§ 1.584–5 Returns of banks with respect to common trust funds.

For rules applicable to filing returns of common trust funds, see section 6032 and the regulations thereunder.

§ 1.584–6 Net operating loss deduction.

The net operating loss deduction is not allowed to a common trust fund. Each participant in a common trust fund, however, will be allowed the benefits of such deduction. In the computation of such deduction, a participant in a common trust fund shall take into account its pro rata share of items of income, gain, loss, deduction, or credit of the common trust fund. The character of any such item shall be determined as if the participant had realized such item directly from the source from which realized by the common trust fund, or incurred such item in the same manner as incurred by the common trust fund.

§ 1.585–1 Reserve for losses on loans of banks.

(a) General rule. As an alternative to a deduction from gross income under section 166(a) for specific debts which become worthless in whole or in part, a financial institution to which section 585 and this section apply shall be allowed a deduction under section 585(a) (or, for taxable years beginning before January 1, 1987, section 166(c)), for a reasonable addition to a reserve for bad debts provided such financial institution has adopted or adopts the reserve method of treating bad debts in accordance with paragraph (b) of § 1.166–1. In the case of such a taxpayer the amount of the reasonable addition to such reserve for a taxable year beginning after July 11, 1969, shall be an amount determined by the taxpayer which does not exceed the amount computed under § 1.585–2. Such reasonable addition for the taxable year shall be an amount at least equal to the amount provided by § 1.585–2(a)(2). For each taxable year the taxpayer must include in its income tax return (or amended return) for that year a computation of the amount of the addition determined under this section showing the method used to determine that amount. The use of a particular method in the return for a taxable year is not a binding election by