(A) Taxable income for first 11 months of 2009 = \$3,370,000

(B) Taxable income for first 11 months of 2006 (\$470,000) divided by total taxable income for 2006 (\$480,000) = .9792

(C) Taxable income for first 11 months of 2007 (\$940,000) divided by total taxable income for 2007 (\$960,000) = .9792

(D) Taxable income for first 11 months of 2008 (\$1,880,000) divided by total taxable income for 2008 (\$1,920,000) = .9792

(E) Add this paragraph (e), *Example (vii)(B)*, (C), and (D) and divide by 3 = .9792

(F) Divide this paragraph (e), *Example (vii)(A)* by this paragraph (e), *Example (vii)(E)* = \$3,441,585

(G) Determine the tax on this paragraph (e), *Example (vii)(F)* = \$1,170,139

(H) Taxable income for first 12 months of 2006 (\$480,000) divided by total taxable income for 2006 (\$480,000) = 1.0000

(I) Taxable income for first 12 months of 2007 (\$960,000) divided by total taxable income for 2007 (\$960,000) = 1.0000

(J) Taxable income for first 12 months of 2008 (\$1,920,000) divided by total taxable income for 2008 (\$1,920,000) = 1.0000

(K) Add this paragraph (e), *Example (vii)(H)*, (I), and (J) and divide by 3 = 1.0000

(L) Multiply this paragraph (e), *Example (vii)(G)* by this paragraph (e), *Example (vi)(K)* = \$1,170,139

(M) 100% of this paragraph (e), *Example (vii)(L)* = \$1,170,139

(N) Amount of all prior required installments for 2009 = \$864,450

(O) Amount of adjusted seasonal installment for the fourth installment payment (this paragraph (e), *Example (vii)(M)*) less this paragraph (e), *Example (vii)(N)*) = \$305,689

(viii) Because the total amount of each required estimated tax payment determined under section 6655(e)(3) and paragraph (a) of this section exceeds the amount of each required estimated tax payment determined under section 6655(d) and § 1.6655-1(d) and (e), the exception described in section 6655(e) and this section does not apply and the addition to the tax with respect to the underpayment for the June 15, 2009, and September 15, 2009, installments will be imposed unless another exception (for example, see section 6655(e)(2)) applies with respect to these installments.

(f) *Effective/applicability date.* This section applies to taxable years beginning after September 6, 2007.

[T.D. 9347, 72 FR 44358, Aug. 7, 2007]

§ 1.6655-4 Large corporations.

(a) *Large corporation defined.* The term *large corporation* means any corporation (or a predecessor corporation) that had taxable income of at least \$1,000,000 for any taxable year during the testing period. For purposes of this section, a predecessor corporation is the distributor or transferor corporation in a transaction to which section 381 (relating to carryovers in certain corporate acquisitions) applies.

(b) *Testing period.* For purposes of paragraph (a) of this section, the term *testing period* means the 3 taxable years immediately preceding the taxable year for which estimated tax is being determined (the current taxable year) or, if less, the number of taxable years the taxpayer has been in existence.

(c) *Computation of taxable income during testing period—(1) Short taxable year.* In the case of a corporation (or predecessor corporation) that had a short taxable year during the testing period, for purposes of determining whether the \$1,000,000 amount referred to in paragraph (a) of this section is equaled or exceeded, the taxable income for the short taxable year is computed by—

(i) Multiplying the taxable income for the short taxable year by 12; and

(ii) Dividing the resulting amount by the number of months in the short taxable year.

(2) *Computation of taxable income in taxable year when there occurs a transaction to which section 381 applies.* (i)

For purposes of determining whether an acquiring corporation had taxable income of \$1,000,000 or more for a taxable year in which a section 381 transaction occurs, the acquiring corporation's taxable income will be the sum of—

(A) The taxable income of the acquiring corporation for its taxable year; plus

(B) The taxable income (or loss) of the distributor or transferor corporation for that portion of its taxable year corresponding to the acquiring corporation's taxable year up to and including the date of distribution or transfer (as defined in § 1.381(b)-1(b)).

(ii) For purposes of determining whether a transferor or distributor corporation had taxable income of \$1,000,000 or more for a taxable year in which a section 381 transaction occurs, the distributor or transferor corporation's taxable income (or loss) is reduced by the amount of taxable income (or loss) that is included in the acquiring corporation's taxable income for the taxable year in which the distribution or transfer (as defined in § 1.381(b)-1(b)) occurs, as described in paragraph (c)(2)(i)(B) of this section.

(d) *Members of controlled group*—(1) *In general.* For purposes of applying paragraph (a) of this section, the taxable income of members of a controlled group of corporations (as defined in section 1563(a)) must be aggregated for each year of the testing period. The provisions of this section do not apply to a controlled group for any taxable year in which the aggregate taxable income of the members of the controlled group is less than \$1,000,000.

(2) *Aggregation.* For purposes of paragraph (d)(1) of this section, a taxable loss of any member of the controlled group for a taxable year during the testing period is not taken into account.

(3) *Allocation rule.* If the aggregate taxable income of members of a controlled group computed pursuant to paragraph (d)(1) of this section exceeds \$1,000,000 during the testing period, the \$1,000,000 amount that is relevant for purposes of determining, under paragraph (a)(1) of this section, whether a corporation is a large corporation is divided equally among the component

members of such group (including component members excluded pursuant to paragraph (d)(2) of this section) unless all of such component members consent to an apportionment plan providing for an alternative allocation of such amount. The procedure for making and filing this plan will be the same as the procedure used for making and filing an apportionment plan under section 1561. See section 1561 and the regulations.

(4) *Controlled group members.* (i) In the case of any corporation that was a member of a controlled group of corporations at any time during the testing period but is not a member of such group during the taxable year involved, the taxable income of the former member for the testing period is determined as if such corporation were not a member of a group at any time during that period. With respect to the controlled group, the taxable income of its former member will not be taken into account in determining such group's taxable income for any taxable year during the testing period for purposes of applying paragraph (a)(1) of this section.

(ii) For purposes of paragraph (d)(4)(i) of this section, the determination of whether a corporation is a member of a controlled group during the testing period is based on whether the corporation was a member of the controlled group on the last day of the month preceding the due date of the required installment.

(e) *Effect on a corporation's taxable income of items that may be carried back or carried over from any other taxable year.* In determining whether a corporation (or predecessor corporation) is a large corporation for its current taxable year, items that could offset taxable income during a taxable year included in the testing period (for example, those described in sections 172 and 1212) are not to be taken into account and the taxable income of a corporation for any taxable year during the testing period is determined without regard to items carried back or carried over from any other taxable year.

(f) *Consolidated returns.* [Reserved]

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

Example. Y Corporation and Z Corporation are calendar year taxpayers. In 2008, Z acquires all of the assets of Y in a transaction to which section 381 applies. Z's taxable income for both 2006 and 2007 was less than \$1,000,000. Y's taxable income for 2008 is determined under paragraph (c)(2) of this section to be \$300,000 for that portion of Y's taxable year corresponding to Z's taxable year up to and including the date of transfer. Z's taxable income for 2008 is \$800,000. Under the provisions of paragraph (c)(2) of this section, Z's 2008 taxable income for purposes of determining whether it is a large corporation for taxable year 2009 is \$1,100,000 (\$800,000 + \$300,000). Thus, Z is a large corporation for the 2009 taxable year. In addition, if Z's 2008 taxable income, as determined under paragraph (c)(2) of this section, had been less than \$1,000,000 but Y's taxable income in 2006 or 2007 had been \$1,000,000 or more, Z would be a large corporation for taxable year 2009 because Y is a predecessor corporation.

(h) *Effective/applicability date.* This section applies to taxable years beginning after September 6, 2007.

[T.D. 9347, 72 FR 44360, Aug. 7, 2007]

§ 1.6655-5 Short taxable year.

(a) *In general.* Except as otherwise provided in this section, the provisions of section 6655 and these regulations are applicable in the case of a short taxable year (including an initial taxable year) for which a payment of estimated tax is required to be made.

(b) *Exception to payment of estimated tax.* In the case of a short taxable year, no payment of estimated tax is required if—

(1) The short taxable year is a period of less than 4 full calendar months; or

(2) The tax shown on the return for such taxable year (or, if no return is filed, the tax) is less than \$500.

(c) *Installment due dates*—(1) *In general*—(i) *Taxable year of at least four months but less than twelve months.* Except as otherwise provided, in the case of a short taxable year, if such year results in a taxable year of four or more full calendar months but less than twelve full calendar months, the due dates prescribed in § 1.6655-1(f)(2) apply.

(ii) *Exceptions.* (A) If the date determined under paragraph (c)(1)(i) of this section for the first required installment due during the taxpayer's short taxable year is earlier than the 15th day of the fourth month of the taxpayer's short taxable year, the tax-

payer's first required installment is due on the first due date otherwise determined under paragraph (c)(1)(i) of this section that is on or after the 15th day of the fourth month of the short taxable year.

(B) A taxpayer with an initial short taxable year may make estimated tax payments as though it were a calendar year taxpayer until it files its tax return for its initial taxable year and will not be subject to an addition to tax under section 6655 for making estimated tax payments as though it were a calendar year taxpayer for the period beginning with its initial short taxable year to the time it files its tax return for its initial short taxable year if, when filing its tax return for its initial short taxable year, the taxpayer chooses to be a fiscal year taxpayer.

(2) *Early termination of taxable year*—

(i) *In general.* Except as provided in paragraph (c)(2)(ii) of this section, if a taxable year ends early (for example, as a result of an acquisition or a change in taxable year), the due date for the final required installment is the date that would have been the due date of the next required installment if the event that gave rise to the short taxable year had not occurred.

(ii) *Exception.* If the date determined under paragraph (c)(2)(i) of this section is within thirty days of the last day of the short taxable year, the due date for the final required installment is the fifteenth day of the second month following the month that includes the last day of the short taxable year.

(d) *Amount due for required installment*—(1) *In general.* The amount due for any required installment determined under section 6655(d)(1)(B)(i) for a short taxable year is 100% of the required annual payment for the short taxable year divided by the number of required installments due (as determined under this section) for the short taxable year.

(2) *Tax shown on the return for the preceding taxable year.* If the current taxable year is a short taxable year, the amount due for any required installment determined under section 6655(d)(1)(B)(ii) is determined in the following manner—