



**476.5 Controlled corporation; apportionment plan.** A controlled group of corporations may amend its election to change its selection of the member to receive the full \$25,000 surtax exemption under prescribed conditions. §1.1564-1. (Sec. 1564, '86 Code.)  
Rev. Rul. 72-603, 1972-2 C.B. 517.

**476.6 Controlled corporation; brother-sister; determination.** For purposes of the surtax exemption under section 1561, two corporations comprise a brother-sister controlled group under section 1563(a)(2) where, under applicable State law, a shareholder owning at least two-thirds of the voting power of all stock of both corporations can effectively control each corporation and substantially restrict or limit minority stock dispositions. §§1.1561-1, 1.1563-1. (Secs. 1561, 1563; '86 Code.)  
Rev. Rul. 70-252, 1970-1 C.B. 186.

**476.7 Controlled corporation; parent-sub-sidiary member of combined group.** A parent-sub-sidiary group as defined under section 1563(a)(1) which had elected, for the taxable year ending December 31, 1965, to claim multiple surtax exemptions, terminated its election in 1968 and, as the result of the Tax Reform Act of 1969, became by definition a member of a combined group including additional corporations that were brother-sister corporations under section 1563(a)(3). The combined group is not a continuation of or a successor to the parent-sub-sidiary controlled group and is not precluded by sections 1562 and 1564 from making a multiple surtax election for the year 1970. §1.1563-1. (Sec. 1563, '86 Code.)  
Rev. Rul. 74-73, 1974-1 C.B. 254.

**476.8 Controlled corporation; property leased to subsidiary.** Where pursuant to a lease agreement a parent corporation transfers its property for use to a newly formed wholly owned subsidiary (owning no physical assets), the lease of such property is considered a "transfer of property". The subsidiary was not entitled to the surtax exemption or the accumulated earnings credit. §1.1551-1. (Sec. 1551, '86 Code.)  
Rev. Rul. 57-202, 1957-1 C.B. 297.

**476.9 Exemption denied subsidiary; parent acquired in reorganization.** The disallowance of a separate surtax exemption claimed by a wholly owned subsidiary will be continued for taxable years following the parent corporation's acquisition in a reorganization where the parent remains in existence and is in control of the subsidiary. Furthermore, the fact that the acquiring corporation may choose to liquidate the parent does not alter the holding. The holdings are equally applicable in situations where a surtax exemption is denied under section 269. §§1.269-3, 1.1551-1. (Secs. 269, 1551; '86 Code.)  
Rev. Rul. 70-628, 1970-2 C.B. 180.

**476.10 Exemption; mutual savings bank conducting life insurance business.** A mutual savings bank that conducts a life insurance business in a separate department is entitled to compute the alternative tax under section 594 using the full surtax exemption under section 11(d) in determining both the partial tax on the income of the insurance department and the partial tax on the income of the banking department before adding the two partial taxes to determine its overall tax. Rev. Rul. 71-386 distinguished. §§1.594-1, 1.802-3, 1.1563-1. (Secs. 11, 594, 802, 1563; '86 Code.)  
Rev. Rul. 76-476, 1976-2 C.B. 184.

**476.11 Multiple corporations for single business.** Two families organized a group of corporations to carry on a business, one to hold title to property and provide management services, the others to process and sell the product. *Held*, immunity from processing liability and the separation of management functions for pension planning were

valid business reasons for separate corporation. The property and management corporation was not organized principally for the evasion or avoidance of tax, and is entitled to a separate surtax exemption. (Sec. 269, '86 Code.)  
Lewisville Investment Co., 56 T.C. 770, Acq., 1976-2 C.B. 2.

**476.12 Short taxable year; statutory merger.** Where a corporation is merged into another corporation during a taxable year, in a statutory merger, such merged corporation, not the continuing corporation, in filing its income tax return for its short period immediately preceding the merger, is entitled to the full \$25,000 surtax exemption, since there is no provision in the law for prorating such exemption. §39.15-1. (Sec. 15, '39 Code; Sec. 11, '86 Code.)  
Rev. Rul. 55-72, 1955-1 C.B. 206.

## Surtax

**476.1 Accumulated earnings tax; applicability.** The tax surcharge imposed on the "adjusted tax" of corporations by section 51(a) is applicable to the accumulated earnings tax imposed by section 531. Rev. Rul. 72-324 distinguished. §§1.51-1, 1.531-1. (Secs. 51, 531; '86 Code.)  
Rev. Rul. 74-93, 1974-1 C.B. 13.

**476.2 Affiliated groups.** Affiliated corporate groups that filed consolidated returns for calendar year 1969 are subject to the tax surcharge. §1.1502-2. (Secs. 51, 1502; '86 Code.)  
Rev. Rul. 70-620, 1970-2 C.B. 177.

**476.3 Controlled corporation; additional tax; single taxable member.** Taxpayer, a member of a controlled group of corporations electing multiple surtax exemptions, is entitled to a refund or credit of the additional six percent tax imposed by section 1562(b) in a taxable year when, due to a net operating loss carryback of another member, taxpayer is the only member with taxable income in that year. §1.1562-1. (Sec. 1562, '86 Code.)  
Rev. Rul. 72-212, 1972-1 C.B. 291.

**476.4 Controlled corporation; apportionment plan.** A controlled group of corporations may adopt an apportionment plan unequally allocating the surtax exemption for a prior year even though the statute of limitations had expired as to one member of the group, provided that no component member of the group would have a deficiency, or increased deficiency, attributable to the adoption of such plan. §1.1561-3. (Sec. 1561, '86 Code.)  
Rev. Rul. 70-526, 1970-2 C.B. 181.