

THOMSON REUTERS®

1120 INSURANCE GUIDE

FOR TAX YEAR 2021

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TABLE OF CONTENTS

Chapter 1: Insurance Returns	1
Topics Covered	1
Getting Started	1
Chapter 2: Working in the Tax Application	3
Cross-Checking of Data Source Types	3
Organizer and Tax Forms	4
General Information	4
Reviewing the Tax Return	19
Chapter 3: Selecting the Data Source	29
NAIC Annual Statement	30
Electronic Organizer	34
Chapter 4: Setting Up a Return	41
Step 1: Rollover a Return from the Prior Year's Return	41
Step 2: Enter Federal Tax ID Number and Entity Information	42
Step 3: Choose Return/Entity Type	43
Step 4: Complete Data Entry in the Organizer	43
Chapter 5: 1120L Returns	45
Life Insurance Reserves Test	45
Failed Life	45
1120L Unique Items	46
Failed Life	46
Using The Life NAIC Import	46
Unique Items	47
DAC – Deferred Acquisition Costs	47
Schedule T	49
Chapter 6: 1120-PC Returns	51
1120-PC Unique Items	51
Loss Reserve Discounting (LRD)	51
Salvage and Subrogation	51
Failed Life	51
Deferred Acquisition Costs (DAC)	51

Loss Reserve Discounting (LRD)	51
LRD Lines	52
Compute Options	53
Print Suppression Options	54
Discounting Summary	57
Salvage and Subrogation	61
Methods of Calculation of Salvage and Subrogation	62
S&S Options	62
Chapter 7: State Returns	64
Activating State Returns	64
Allocation and Apportionment	66
Chapter 8: Net Operating Loss	67
Non-SRLY NOL	67
SRLY NOL Entry	68
S382 NOL	69
NOL Organization and Rules	71
NOL Offsetting Rules and Order	71
NOL Organizer Override Rules	72
Limitation of Nonlife NOL Against Life Subgroup Income	73
LNL Eligibility Check Box	74
Examples of NOL Utilization	76
NL Examples	76
LNL Examples	80
Common NOL Support Questions	83
Chapter 9: Consolidating the Return	85
Preparing for Consolidation	85
Elimination Return	85
Types of Elimination Returns	85
Subgroup Consolidation	87
1120 Subgroup Subconsolidation	87
1120-PC Subgroup Subconsolidation	88
1120-L Subgroup Subconsolidation	90
Subgroup Top Consolidation	92
Nonlife Consolidation	92

Nonlife Subgroup or Nonlife Top Consolidation	93
Life Nonlife Consolidation	94
Tools for Consolidation	95
Subview	95
Schedule K Questions	96
Form 851: Corporate Affiliations Schedule	96
Preparing Form 851	96
Consolidation Carry Information	97
Top Consolidation	98
Entering Information for Form 851	98
Printing Form 851	103
Chapter 10: Mixed Group State Consolidation	105
Multi-tier Mixed Group State Consolidation Structures	105
Single-Tier or Flat Mixed Group State Consolidation Structure	106
Nonlife Eliminations	106
E-filing	107
Chapter 11: Printing the Return	108
Print	108
Print Preview	110
Print Options	110
Return and Print Options	111
Compute/Print Options for Schedule M-1/M-3	114
Reviewing Print Options	115

CHAPTER 1: INSURANCE RETURNS

TOPICS COVERED

This guide describes the best insurance practices to use for setting up your returns, including information on each data sourcing method, as well as selecting the appropriate entity and return types for completing your insurance tax returns in the most efficient manner.

Having the correct entity setup and structure allows for the successful e-filing of a mixed group consolidated return to the IRS and to state jurisdictions, as applicable.

Topics in this guide include:

- Working in the Tax Application
- Selecting the Data Source
- Creating the Insurance Return
- Working with the 1120-L Tax Return
- Working in the 1120-PC Return
- Activating State Insurance Returns
- Net Operating Loss
- Consolidating the Insurance Return
- Mixed Group State Consolidation
- Printing the Return

GETTING STARTED

The first step in getting started with preparing your insurance tax return is determining how you want to enter your information into the system.

NAIC Annual Statement Transfer The most commonly used method for entering data into the tax return is to import information from the NAIC (National Association of Insurance Commissioners) Annual Statement file, which then automatically populates many of the tax return items. The bulk of the information needed to prepare insurance income tax returns, for both Life returns and Property and Casualty returns, is contained in these files.

Electronic Organizer Alternatively, data can be entered directly in the Electronic Organizer if an NAIC Annual Statement was not prepared, or is not used (as in the case of offshore companies).

CHAPTER 2: WORKING IN THE TAX APPLICATION

CROSS-CHECKING OF DATA SOURCE TYPES

When you create the return and choose the data entry method, the insurance application then crosschecks the return and entity type and gives you a warning of an invalid selection. For example, a company filing an 1120-L can choose to populate the return through the Electronic Organizer, the Life Annual Statement Transfer, or the Separate Accounts Annual Statement Transfer.

Below are the entity types and the return types available:

1120-L

- Life Annual Statement
- Separate Accounts Annual Statement
- Electronic Organizer – Data Entry

1120-PC

- Property and Casualty Annual Statement
- Title Annual Statement
- Health Annual Statement
- Electronic Organizer – Data Entry

1120

- Electronic Organizer – Data Entry

ORGANIZER AND TAX FORMS

The Organizer is the central collection point for all data in a given tax year. The Organizer is initially populated with balances, adjustments, and calculated amounts that flow from NAIC import, or are entered manually. The Organizer also stores any supporting schedules and return data that are used to complete the tax return. The primary type of screens found in the Organizer area are:

- **Organizer** These screens are used to display data or review the amounts that are imported or entered. These screens have a gray background and white fields.
- **Workpapers** These screens reside between the Tax Forms and Organizer screens, and show how Organizer data is calculated for tax form completion. Workpaper screens are generally shaded with a yellow background.
- **Tax Forms** These screens show on-screen reproductions of the tax forms. Tax Form screens have white backgrounds.

GENERAL INFORMATION

The **General Information** folder contains data entry screens that allow you to make selections and customize the return. This folder also contains options for print, compute, and schedules.

BASIC RETURN INFORMATION

Navigation: Organizer > General Information > Basic Return Information > Entity Information

The **Entity Information** screen displays the company **Name**, **Entity Number**, **EIN**, **Address** (or Foreign), **Dates**, and has sections for the **Return/Entity Type**, **Failed Life Return**, and **Business Activity information**. We recommend that you visually review and verify this information.

- **Business Codes** link: Select link to view a Help screen where another link exists to the IRS Business Activity Codes.

- **Entity Information:** For the Electronic Organizer returns, enter the **Name** as desired that populates the Tax Return. A check box is provided for **Name changes**. For Annual Statement returns, the name from the Annual Statement is automatically filled in on both the federal and state the tax return. Enter the **Entity number** in the field provided. The federal **EIN** is only needed for taxable entities, not divisions, eliminations, or subconsolidation entities. A check box is provided if EIN is **Applied for**.

ENTITY INFORMATION	
Name.....	<input type="text"/>
Name (cont'd).....	<input type="text"/>
	<input type="checkbox"/> Name change
Entity number.....	<input type="text"/>
EIN.....	<input type="text"/>
	<input type="checkbox"/> Applied for

Figure 2:1

- **Address:** Address information is not required for the eliminations or the subgroup subconsolidation return. For Annual Statement returns, the federal and state tax return automatically fills in the address that is shown on the Annual Statement. Included are **Address**, **City**, **State** (drop-down list), and **ZIP** fields for domestic addresses with a check box to indicate an **Address Change**. Foreign addresses include **Province**, **Country** (drop-down list), and **Postal Code**.

ADDRESS	
Address.....	<input type="text"/>
City.....	<input type="text"/>
State.....	(None selected) ▼
ZIP.....	<input type="text"/>
	<input type="checkbox"/> Address change
OR	
Foreign	
Address.....	<input type="text"/>
Address (cont'd).....	<input type="text"/>
City.....	<input type="text"/>
Province.....	<input type="text"/>
Country.....	(None selected) ▼
Postal code.....	<input type="text"/>

Figure 2:2

- **Return/Entity Type:** Select the return type, entity type, and data source.

RETURN / ENTITY TYPE	
Return type.....	1120-PC ▼
Entity type.....	Corporate single entity ▼
Data source.....	Electronic Organizer ▼
Change return and entity types View Federal Deactivation	

Figure 2:3

- **Failed Life Return:** If the life annual statement is available, select the applicable check box to activate 1120-PC and/or deactivate 1120L.

FAILED LIFE RETURN	
- If the life annual statement is available:	
1 Select 1120-L as return type	
2 Select 1120L - Life annual statement as data source	
3 Check this box to activate the 1120-PC form.....	<input type="checkbox"/>
4 Check this box to deactivate the 1120L form.....	<input type="checkbox"/>
- If the life annual statement is NOT available:	
1 Select 1120-PC as return type	
2 The data source should be default to electronic organizer after an entity type is selected	

Figure 2:4

- **Date of incorporation:** The date is only needed for taxable entities, not divisions or elimination returns. Select the **Pre-1900** hyperlink if the date is before 1900. Enter the Month, Day, and Year of incorporation. **Do not enter dates after 1900 here.**

DATES	
Date incorporated.....	MM/DD/YYYY Pre-1900
Fiscal year beginning.....	MM/DD/YYYY
Fiscal year ending.....	MM/DD/YYYY
Transfer to Members	

Figure 2:5

- **Business Activity:** Select the **Business Codes** link to look up the Business Activity Code and enter it in the field provided. A check box indicates if the business is Inactive. Type in the **Principal business activity** and the **Product or service**.

BUSINESS ACTIVITY	
Principal business code.....	<input type="text"/>
	<input type="checkbox"/> Inactive
Principal business activity.....	<input type="text"/>
Product or service.....	<input type="text"/>

Figure 2:6

RETURN AND PRINT OPTIONS

One of the choices under the **Basic Options** tab is to enter the number of federal and state returns. You can make selections to print or suppress reports and summaries and indicate the items printed on every page, on the attachments, or on non-tax form items.

Navigation: Organizer > General information > Return and Print Options > Basic Options tab

The screenshot displays the 'Return and Print Options' interface. On the left, the 'Organizer' sidebar lists various categories, with 'Return and Print Options' selected and highlighted with a red box. The main content area features a tabbed interface with 'Basic Options' as the active tab. This tab contains several sections: 'CLIENT INFORMATION' with a 'Client Code' field set to 'Madhu_Insu'; 'CLIENT NOTES' with a text input field; 'NUMBER OF COPIES' with input fields for federal and state returns; 'EVERY PAGE PRINT OPTIONS' with radio button selections for 'Print' or 'Suppress' for various items like Corporation Name, Locator number, Version number, Date, Time, Page number, and Client Code; 'ATTACHMENTS' with similar radio button selections for statement numbers, text, white paper statements, and federal forms; and 'NON-TAX FORM OPTIONS' with a selection for 'Print Tax return cover sheet'.

Figure 2:7

TAX FORM OPTIONS

This page shows calculation options for Schedules D, M-1, M-3, PN, and N.

There are also some form calculation check boxes for some forms such as Forms 1118, 1120-W, 1138, 1139, 2220, 4466, and 4562. A check box is provided to print the return with override indicators at the bottom of the form.

Navigation: Organizer > General Information > Return and Print Options > Tax Form Options tab

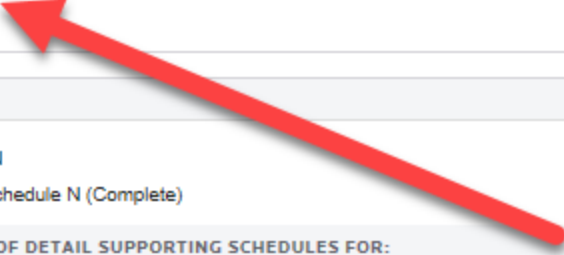
Basic Options	Pg 1-5 Options	Tax Form Options	E-file Options	Accrual Options						
SCHEDULE D										
<input type="checkbox"/> Carry Capital Loss to Page 1 (Applies to taxable entity types only, i.e Single or Top Consolidated) <input type="checkbox"/> Automatically prorate capital gains and losses under Section 582										
SCHEDULE M-1										
<input type="checkbox"/> Print Schedule M-1 when the Schedule M-3 is used										
SCHEDULE M-3										
Schedule M-3 Options 										
SCHEDULE N										
<input type="checkbox"/> Force Print Schedule N <input type="checkbox"/> Suppress printing of Schedule N (Complete)										
SUPPRESS PRINTING OF DETAIL SUPPORTING SCHEDULES FOR:										
<input type="checkbox"/> Schedule N - Question 3 <input type="checkbox"/> Schedule N - Question 6a										
SCHEDULE PH										
<input type="checkbox"/> Print Schedule PH worksheet Suppress printing of detail supporting schedules for: <table border="0"> <tr> <td><input type="checkbox"/> Interest</td> <td><input type="checkbox"/> Capital gain</td> </tr> <tr> <td><input type="checkbox"/> Rents</td> <td><input type="checkbox"/> Ownership</td> </tr> <tr> <td><input type="checkbox"/> Royalties</td> <td><input type="checkbox"/> Dividend carryover</td> </tr> </table>					<input type="checkbox"/> Interest	<input type="checkbox"/> Capital gain	<input type="checkbox"/> Rents	<input type="checkbox"/> Ownership	<input type="checkbox"/> Royalties	<input type="checkbox"/> Dividend carryover
<input type="checkbox"/> Interest	<input type="checkbox"/> Capital gain									
<input type="checkbox"/> Rents	<input type="checkbox"/> Ownership									
<input type="checkbox"/> Royalties	<input type="checkbox"/> Dividend carryover									
FORM 1118										
<input type="checkbox"/> Carry Foreign Dividend Gross-up from Form 1118 to Schedules C and M-1										
FORM 1120-W										
<input type="checkbox"/> Print 1120-W, page 1 in compressed format (Override) <input type="checkbox"/> Print 1120-W, Schedule A, pages 2 and 3 in compressed format (Override)										
1125-A										
COGS Options										

Figure 2:8

Basic Options	Pg 1-5 Options	Tax Form Options	E-file Options	Accrual Options		
<input type="checkbox"/> Suppress filing instructions for Form 1139 <input type="checkbox"/> Suppress print of Form 1139 with Federal Return						
FORM 2220						
<table border="0"><tr><td>PRINT SEQUENCE <input checked="" type="radio"/> Print in proper sequence <input type="radio"/> Print out of IRS sequence</td><td><input type="checkbox"/> Use the 2220 seasonalized method <input type="checkbox"/> Use the 2220 annualized method</td></tr></table>					PRINT SEQUENCE <input checked="" type="radio"/> Print in proper sequence <input type="radio"/> Print out of IRS sequence	<input type="checkbox"/> Use the 2220 seasonalized method <input type="checkbox"/> Use the 2220 annualized method
PRINT SEQUENCE <input checked="" type="radio"/> Print in proper sequence <input type="radio"/> Print out of IRS sequence	<input type="checkbox"/> Use the 2220 seasonalized method <input type="checkbox"/> Use the 2220 annualized method					
<input type="checkbox"/> Print 2220, pages 1 and 2 in compressed format (Override) <input type="checkbox"/> Print 2220, Schedule A, pages 3 and 4 in compressed format (Override)						
FORM 2439						
<input type="checkbox"/> Suppress print of Form 2439, Copy A						
FORM 4466						
<input type="checkbox"/> Compute Form 4466 <input type="checkbox"/> Suppress filing instructions for Form 4466 <input type="checkbox"/> Suppress Print of Form 4466						
FORM 4562						
COMPUTE OPTIONS						
<input type="checkbox"/> Carry federal depreciation to all state returns including nonadopting state(s) <input type="checkbox"/> Use SL table rates for tax preference computations on all ACRS assets <input type="checkbox"/> Calculate MACRS SL as basis divided by remaining life <input type="checkbox"/> Compute book depreciation and amortization <input type="checkbox"/> Reduce book basis for Section 179 expense and ITC Number of years to project depreciation (1 - 6 yrs available)..... <input type="text"/> Number of months to compute depreciation for short year returns (Override) <input type="text"/>						
PRINT OPTIONS						
<table border="0"><tr><td>PRINT DEPRECIATION DETAIL USING <input type="radio"/> white-paper categories <input checked="" type="radio"/> the order in which they are entered</td><td>SUPPRESS WHITE-PAPER DETAIL FOR <input type="radio"/> AMT depreciation <input type="radio"/> ACE depreciation <input type="radio"/> Both AMT and ACE depreciation detail <input checked="" type="radio"/> none of the above</td></tr></table>					PRINT DEPRECIATION DETAIL USING <input type="radio"/> white-paper categories <input checked="" type="radio"/> the order in which they are entered	SUPPRESS WHITE-PAPER DETAIL FOR <input type="radio"/> AMT depreciation <input type="radio"/> ACE depreciation <input type="radio"/> Both AMT and ACE depreciation detail <input checked="" type="radio"/> none of the above
PRINT DEPRECIATION DETAIL USING <input type="radio"/> white-paper categories <input checked="" type="radio"/> the order in which they are entered	SUPPRESS WHITE-PAPER DETAIL FOR <input type="radio"/> AMT depreciation <input type="radio"/> ACE depreciation <input type="radio"/> Both AMT and ACE depreciation detail <input checked="" type="radio"/> none of the above					
<input type="checkbox"/> Suppress all depreciation detail print <input type="checkbox"/> Suppress 4562, Part V, Section B detail						

Figure 2:9

Basic Options	Pg 1-5 Options	Tax Form Options	E-file Options	Accrual Options
FORM 8752				
<input type="checkbox"/> Suppress printing of Form 8752				
FORM 8810				
<input type="checkbox"/> Adjust deductions and losses carried to Form 1120, page 1				
FORM 8842				
<input type="checkbox"/> Suppress printing of Form 8842				
FORM 8903				
8903				
FORM 8916-A				
8916-A				
DEPLETION				
Suppress printing of detail supporting schedules for:				
<input type="checkbox"/> Depletion property <input type="checkbox"/> IDC adjusted current earnings adjustment				
<input type="checkbox"/> Net income from oil and gas schedule <input type="checkbox"/> Depletion carryover schedule				
<input type="checkbox"/> IDC tax preference schedule				
RENTAL ACTIVITY SCHEDULE				
<input type="checkbox"/> Suppress printing of rental activity schedule				
PASS THROUGH ACTIVITY SCHEDULE				
<input type="checkbox"/> Suppress printing of pass through activity schedule				
FORM 1120X				
1120X				
ALL FORMS				
<input type="checkbox"/> Print return with override indicators				

Figure 2:10

M-3 OPTIONS

According to the M-3 rules from the IRS, the M-3 must be filed if the entity has \$50 million or more in assets, which is an increase from \$10 million in 2016. If an M-3 is filed, then a Schedule N reconciliation is not required. For additional M-3 rules and instructions, see www.irs.gov.

There are various M-3 options for calculation, print, and suppression of amounts. Select the **Schedule M-3 Options** link to view the Schedule M-3 options shown below.

Sch M-3 Options	Sch M-3, Part II	Sch M-3, Part II Detail	Sch M-3, Part III	Sch M-3, Part III Detail
------------------------	------------------	-------------------------	-------------------	--------------------------

GENERAL OPTIONS

☐ Check to indicate dormant or inactive corporation
Note: If you check this box, we will not print Parts II and III of Sch M-3. We will include the name and EIN of this entity in the list of inactive subsidiaries printed with the consolidated return.

☐ Exclude items with no differences from Part II, line 25 and Part III, line 38 and report those on Part II, line 28
Note: If you select this option, we will identify items with no differences on Part II, line 25 and Part III, line 38 detail, exclude these items from the calculation and print of Part II, line 25 and Part III, line 38, and include these items in the calculation and print of Part II, line 28 (Income and expense items with no differences).

[Transfer Option for Consolidated Returns](#)

COMPUTE OPTIONS

OPTION TO COMPUTE SCHEDULE M-1 AND/OR SCHEDULE M-3

☐ Compute Sch M-1 only

☐ Compute Sch M-3 only

☐ Compute Sch M-1 or Sch M-3 based on the total assets at the end of tax year

☒ Compute both Sch M-1 and Sch M-3 (Default)

Note: Sch M-1 will not print if Sch M-3 is completed unless option to force print Sch M-1 is selected from below

[Transfer Option for Consolidated Returns](#)

☐ Calculate book/tax difference for capital loss and contributions on Sch M-3 of member of a consolidated group
[Transfer Option for Consolidated Returns](#)

☐ Global M-3 Automatic Calculation Suppress Option [See List](#)

☐ Carry Section 78 gross-up from Form 1118 as a permanent difference

☐ Calculate book/tax difference for income statement gain/loss as temporary

☐ Do not carry gain/loss from Sch D and Form 4797 as a permanent difference to Part II, lines 23b - 23f

Figure 2:11

Mixed Group 1120/L/PC Group Entity check box

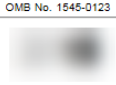
The entity check boxes at the top of the Schedule M-3 tax form automatically populate for Mixed Group entities.

Navigation: Tax Forms > LNL PC Schedule M-3/Form 8916 > Page 1

Page 1 Page 2

SCHEDULE M-3
(Form 1120-PC)
Department of the Treasury
Internal Revenue Service

Net Income (Loss) Reconciliation for U.S. Property and Casualty Insurance Companies With Total Assets of \$10 Million or More
► Attach to Form 1120-PC.
► Go to www.irs.gov/Form1120PC for instructions and the latest information.

OMB No. 1545-0123


Check applicable box(es).

☐ (1) Non-consolidated return
 ☐ (2) Consolidated return (Form 1120-PC only)

☒ (3) Mixed 1120/L/PC group
 ☐ (4) Dormant subsidiaries schedule attached

Name of corporation (common parent, if consolidated return)

Employer identification number

Part I Financial Information and Net Income (Loss) Reconciliation (see instructions)

1a Did the corporation file SEC Form 10-K for its income statement period ending with or within this tax year?

☒ **Yes.** Skip lines 1b and 1c and complete lines 2a through 11 with respect to that SEC Form 10-K.

☐ **No.** Go to line 1b. See instructions if multiple non-tax-basis income statements are prepared.

b Did the corporation prepare a certified audited non-tax-basis income statement for that period?

☒ **Yes.** Skip line 1c and complete lines 2a through 11 with respect to that income statement.

☐ **No.** Go to line 1c.

c Did the corporation prepare a non-tax-basis income statement for that period?

☒ **Yes.** Complete lines 2a through 11 with respect to that income statement.

☐ **No.** Skip lines 2a through 3c and enter the corporation's net income (loss) per its books and records on line 4a.

2a Enter the income statement period: Begin End

b Has the corporation's income statement been restated for the income statement period on line 2a?

☐ **Yes.** (If "Yes," attach an explanation and the amount of each item restated.)

☐ **No.**

c Has the corporation's income statement been restated for any of the five income statement periods preceding the period on line 2a?

☐ **Yes.** (If "Yes," attach an explanation and the amount of each item restated.)

☐ **No.**

3a Is any of the corporation's voting common stock publicly traded?

☐ **Yes.**

☒ **No.** If "No," go to line 4a.

b Enter the symbol of the corporation's primary U.S. publicly traded voting common stock

c Enter the nine-digit CUSIP number of the corporation's primary publicly traded voting common stock

4a Worldwide consolidated net income (loss) from income statement source identified in Part I, line 1 **4a**

Figure 2:12

Global M-3 Automatic Calculation Suppression Check box

There is an option to suppress the automatic calculation of the following items on the Schedule M-3 for 1120, 1120-PC and 1120-L for Annual Statement and Electronic users. If this check box is selected, the automatic calculations listed are suppressed. However, if you enter amounts in the M-3 Organizer, the amounts flow to the M-3 as overrides.

Navigation: **Organizer > Return and Print Options > Tax Form Options.** Select the **Schedule M-3** link . On the resulting **M-3 Sch Options** tab screen, scroll down to the **Compute Options** section.

Select the **See List** link to view a list of suppressed items.

COMPUTE OPTIONS

☐ Carry Federal Form 1120, Schedule L total ending assets and total ending liabilities to Part I, line 12a

OPTION TO COMPUTE SCHEDULE M-1 AND/OR SCHEDULE M-3

☐ Compute Sch M-1 only
☐ Compute Sch M-3 only
☐ Compute Sch M-1 or Sch M-3 based on the total assets at the end of tax year
☒ Compute both Sch M-1 and Sch M-3 (Default)
[Transfer Option for Consolidated Returns](#)

Note: Sch M-1 will not print if Sch M-3, part II and part III are completed unless option to force print Sch M-1 is selected from Print Options.

☐ Calculate book/tax difference for capital loss and contributions on Sch M-3 of member of a consolidated group
[Transfer Option for Consolidated Returns](#)

☐ Global M-3 Automatic Calculation Suppress Option [See List](#)

☐ Carry Section 78 gross-up from Form 1118 as a permanent difference

☐ Calculate book/tax difference for income statement gain/loss as temporary
[Transfer Option for Consolidated Returns](#)

☐ Do not carry gain/loss from Sch D and Form 4797 as a permanent difference to Part II, lines 23b - 23f

OPTION TO CALCULATE BOOK/TAX DIFFERENCE FOR GAIN/LOSS FROM FORM 4797

☐ Suppress automatic calculation
☐ Calculate as temporary difference
☒ Calculate as permanent difference (Default)
[Transfer Option for Consolidated Returns](#)

Figure 2:13

Select the check box to activate the **Global M-3 Automatic Calculation Suppress Option**.

☒ Global M-3 Automatic Calculation Suppress Option

Note: Selecting this option suppresses the automatic calculation of following items on Sch M-3

Gross capital gains from Sch D, excluding amounts from flow-through entities (Part II, line 23b)

Gross capital losses from Sch D, excluding amounts from flow-through entities, abandonment losses, and worthless stock losses (Part II, line 23c)

Net gain/loss reported on Form 4797, excluding amounts from flow-through entities, abandonment losses, and worthless stock losses (Part II, line 23d)

Abandonment losses (Part II, line 23e)

Worthless stock losses (Part II, line 23f)

Addback of credit for alcohol used as fuel

Addback of Biodiesel and renewable diesel fuels credit

Recapture under Section 179 and 280F (Part II, line 26)

Meals and entertainment (Part III, line 11)

Domestic production activities deduction (Part III, line 22)

Depreciation (Part III, line 31)

Employment credits wage reduction (Part III, line 37)

Reduction in Research and Development expense by credit (Part III, line 37)

Extraterritorial income exclusion (Part III, line 37)

Passive loss adjustment (Part III, line 37)

Figure 2:14

REVIEWING THE TAX RETURN

We provide different reconciliations to review your tax return amounts such as the comparison of the NAIC Annual Statement income to the taxable income and the reconciliation of the taxable income to the Schedule M-3.

RECONCILIATIONS OF THE ANNUAL STATEMENT INCOME TO TAXABLE INCOME

Worksheets in the Tax Summary reconcile the Annual Statement income to the taxable income. The Tax to A/S Reconciliation, Income Reconciliation, and Income Tax Return Summary Worksheets helps you reconcile the Annual Statement income to the 1120-PC or 1120-L tax return income by displaying any reclassifications, tax adjustments, and M-1 adjustments.



If you want this reconciliation to consolidate in an 1120-L or 1120-PC subgroup with Annual Statement returns and Electronic Organizer returns, you must enter amounts on this worksheet.

Navigation: Tax Forms > Federal > 1120-L Corporate Income Tax Return > Tax Summary. Select one of the following tabs:

- Tax to A/S Reconciliation
- Income Reconciliation
- Income Tax Return Summary
- Summary Tax Comps
- Reclass Summary
- Federal Tax Forms Summary

1120-L Tax to A/S Reconciliation Screen

Tax to A/S Reconciliation		Income Reconciliation	Income Tax Return Summary	Summa
Tax Return to Annual Statement Reconciliation				
GROSS INVESTMENT INCOME RECONCILIATION				
Total investment income per Schedule B.....				↓
Total investment income per adjusted NAIC annual statement.....				↓
Total tax to annual statement differences.....				↓
CAPITAL GAIN AND LOSS RECONCILIATION				
Totals from NAIC annual statement.....				↓
Total gain or loss from Form 1120, Schedule D.....				↓
Total reconciling items.....				↓
Total tax to annual statement differences.....				↓
SCHEDULE F RESERVES RECONCILIATION				
	Beginning		Ending	
Total Reserves - Schedule F, line 7.....		↓		↓
Total reserves - per reconciliation.....		↓		↓
Difference.....		↓		↓
NAIC RESERVES RECONCILIATION PAGE 3 TO PAGE 4				
Total change in reserves per NAIC annual statement page 3.....				↓
Total change in reserves per NAIC annual statement page 4.....				↓
Difference.....				↓

Figure 2:15

1120-L Income Reconciliation

Tax to A/S Reconciliation	Income Reconciliation	Income Tax Return Summary	Summary Tax Comps
Reconciliation of NAIC Annual Statement Income to Taxable Income			
	Schedule N	1120-L, Page 1	Balance
Premium Income.....	<input type="text"/>	<input type="text"/>	<input type="text"/>
Reserves.....	<input type="text"/>	<input type="text"/>	<input type="text"/>
Investment Income.....	<input type="text"/>	<input type="text"/>	<input type="text"/>
Other Income.....	<input type="text"/>	<input type="text"/>	<input type="text"/>
Benefits.....	<input type="text"/>	<input type="text"/>	<input type="text"/>
Other Deductions.....	<input type="text"/>	<input type="text"/>	<input type="text"/>
Special Items.....	<input type="text"/>	<input type="text"/>	<input type="text"/>
Net Income.....	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>			
Schedule N Reconciliation prints unless suppressed under General Information 1120-L Options Print Options.			

Figure 2:16

1120-L Income Tax Summary

Tax to A/S Reconciliation	Income Reconciliation	Income Tax Return Summary	Summary Tax Comps.	Reclass Summary	Federal Tax Forms Summary
Form prints automatically unless suppressed under Organizer General Information 1120-L Options Print Options.					
Book (Automatic)	Statutory Adjust.	NAIC Income	Reclassify	Tax Adjustments	Income Tax Return
1 Premiums and annuity considerations.....	415,789				415,789
2 Supplementary contracts with life contingencies.....	60,245				60,245
3 Net investment income.....	10,000				10,000
4 Amortization of interest maintenance reserve.....	1,254				1,254
5 Separate accounts net gain from.... operations, excluding unreal.....	1,900				1,900
6 Commissions and expenses on reins.....	2,800				2,800
7 Reserve adjustment on reins. ceded.....	1,700				1,700
8 Miscellaneous income:					
8.1 Income from fees associated with investment management.....	1,600				1,600
8.2 Charges and fees for deposit-type....	3,500				3,500
8.3 Aggregated write-ins misc income...					
9 Total (Items 1 to 8.3).....	498,788				498,788
10 Death benefits.....	124,563				124,563
11 Matured endowments.....	99,658				99,658
12 Annuity benefits.....	10,000				10,000
13 Benefits - disability, A H policies.....	4,000				4,000
14 Coupons, endowments and similar..... benefits.....	1,000				1,000
15 Surrender benefits/fund withdrawals.....	54,782				54,782

Figure 2:17

1120-L Summary Tax Comps

Tax to A/S Reconciliation	Income Reconciliation	Income Tax Return Summary	Summary Tax Comps.
Summary of 1120-L Tax Computations			
§816 life insurance reserve percentage test amount.....		<input type="text"/>	↓
TAXABLE INCOME ON 1120-L, PAGE 1 TO SCHEDULE N RECONCILIATION			
Total Schedule N reclassified items.....		<input type="text"/>	↓
LICTI - Page 1, line 24.....		573,682	↓
LICTI - Schedule N Reconciliation.....		<input type="text"/>	↓
Difference.....		573,682	
TAXABLE INCOME ON 1120-L, PAGE 1 TO SCHEDULE M-3 RECONCILIATION			
Taxable income, page 1 line 20, before NOL and special deductions.....		576,686	↓
Taxable income - Schedule M-3.....		<input type="text"/>	↓
Difference.....		576,686	
TAXABLE INCOME ON 1120-L, PAGE 1 TO INCOME TAX SUMMARY WORKSHEET			
LICTI - Page 1, line 24.....		573,682	↓
Net gain (loss) from operations before tax - Income Tax Summary Worksheet.....		202,786	↓
Difference.....		370,896	
CONSOLIDATED TAXABLE INCOME ON 1120-L, PAGE 1 TO CONSOLIDATED SCHEDULES			
LICTI - Consolidated Page 1.....		<input type="text"/>	↓
LICTI - Consolidated Schedules.....		<input type="text"/>	↓

Figure 2:18

1120-L Reclass Summary

Tax to A/S Reconciliation	Income Reconciliation	Income Tax Return Summary	Summary Tax Comps.	Reclass Summary
---------------------------	-----------------------	---------------------------	--------------------	------------------------

Summary of Statutory Reclassed Items

	Totals	
Premium Income.....	<input type="text"/>	↓
Reserves.....	<input type="text"/>	↓
Investment Income.....	<input type="text"/>	↓
Other Income.....	<input type="text"/>	↓
Benefits.....	<input type="text"/>	↓
Other Deductions.....	<input type="text"/>	↓
Special Items.....	<input type="text"/>	↓
Total Income.....	<input type="text"/>	

Figure 2:19

1120-L Federal Tax Forms Summary

Tax to A/S Reconciliation	Income Reconciliation	Income Tax Return Summary	Summary Tax Comps.	Reclass Summary	Federal Tax Forms Summary
Summary of Federal Forms					
SUMMARY AMOUNTS					
1120-L, Tax Due.....		214,148			
Sch. D, Capital Gains and Losses.....					
851, Prepayment.....					
1118, Total Foreign Tax Credit.....					
1120W, Installment 1.....					
1122, Consolidation Consent.....					
1138, Extended Amount.....					
1139, Tentative Refund.....					
2220, Penalty.....		4,504			
3468, Investment Credit.....					
3800, General Business Credit.....					
4136, Gasoline Credit.....					
4255, Tax Increase.....					
4466, Applied for Refund of Overpayment of Estimated Tax.....					
4562, Depreciation.....					
4562, Amortization.....					
4626, Alternative Minimum Tax.....		NONE			
4797, Sales of Business Property.....					
5471, Summary.....					
5472, Summary.....					
5735, Possessions Tax Credit.....					
5884, Jobs Credit.....					
6252, Installment Sales Income.....					
6478, Alcohol Fuel Credit.....					
6765, Orphan Drug Credit.....					
6765, Research Activities Credit.....					
6781, §1256 Contracts and Straddles.....					
7004, Automatic Extension of Time.....					
8810, Passive Activity Limitations.....					
8827, Credit for Prior Year Minimum Tax.....					

Figure 2:20

Reconciliations of Taxable income to other Schedules

Certain worksheets in the Tax Summary reconcile the taxable income to other tax schedules. The 1120-PC Taxable Income to Schedule M-1 and Taxable Income to Schedule M-3 Income worksheets, for example, show the 1120-PC or 1120-L tax return income by displaying any reclassifications, tax adjustments, and M-1 adjustments.

Navigation: Tax Forms > Federal > 1120-PC Corporate Income Tax Return > Tax Summary. Select one of the following tabs:

- Income Tax Return Summary (similar to 1120L)
- Tax to A/S Reconciliation (similar to 1120L)
- Taxable Income Reconciliation (see below)
- Federal Tax Forms Summary (similar to 1120L)

1120-PC Taxable Income Reconciliation

Income Tax Return Summary	Tax to A/S Reconciliation	Taxable Income Reconciliation
Federal Tax Summary and Reconciliation		
TAXABLE INCOME ON 1120PC, PAGE 2 TO SCHEDULE M-1 RECONCILIATION		
Taxable income before NOL and special deductions.....	70,564,694	↓
Taxable income - Schedule M-1.....	59,731,694	↓
Difference.....	-10,833,000	
TAXABLE INCOME ON 1120PC, PAGE 2 TO SCHEDULE M-3 RECONCILIATION		
Taxable income before NOL and special deductions.....	70,564,694	↓
Taxable income - Schedule M-3.....	79,663,282	↓
Difference.....	9,098,588	
BALANCE SHEET RECONCILIATION		
	Beginning	Ending
Total assets - Schedule L.....	823,002,349	888,421,472
Total liabilities and owners equity - Schedule L.....	823,002,349	888,421,472
Difference.....	NONE	NONE
RETAINED EARNINGS RECONCILIATION		
Retained earnings - ending unappropriated, Schedule L.....	132,331,253	↓
Retained earnings - ending unappropriated, Schedule M-2.....	199,662,707	↓
Difference.....	-67,331,454	

Figure 2:21

DIAGNOSTICS

The system provides diagnostics to help you determine inconsistencies, omissions, or override errors. To review diagnostics, select **View > Diagnostics**, and then select the type.

The screenshot shows a web application interface for reviewing tax diagnostics. On the left, there is a sidebar with a tree view of diagnostic categories: 'Types(6)' (containing 'Severe(4)', 'Informational(1)', and 'Electronic Filing - Rejects(1)') and 'Jurisdictions(6)' (containing 'Federal(6)', 'State(0)', 'City(0)', and 'Uncategorized(0)'). The 'Severe(4)' category is highlighted with a red box. On the right, a list of diagnostic messages is displayed, each with a checkbox. The messages include: 'Taxable income per 1120-L, page 1 and Schedule N is out of balance.', 'Reconciliation of Income before DRD and OLD, and Schedule M-3: Income on Form 1120-L, page one, line 20, does not equal the amount shown on Schedule M-3, Part II, line 30, column d. See Tax Forms, Federal, 1120-L Corporate Income Tax Return, Tax Summary, and click on the Summary Tax Comps tab to review.', 'Reconciliation of LICIT with Income Tax Summary Worksheet: Form 1120-L, page 1, line 23, LICIT, does not reconcile with income on the Income Tax Return Summary. Go to Federal, 1120-L Corporate Tax Return, Tax Summary, Summary Tax Comps to review. Organizer users can enter amts for Sch N from the Income Reconciliation tab, drilling down to in 1 of the yellow worksheet, and then drilling-down to Organizer. Alternatively, this schedule can be suppressed from printing. Go to Organizer, General Information, Return & Print Options, Print Options, and check the applicable box.', 'Net 965 Tax Liability: Per the IRS, any taxpayer who is required to include amounts in income under section 965 in the tax year beginning in 2017 or the tax year beginning in 2018 must complete and attach Form 965 to its income tax return. Data entry in the 2018 return is mandatory even if all 965 income was reported on the 2017 tax return. Click/drill down on this diagnostic to automatically access "Organizer \ Inclusion of Deferred Foreign Income." On that screen, you will find more details about this IRS requirement, a link to the 965 IRS instructions, a link to easily jump to the 965 organizer, and an option to indicate that the taxpayer has zero 965 reporting requirements for tax year 2017 or tax year 2018. HOW TO DISABLE THIS REJECT: Either 1) mark the option that no 965 reporting requirements exist or 2) enter required 965 detail in organizer.', and 'The Life Annual Statement is out of balance:'. The 'Net 965 Tax Liability' and 'The Life Annual Statement' messages are highlighted in blue.

Figure 2:22

In the left pane, the tax application categorizes diagnostics into three types for **Federal**, **States**, and **Cities** categories:

- **Severe:** Should be cleared before printing the return (for example, an out-of balance return).
- **Informational:** Shows special calculations and the effects of overrides (such as schedules matched to line items of the return). It can also display print and tax return errors that should be addressed before filing.
- **E-file:** Three types of e-file diagnostics must be cleared if the return is to be accepted by the IRS or the state tax department
 - **Electronic Filing – Alerts.**
 - **Electronic Filing – Rejects:** Errors the tax application has detected that must be cleared to e-file.
 - **E-file XML Validation errors:** Errors detected after creating the e-file. These must be cleared to get a qualified return.

CHAPTER 3: SELECTING THE DATA SOURCE

There are two data sources for your Insurance returns:

- Import data from an NAIC Annual Statement. (See [NAIC Annual Statement \(page 30\)](#).)
- Direct entry of data in the Electronic Organizer. (See [Electronic Organizer \(page 34\)](#).)

This selection is made when creating the return.

Create a Return

Account*

2MKN

▼

Year*

▼

Type*

1120

▼

Client Code

Entity Name*

Return Type*

1120-PC, Property & Casualty

▼

Entity Type*

Single Entity

▼

Data Source*

▼

Electronic Organizer

Health Annual Statement

Property and Casualty Annual Statement

Title Annual Statement

Figure 3:1

The data source selection depends on the **Return Type** selected.

RETURN TYPE	DATA SOURCES
1120-PC	<ul style="list-style-type: none">• Electronic Organizer• Health Annual Statement• Property and Casualty Annual Statement• Title Annual Statement

RETURN TYPE	DATA SOURCES
1120L	<ul style="list-style-type: none">• Electronic Organizer• Life Statement• Separate Accounts Annual Statement

NAIC ANNUAL STATEMENT

The bulk of the information needed to prepare insurance income tax returns (1120-L and 1120-PC) is found in the National Association of Insurance Commissioners (NAIC) Annual Statement. NAIC determines the standards for financial reporting for insurance companies. The Annual Statement information is stored in designated NAIC files that are then filed with the regulatory state. Each file is identified by a standard name that indicates the return type and the filing period to which it pertains, and each insurance company's unique NAIC number.

An import of the NAIC Annual Statement file populates the Annual Statement of the Organizer pages, which then flows to the appropriate Tax Forms in the tax application. Not all data is transferred from the Annual Statement, only the data that is needed for tax compliance calculations and print is imported into the Organizer.

To transfer the NAIC Annual Statement for the 1120-L or 1120-PC tax returns, choose the correct data source type. The tax application allows the transfer of these types of Annual Statements:

- Life (1120-L)
- Separate Accounts (1120-L)
- Property and Casualty (1120-PC)
- Health (1120-PC)
- Title (1120-PC)

NAIC ANNUAL STATEMENT TRANSFER

You can import NAIC data directly from their Annual Statement file to the appropriate place in the tax application. However, only certain pages, and not the entire statement, are transferred into the Annual Statement Organizer because the rest is not needed. If additional data is desired, the client can use the Electronic Organizer to add this information.

To transfer data:

1. On the Organizer tab, select **NAIC Annual Statement Transfer**.
2. Verify the path and filename, transfer format, and filing year are correct. You must be able to fit the entire path, including the TXT extension inside the field provided.
3. Select **Browse**.
4. Browse to the import file, and select **Open**.
5. Select the **Transfer Format** drop-down box. This lists the available transfers.
6. Select the **Year** drop-down box. Prior years are available for life and separate account annual statements and LRD transfers.
7. After verifying the information, select **Transfer**, and then select **OK**.


Data transferred into the Annual Statement pages from an NAIC statement flows automatically to the provided yellow tax detail workpapers. Workpapers are used to show the calculations and how a particular number in a return was derived. You can print the workpapers with the federal return, or print them separately along with the federal schedules that support the return. They are available for the preparer's use and are intended to simplify the review process, as well as provide an audit trail.

ANNUAL STATEMENT TRANSFER FOR SHORT YEAR RETURNS

Income statement items for the short year tax return period are automatically prorated based on the number of days in the short year when compared to the total number of days in the tax year. In the example below, the income statement amounts would be calculated as half of the full year transferred amounts. Balance sheet items are not prorated.

The screenshot displays the 'NAIC Annual Statement Transfer' window. On the left, the 'Organizer' tab is active, and 'NAIC Annual Statement Transfer' is selected in the sidebar. The main area is divided into two sections: 'DISKETTE INFORMATION' and 'FILING PERIOD INFORMATION'. Under 'DISKETTE INFORMATION', the 'Path and Filename' field contains 'V:\NAIC\2009\Booke\P&C\21177_07_P_2009_O_M_1.TXT' and the 'Transfer Format' is set to 'PC and LRD Combined'. Under 'FILING PERIOD INFORMATION', the 'Year' is set to '2018', 'Days in Short Year (Default - Full Year)' is an empty field, and 'Total Number of Days in Year (Default is 360)' is set to '360'. A 'Transfer' button is located at the bottom right of the window.

Figure 3:2

 The tax software supports Annual Statement transfers only. The import of quarterly statement files is not supported.

NAIC MAPPING TO THE TAX RETURN

Worksheets are available to identify mapping of the NAIC Annual statement to 1120-L and 1120-PC, and to assist in the reconciliation and preparation of the tax return. There are two separate files available:

- Property and Casualty mapping (https://www.riahelp.com/html/2021/reports/ins_mapping/1120PC_Property_and_Casualty_Mapping.pdf)
- Life Annual Statement mapping. (https://www.riahelp.com/html/2021/reports/ins_mapping/1120L_Life_Annual_Statement_Mapping.pdf)

The files are updated annually to reflect the latest tax law changes.

STATUTORY-TO-TAX ADJUSTMENTS

Important differences between accrual and statutory accounting methods require special statutory-to-tax adjustments that are made when preparing the federal and state tax returns. Adjustments are made automatically when transferring the Annual Statement.

Statutory-to-tax adjustments are made to the statutory data of the transferred Annual Statement balances to arrive at net taxable income for the federal return. These adjustments follow the same general philosophy as those made to book income for a domestic corporation. The most common example is the adjustment made when depreciation for financial reporting purposes differs from depreciation for tax purposes.

Other adjustments that must take place for the taxable income computation include:

- Tax-exempt interest
- Change in due and accrued dividends
- Change in deferred and uncollected premiums
- Change in deposit type contracts
- Premium amortization
- Capital gains
- Elimination of change in loading
- Elimination of home office rent
- Elimination of NAIC amortization
- Elimination of NAIC depreciation
- Elimination of market discount accrual
- Difference in collected and earned real estate
- Interest on encumbrances
- Increase in loading on deferred & uncollected premiums
- Investment expenses.

ELECTRONIC ORGANIZER

If the insurance company is not required to file an Annual Statement, data can be entered directly into the 1120-L or 1120-PC Electronic Organizer. The data source method selected should be **Electronic Organizer**, not **Annual Statement**.



Data that is directly entered in the Annual Statement Organizer pages is not supported. All data entry should be made in the 1120-L or 1120-PC Electronic Organizer.

SCHEDULE M-3

There are two ways to complete the data entry for Schedule M-3 in the Electronic Organizer. The first method, DIF import files, is preferred because it saves you the most time.

DIF Import Files

- DIF import files are used to import data for all three parts of Schedule M-3.
- Part I of Schedule M-3 is used only for single company or top consolidated returns.
- DIF import files are available for 1120-L, 1120-PC, and 1120 separate returns, including Part I for top consolidations.
- Use the Schedule M-3 DIF/KAT files located at this link (https://www.riahelp.com/html/2021/guides/1120/2021_DIF_1120_Sch_M-3.zip) to import the data.

Data Entry

Entering Schedule M-3 data directly into the Electronic Organizer. Data can be directly entered in the M-3 Organizer fields. The navigation is:

- **1120L:** Organizer > Life Electronic Organizer Page 7 > Schedule M-3
- **1120PC:** Organizer > PC Electronic Organizer Page 8 > Schedule M-3.

The screenshot shows the Tax Organizer interface. The breadcrumb trail at the top reads: Organizer > Life Electronic Organizer > Page 7 > Schedule M-3 > Schedule M-3 > Sch M-3 Options. The left sidebar shows a tree view with 'Life Electronic Organizer' expanded, leading to 'Page 7', which contains 'Sch L - Assets and Liabilities' and 'Schedule M-3'. 'Schedule M-3' is selected and expanded, showing 'General Dependency Attachment' and 'Supplemental Attachment to M-3'. The main panel displays the 'Sch M-3 Options' form, which includes tabs for 'Sch M-3 Options', 'Sch M-3, Part I', 'Sch M-3, Part II', and 'Sch M-3, Part II Detail'. The 'Sch M-3 Options' tab is active, showing checkboxes for 'Check to indicate dormant or inactive corporation' and 'Check to indicate mixed 1120/L/PC group'. A note explains that checking the first box will result in inactive subsidiaries being listed. A 'Transfer Option for Consolidated Returns' link is present. At the bottom, there is a 'COMPUTE OPTIONS' button.

Figure 3:3

STATUTORY-TO-TAX ADJUSTMENTS

Because tax adjustment balances are entered directly into the Organizer, there are no statutory-to-tax adjustments. Statutory tax adjustments are used for Annual Statement users only.

ADJUSTMENTS AND RECLASSES

Adjustments, which are made either automatically or entered directly in the Organizer while preparing the return, are one-sided only. However, **Reclasses** are two-sided entities with both a debit and credit amount entered. An example of a reclass adjustment occurs when an amount is included in **Other Income** when it should have been included in **Interest Expense**.

You can reconcile a balanced return back to the statutory calculations through a summary of reclasses and tax adjustments. This summary is an important part of the supporting documentation of the insurance return.

Navigation: Tax Forms > Federal > 1120-PC Corporate Income Tax Return > 1120-PC Pg 1-8 > 1120-PC, Page 2 tab

Select the link on line 13 to view the yellow detail.

Form 1120-PC (2019) Page 2

Schedule A Taxable Income - Section 832 (see instructions)

	(a) Interest received	(b) Amortization of premium		
1	Premiums earned (Schedule E, line 7)		1	311,236,531
2	Dividends and inclusions (Schedule C, line 17)		2	3,146,919
3a	Interest (including tax-exempt interest)	35,375,112	839,897	
b	Interest exempt under section 103	8,215,840		
3d	Other income		3d	26,319,375
4	Other income reclassified items		4	2,229,643
5	Other income tax adjustments		5	
6			6	4,376,232
7			7	
8			8	
9			9	
10			10	
11			11	
12			12	
13	Other income (attach statement)		13	2,358,102
14	Gross income. Add lines 1 through 13		14	349,666,802
15	Compensation of officers (attach statement) (see instructions)		15	
16	Salaries and wages (less employment credits)		16	34,729,000
17	Agency balances and bills receivable that became worthless during the tax year		17	694,565
18	Rents		18	1,033,200
19	Taxes and licenses		19	12,714,490
20a	Interest	275,650	20c	275,650
21	Charitable contributions		21	

Organizer users, follow this line 23's link to get to the organizer input field for all other income:

30 Other income

31 Other income reclassified items

32 Other income tax adjustments

33 Total other income to schedule A, line 13

Figure 3:4

Select the link (blue turn-down arrow) in the **Other Income** field on the tax return.

ctions.)	6	Capital gain net income (attach Schedule D (Form 1120)).	6	4,376,232	1	
	7	Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)	7		1	
	8	Certain mutual fire or flood insurance company premiums (section 832(b)(1)(D))	8		1	
	9	Income on account of special income and deduction accounts	9		1	
	10	Income from protection against loss account (see instructions)	10		1	
	11	Mutual interinsurers or reciprocal underwriters - decrease in subscriber accounts	11		1	
	12	Income from a special loss discount account (attach Form 8816).	12		1	
	13	Other income (attach statement)	13	2,358,102	1	
	14	Gross income. Add lines 1 through 13	14	349,666,802	1	
	15	Compensation of officers (attach statement) (see instructions)	15		1	
ctions.)	16	Salaries and wages (less employment credits)	16	34,729,000	1	
	17	Agency balances and bills receivable that became worthless during the tax year.	17	694,565	1	
	18	Rents	18	1,033,200	1	
	19	Taxes and licenses	19	12,714,490	1	
20 a	Interest ▶ 275,650 1	b	Less tax-exempt interest exp. ▶ 1	c Bal. ▶	20c	275,650

Figure 3:5

Scroll down to **Other Income Reclassed Items** or **Other Income Tax Adjustments**, which are shown on the yellow detail image. Select the **Other Income** tab to view a screen where you can enter adjustments.

Miscellaneous Income	Protection Against Loss Account	Interest Income	Other Income	Reclass and Tax Adjustments
Other Income				
Recoveries of agents' balances previously charged off - TRC 35-248.....				
Finance and service charges and mortgage division income - TRC 35-250.....				
Fee-For-Services - TRC 35-252.....				
Title XVIII - Medical and Title XIX - Medicaid - TRC 35-254.....				
Extraordinary items - TRC 35-256.....				
Risk Revenue - TRC 35-258.....				
Net protected cell income - TRC 35-260.....				
Net farm profit (loss), if no detail entered - TRC 31-662.....		Farm Income		
Recapture under Sec 179 and 280F, if no detail entered on.....		Form 4797		
<input type="checkbox"/> Do not carry recapture under Sections 179 and 280F from Form 4797				
Bad debt recapture, if no detail entered on.....		Bad Debts		
Passive loss disallowed, if no detail entered on.....		Form 8810		
Credit for alcohol used as fuel, if no detail entered on.....		Form 6478		
Section 91 transferred loss amount, if no detail entered on.....		Form 8858		
Section 846 transition adjustment TCJA.....				
Remaining Salvage Subrogation/Supplemental Sec 846 adjustment TCJA.....				
TCC	Other Income - TRC 31-900	Amount		
Total				

Figure 3:6

RECLASSES IN BALANCE

To keep a return in balance, reclass items must be balanced entries. You can verify that the return is balanced by navigating to the **Total Reclasses per reconciliation** field, which is the second field shown on the screen below and is outlined with a box.

Navigation: Tax Forms > Federal > 1120-PC Corporate Income Tax Return > Tax Summary > Tax to A/S Reconciliation tab

The screenshot displays the 'Tax to A/S Reconciliation' tab within the 'Tax Forms' section. The left sidebar shows a tree view of tax forms, with '1120-PC - US Corporation Inc Tax Return' expanded to show 'Tax Summary'. The main area is titled 'Tax Return to Annual Statement Reconciliation' and contains three sections: 'NAIC NET INCOME TO TAXABLE INCOME RECONCILIATION', 'INVESTMENT INCOME RECONCILIATION', and 'CAPITAL GAIN (LOSS) RECONCILIATION'. The 'Total reclasses per reconciliation' field in the first section is highlighted with a red box.

NAIC NET INCOME TO TAXABLE INCOME RECONCILIATION	
Taxable income per reconciliation.....	58,158,234
Total reclasses per reconciliation.....	
Taxable income per reconciliation without regard to reclasses.....	58,158,234
Taxable income per 1120-PC, page 1.....	68,991,234
Total difference.....	-10,833,000

INVESTMENT INCOME RECONCILIATION	
Total investment income per schedule A or B.....	31,695,937
Total investment income per NAIC annual statement after adjustments.....	31,695,937
Total tax to annual statement differences.....	NONE

CAPITAL GAIN (LOSS) RECONCILIATION	
Totals from NAIC annual statement.....	3,764,652
Total gain or loss from Form 1120, Schedule D.....	4,376,232
Total reconciling items.....	
Total tax to annual statement differences.....	-611,580

Figure 3:7

You can select the field and use the down arrow link to open the **Summary of Statutory Reclassed Items**. If the return is in balance, a message stating this appears at the bottom of the screen.

Summary of Statutory Reclassed Items	
	Totals
Premium Income	<input type="text"/> ↓
Investment Income	<input type="text" value="4,332,316"/> ↓
Other Income	<input type="text"/> ↓
Expenses	<input type="text" value="-4,332,316"/> ↓
Losses	<input type="text"/> ↓
Special Items	<input type="text"/> ↓
Net Income	<input type="text"/>

Reclasses are in balance.

Figure 3:8

CHAPTER 4: SETTING UP A RETURN

To create and set up your insurance return, choose the proper return type, entity type, and data source. If these selections are not accurate, the compute, print, and e-file components will not work correctly when creating an insurance consolidation.

There are two ways to create your return:

- Rollover a previous year's return, so that the prior year ending balances are shown in the beginning balance columns for the current year.
- Create an entirely new return, and either import or enter the beginning and ending balances for the balance sheet items.

STEP 1: ROLLOVER A RETURN FROM THE PRIOR YEAR'S RETURN

ROLLOVER OF AN 1120 RETURN

Rollover of an 1120 parent or subsidiary company is relatively straightforward. Choose the rollover option on the side of the screen or use a batch rollover to transfer your year end balances to the current year return.

ROLLOVER OF THE 1120-PC AND 1120-L RETURNS

We provide two options to flow prior year balances to the tax return:

- **Option 1:** The balances come from the current year Annual Statement.
- **Option 2:** The balances come from rolled over prior year balances.

STEP 2: ENTER FEDERAL TAX ID NUMBER AND ENTITY INFORMATION

The federal tax ID number (EIN) is **mandatory** for all returns except for elimination returns, subgroup subconsolidation returns, divisions, and consolidated returns. The tax ID can be reviewed in **Organizer > General Information > Basic Return Information > Entity Information** tab of the return created.

The screenshot shows the 'Entity Information' tab in a software interface. The left sidebar has a navigation menu with 'Entity Information' selected. The main area contains the following sections:

- ENTITY INFORMATION**
 - Name
 - Name (cont'd)
 - Entity number
 - EIN (highlighted with a red box)
 - Applied for (checkbox)
- ADDRESS**
 - Address
 - City
 - State (dropdown menu, currently showing 'None selected')
 - ZIP

Figure 4:1

REQUIREMENTS

The tax ID (EIN) is **required**/not required for the following types of entities:

- **Parent, Subsidiary, or Corporate Single Entity:** The tax ID is **required** for the single company returns.
- **Subgroup Subconsolidation:** Tax ID is not required.
- **Top consolidation (topcon) company:** The Parent tax ID transfers to this level. This is not required.
- **Eliminations:** Tax ID is not required.
- **Division:** Tax ID is not required.
- **Divisional Subconsolidation:** Tax ID is **required**, as this represents a legal filing entity.

If you have applied for a tax ID, the **EIN Applied for** check box is available on the **Entity Information** screen below the EIN.

STEP 3: CHOOSE RETURN/ENTITY TYPE

Review the data found on the **Entity Information** tab after creating or rolling over a return.

Navigation: Organizer > General Information > Basic Return Information > Entity Information tab.

Figure 4:2

Scroll down to the **Return/Entity Type** section. From the drop-down lists, select the **Return Type** and **Entity Type**.

STEP 4: COMPLETE DATA ENTRY IN THE ORGANIZER

Complete the data entry for the following items in the Organizer:

1. Enter the Ending Balances:

For 1120-L, navigate to **Organizer > Life Electronic Organizer > Page 3 > Sch F - Lines 1 through 6**. Select the applicable tab and enter reserves ending balances.

For 1120-PC, if the annual statement is not used, navigate in **Organizer > PC Electronic Organizer > Page 5. Enter the current premiums and losses in Schedule E - Premiums and Schedule F - Losses**.

2. Enter the detail for Gains and Losses: Navigate to **Organizer > Gains and Losses** and enter amounts if required for your tax return.

3. Enter the required detail for depreciable assets or use the summary override form at **Income and Deductions > Deductions > Depreciation and Amortization > General Depreciation and Amortization > Asset Detail** or **4562 Information > 4562 Overrides**.



DIF files are available for importing Schedule M-3 data for both 1120-L and 1120-PC return types.

4. Enter the detail for Net Operating Losses: Navigate to **Organizer > Carryover, Footnotes, and Invoices > Carryovers > Computed Carryover Detail > NOL Carrybacks** or **Carryover Detail** to enter the carryover Net Operating Losses (NOL). Carryover NOL is entered by type of NOL, such as Regular NOL, Contributions, or Capitol Losses. There is a separate tab for each type.
5. Enter any other applicable items for your return, such as Schedule M-3.

CHAPTER 5: 1120L RETURNS

The IRS Form 1120-L, the US Life Insurance Company Income Tax Return, is used to report the income, gains, losses, deductions, and credits, and to figure the income tax liability of life insurance companies. Every domestic life insurance company, as well as every foreign corporation that would qualify as a life insurance company if it were a US corporation, must file a Form 1120-L. Insurance companies other than life insurance companies should file Form 1120-PC, the US Property and Casualty Insurance Company Income Tax Return.

Insurance Company A corporation is an insurance company if more than half of its business during the tax year is from the issuance of insurance or annuity contracts, or the reinsuring of risks underwritten by insurance companies.

Life Insurance Company A life insurance company is an insurance company in the business of issuing life insurance and annuity contracts, either separately or combined with health and accident insurance, or noncancellable contracts of health and accident insurance that meet the reserves test in Section 816(a). Guaranteed renewable life, health, and accident insurance that a corporation cannot cancel but reserves the right to adjust premium rates by classes, according to experience under the kind of policy involved, is treated as noncancellable.

LIFE INSURANCE RESERVES TEST

The **reserves test** requires life insurance reserves, as defined in Section 816(b), plus unearned premiums and unpaid losses (whether or not ascertained) on noncancellable life, health, or accident policies not included in life insurance reserves must make up more than 50% of total reserves as defined in Section 816(c). When determining whether the reserves test has been met:

- Life insurance reserves and total reserves must each be reduced by an amount equal to the mean of the aggregates at the beginning and end of the tax year, of the policy loans outstanding with respect to contracts for which life insurance reserves are maintained.
- Amounts set aside and held at interest to satisfy obligations under contracts that do not contain permanent guarantees with respect to life, accident, or health contingencies must not be included in either life insurance reserves (Section 816(c)(1)) or other reserves required by law (Section 816(c)(3)).
- Deficiency reserves must not be included in either life insurance reserves or total reserves.

FAILED LIFE

See [Failed Life \(page 46\)](#) for more information.

1120L UNIQUE ITEMS

See [Unique Items \(page 47\)](#) for more information.

FAILED LIFE

A life insurance company is in the business of issuing life, annuity, and certain health insurance policies. A failed life return is a Life Insurance company with a Life Insurance Annual Statement that does not meet the reserves qualifications to file on an 1120-L tax return per IRS rules. An insurance company that does not qualify as a life insurance company under the IRS rules files an 1120-PC tax return for the IRS's filing purpose.

Using The Life NAIC Import

If you have a failed life tax return and you want to import the Life Annual Statement, the return must be created as an 1120-L tax return in our tax application. After creation, you must import the Life Annual Statement and check the **Failed Life** check box to convert the life insurance data from the 1120-L. We then automatically populate the 1120-PC tax return. The 1120-PC tax return is the tax return visible on the Tax Forms page for filing to the IRS. The 1120-L tax return is disabled.

Which type of subgroup Subconsolidation does the failed life belong to?

Without regard to the way you created the failed life or the method you used to populate the failed life return data, the failed life tax return (1120-PC) is included in the 1120-PC subgroup for consolidation purposes. It can be confusing since you might have to create the failed life return by creating a life return to use the Life Annual Statement transfer, and then convert it to an 1120-PC return. The PC subgroup Subconsolidation consists of all the 1120-PC returns to be filed to the IRS, whether they are created as 1120-PC, or converted to 1120-PC because they are failed life returns.

Failed Life Conversion

Use the following steps to help you create your failed life return, if you are using the Life Annual Statement transfer method.

1. Create an 1120-L return.
2. Do not enter any numbers in the 1120-L Organizer at this point. Wait until after conversion to the 1120-PC to enter amounts in the Organizer.
3. Transfer the Life Annual Statement.

4. Turn off **Auto Compute** in the 1120-L return.
5. In the **Failed Life Return** section, select both check boxes at the bottom of the screen. One box deactivates the 1120-L; the other activates the 1120-PC area and the tax form. The failed life check boxes are at on the screen shown in the **Organizer > General Information > Basic Return Information > Entity Information**.

FAILED LIFE RETURN

- If the life annual statement is available:

- 1 Select 1120-L as return type
- 2 Select 1120L - Life annual statement as data source
- 3 Check this box to activate the 1120-PC form..... ☐
- 4 Check this box to deactivate the 1120L form..... ☐

- If the life annual statement is NOT available:

- 1 Select 1120-PC as return type
- 2 The data source should be default to electronic organizer after an entity type is selected

Figure 5:1

6. The 1120-PC tax forms now appear in Tax Forms and the 1120-PC Organizer. All Organizer entries must now be made in the 1120-PC Organizer, not in the 1120-L Organizer.
7. If this failed life return is to be consolidated with other returns, it must be included in an 1120-PC subgroup Subconsolidation.

UNIQUE ITEMS

DAC – Deferred Acquisition Costs

Deferred Acquisition Costs (DAC) are amortized under Section 848 and entered mostly on 1120-L returns, and occasionally on 1120-PC returns. The Deferred Acquisition Costs are located on the 1120-L, Page 4, Schedule G (go to **Tax Forms > Federal > 1120-L - US Corporation Inc Tax Return > 1120-L - US Corporation Inc Tax Return > Page 3**). These expenses are incurred when gathering new premiums that then must be amortized on the 1120-L tax return.

Annual Statement Users

The tax application automatically transfers in **Premiums**, **Advance Premiums**, and **Deferred and Uncollected Premiums** from the Annual Statement.

Adjustments to DAC

To make adjustments in each premium type, choose a tab in the **Direct Business Premiums Worksheet** such as **Annuity**, **Group Life**, or **Other Life**. In the **Other Adjustments to Premiums** column in the last row, you can enter adjustment in the field titled **Other Adjustments**.

The **Totals** tab sums all three tabs for review purposes.

Navigation: Organizer > Deferred Acquisition Costs > Direct Business > Direct Business Premiums Worksheet > Totals tab

Totals	Annuity	Group Life	Other Life
--------	---------	------------	------------

Direct Business - Gross Premiums
Note: To manually override, enter amounts with the same signs, positive or negative, as they should appear in the workpapers.

	Total
Premiums and other consideration.....	
Deposit-type funds.....	
Elimination of Non-Specified Insurance	
Contracts & Other Reclasses:	
Pension plan contracts.....	

Figure 5:2

Navigation: Organizer > Deferred Acquisition Costs > Direct Business > Direct Business Premiums Worksheet > Annuity tab

Totals	Annuity	Group Life	Other Life
Direct Business - Gross Premiums			
Note: To manually override, enter amounts with the same signs, positive or negative, as they should appear in the workpapers.			
	Ordinary Individual Annuities	Group Annuities	
Premiums and other consideration.....	<input type="text"/>	<input type="text"/>	
Deposit-type funds.....	<input type="text"/>	<input type="text"/>	
Elimination of Non-Specified Insurance			
Contracts & Other Reclasses:			
Pension plan contracts.....	<input type="text"/>	<input type="text"/>	
Flight insurance contracts.....	<input type="text"/>	<input type="text"/>	
Qualified foreign contracts.....	<input type="text"/>	<input type="text"/>	
Combination contract adjustments.....	<input type="text"/>	<input type="text"/>	
Other non-specified adjustments.....	<input type="text"/>	<input type="text"/>	
Reclass of premiums/non-qualifying.....	<input type="text"/>	<input type="text"/>	
Total.....	<input type="text"/>	<input type="text"/>	
Adjustments to Premiums:			
Advance premiums - EOY.....	<input type="text"/>	<input type="text"/>	
Advance premiums - BOY.....	<input type="text"/>	<input type="text"/>	
Premium deposit funds - EOY.....	<input type="text"/>	<input type="text"/>	
Premium deposit funds - BOY.....	<input type="text"/>	<input type="text"/>	
Fees.....	<input type="text"/>	<input type="text"/>	
Assessments.....	<input type="text"/>	<input type="text"/>	
Employee benefits premiums.....	<input type="text"/>	<input type="text"/>	
Policy exchanges.....	<input type="text"/>	<input type="text"/>	
Deferred and uncollected - EOY.....	<input type="text"/>	<input type="text"/>	
Deferred and uncollected - BOY.....	<input type="text"/>	<input type="text"/>	
Policyholder dividends under §808(e).....	<input type="text"/>	<input type="text"/>	
Premiums waived.....	<input type="text"/>	<input type="text"/>	
Partial surrender or withdrawal.....	<input type="text"/>	<input type="text"/>	
Settlement option amounts.....	<input type="text"/>	<input type="text"/>	
Guaranty association.....	<input type="text"/>	<input type="text"/>	
Dividend accumulation.....	<input type="text"/>	<input type="text"/>	
Policy loans.....	<input type="text"/>	<input type="text"/>	
Other adjustments.....	<input type="text"/>	<input type="text"/>	
Total Adjustments.....	<input type="text"/>	<input type="text"/>	
Total Direct Premiums and Other Consideration Subject to §848.....	<input type="text"/>	<input type="text"/>	
Type of Specified Contract:			
Annuity.....	<input type="text"/>	<input type="text"/>	
Group Life.....	xxxxxxxxxxxxxxxx	xxxxxxxxxxxxxxxx	
Other Life.....	xxxxxxxxxxxxxxxx	xxxxxxxxxxxxxxxx	

Figure 5:3

Schedule T

The Annual Statement Schedule T provides state premium numbers for the state tax returns. **Schedule T** in the Organizer is automatically populated when you import the Annual Statement for Life and PC Annual Statement returns. The premium total numbers also populate the **Allocation and Apportionment** area automatically for the states once the state area is activated.

Navigation: Organizer > Life Annual Statement > Page 48 - Schedule T

Alabama - North Carolina North Dakota - End Line 57 Write-Ins Line 57 Detail Line 94 Write-Ins Line 94 Detail

Life Schedule T - Premiums and Annuity Considerations Allocated by States and Territories

☐ Check to suppress Schedule T from being flown to Allocation Apportionment area

States, Etc.	1 Is Insurer Licensed? (Yes or No)	2 Life Insurance Premiums	3 Annuity Considerations	4 Accident and Health Premiums	5 Other Considerations
1 Alabama.....	AL				
2 Alaska.....	AK				
3 Arizona.....	AZ				
4 Arkansas.....	AR				
5 California.....	CA				
6 Colorado.....	CO				
7 Connecticut.....	CT				
8 Delaware.....	DE				
9 District of Columbia.....	DC				
10 Florida.....	FL				
11 Georgia.....	GA				
12 Hawaii.....	HI				
13 Idaho.....	ID				

Figure 5:4



If you want to suppress the Schedule T premium amounts from populating the **States Allocation and Apportionment** area, use the check box in the Organizer at the top of the Schedule T. The figure above shows the check box to suppress Schedule T.

Organizer users can only enter the data directly into the **Allocation and Apportionment** area if needed.

Navigation: Organizer > States > Allocation and Apportionment > Data Entry > Sales Data Entry > Receipts from Sales

Receipts from Sales Throw Out Sales

	Sales Within State to Within State	Sales Without State to Within State	Sales Within State to U.S. Government	Sales Within State to Nontaxable Jurisdictions
Alabama.....				
Alaska.....				
Arizona.....				
Arkansas.....				
California.....				
Colorado.....				
Connecticut.....				
Delaware.....				
D.C.....				
Florida.....				

Figure 5:5

CHAPTER 6: 1120-PC RETURNS

The IRS Form 1120-PC, the US Property and Casualty Insurance Company Income Tax Return, is filed to report the income, gains, losses, deductions, credits, and to figure the income tax liability of insurance companies other than life insurance companies. Life Insurance companies file the Form 1120-L, unless they are failed life returns. If it is a failed life return, it is filed to the IRS on an 1120-PC return.

1120-PC UNIQUE ITEMS

Loss Reserve Discounting (LRD)

See [Loss Reserve Discounting \(LRD\) \(page 51\)](#) for more information.

Salvage and Subrogation

See [Salvage and Subrogation \(page 61\)](#) for more information.

Failed Life

See [Failed Life \(page 46\)](#) for more information.

Deferred Acquisition Costs (DAC)

The Deferred Acquisition costs (DAC) are most commonly entered on the 1120-L returns. These are the expenses incurred when gathering new premiums and amortized under Section 848.

See [DAC – Deferred Acquisition Costs \(page 47\)](#) for more information.

LOSS RESERVE DISCOUNTING (LRD)

LRD has two ways to discount: company experience and treasury experience. The tax software supports the Treasury basis (IRS) and the Company experience basis calculations, computing the discount factors back to accident year (AY) +14 years.

The Loss Reserve Discounting (LRD) calculations require the transfer of information from Schedule P of the Property and Casualty Annual Statement and the company payment pattern calculations also require information from Schedule P. You can download this information from the NAIC files using either the 1120-PC and LRD combined transfer or the separate LRD transfer, or you can enter the information into the LRD Annual Statement screens.

Loss reserves can be discounted using the IRS discount factors or company payment patterns. The system default for Loss Reserve Discounting uses the IRS factors. A combination of the IRS factors and company payment pattern can be used. This option is provided by the company's line of business.



On a title insurance company, we do not calculate the IRS discount factors for the miscellaneous casualty area.

For company experience basis, the NAIC file can never synchronize with the LRD schedule in Organizer. The reasons are:

1. The two-year gap between the NAIC Schedule P data and tax. For example, the 2019 imported Schedule P data is not used for the tax calculation until the 2021 tax year.
2. Company experience basis requires a minimum of five (5) years of a company's historical payment pattern data. The current year NAIC Schedule P does not have this.

For example, for a company to use company experience as the basis to discount its loss reserves in the 2021 tax year, it needs data from NAIC Schedule P for tax years 2020, 2019, 2018, 2017, and 2016. To see how our software calculates LRD using the company experience basis, you need to enter, at a minimum, Schedule P data for years 2020, 2019, 2018, 2017, and 2016 into Organizer. In real life, our software automatically rolls over and transfers Schedule P prior year information for you.

LRD Lines

The lines of business can be calculated all by one method or a combination of two methods: the company payment pattern and/or the IRS payment pattern. The company payment pattern comes from the Annual Statement transfer. The IRS payment pattern is a compilation of the industry averages. The loss reserves can be chosen by lines; one calculated by the payment pattern and the other calculated by the IRS payment pattern

Compute Options

Navigation: Organizer > Loss Reserve Discounting > Options > Compute Options

On the **Elections** tab, select the lines of business and years to discount using company payment pattern on this tab.

Organizer > Loss Reserve Discounting > Options > Compute Options > Elections

Organizer | Tax Forms | Collapse | **Elections** | IRS AY+9 | Discounting

Loss Reserve Discounting Elections

Select the lines of business and election years to indicate the use of company payment pattern.

SHORT TAIL LINES

	2012	2017
Special Property.....	<input type="checkbox"/>	<input type="checkbox"/>
Auto Physical Damage.....	<input type="checkbox"/>	<input type="checkbox"/>
Fidelity, Surety, Guaranty.....	<input type="checkbox"/>	<input type="checkbox"/>
Other (Credit, A&H).....	<input type="checkbox"/>	<input type="checkbox"/>
Financial Mortgage Guaranty.....	<input type="checkbox"/>	<input type="checkbox"/>
Warranty.....	<input type="checkbox"/>	<input type="checkbox"/>

LONG TAIL LINES

	2002	2007	2012	2017
Private Passenger Auto.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Commercial Auto.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Workers' Compensation.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Multiple Peril.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Medical Professional Liability:				
Occurrence.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Claims Made.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Figure 6:1

The **IRS AY+9** tab shows the payment pattern the IRS uses in computing discount factors.

Elections | **IRS AY+9** | Discounting

IRS AY+9 Payment Pattern

Revenue Procedure 98-11:

Private Passenger.....	0.115900000000
Commercial Auto.....	0.370000000000
Worker's Compensation ..	2.051500000000
Multiple Peril.....	-0.082100000000
Medical Malpractice	
Occurrence.....	4.765600000000
Claims Made.....	1.247100000000
Other Liability	
Occurrence.....	0.689200000000
Claims Made.....	1.222300000000
Products Liability	
Occurrence.....	0.178400000000
Claims Made.....	10.538100000000

Figure 6:2

The **Discounting** tab gives you options such as:

- Discount loss reserves separately for accident year's prior to AT +10.
- Discount loss reserves using only the unpaid losses, column 24 of Sch P.
- Discount International loss reserves using the 10 year method.
- Do not apply the discounted statutory reserve limited (S846).
- Check to discount Other, Credit and AH (Part L).

The screenshot shows a software interface with three tabs: 'Elections', 'IRS AY+9', and 'Discounting'. The 'Discounting' tab is selected and highlighted with a red border. Below the tabs is the section 'Loss Reserve Discounting Options'. Under this section is a box titled 'DISCOUNTING RESERVES' which contains five unchecked checkboxes with the following labels: 'Discount loss reserves separately for accident years prior to AY+10', 'Discount loss reserves using only the Unpaid Losses, column 24, of Schedule P', 'Discount International loss reserves using the 10 year method', 'Do not apply the discounted statutory reserve limitation (§846(a)(3))', and 'Check to discount Other, Credit and AH (Part L)'.

Figure 6:3

Print Suppression Options

Navigation: Organizer > Loss Reserve Discounting > Options > Print Suppression tab

On the **Global** tab, the **Global LRD Print Suppression Options** allow you to suppress the following items by selecting the check box:

- Loss Reserve Discounting Summary
- Short and Long period summaries
- All detail
- Company payment pattern detail
- Reserve detail
- Group A&H, Other A&H detail

The screenshot shows a software interface with three tabs: 'Global' (highlighted with a red box), 'Short Period', and 'Long Period'. Below the tabs is the title 'Global LRD Print Suppression Options'. Underneath this title is a section header 'SUPPRESS SUMMARY AND DETAIL' in a light gray box. Below this header is a list of six items, each with an unchecked checkbox:

- ☐ Loss Reserve Discounting Summary
- ☐ Short and long period summaries
- ☐ All detail
- ☐ Company payment pattern detail
- ☐ Reserve detail
- ☐ Group A&H, Other A&H detail

Figure 6:4

On the **Short Period** tab, the **Short Period Suppression Options** allow you to suppress the following:

- Suppress **Summary and Detail** print items by selecting an item check box.
- Suppress **Company Payment Pattern Detail by Line of Business** by selecting an item check box.
- Suppress **Reserve Detail by Line of Business** by selecting an item check box.

Global	Short Period	Long Period
Short Period LRD Print Suppression Options		
SUPPRESS SUMMARY AND DETAIL		
<input type="checkbox"/> All summary and detail print <input type="checkbox"/> Short Period Loss Reserve Discounting Summary <input type="checkbox"/> All detail <input type="checkbox"/> Company payment pattern detail <input type="checkbox"/> Reserve detail		
SUPPRESS COMPANY PAYMENT PATTERN DETAIL BY LINE OF BUSINESS		
<input type="checkbox"/> Special Property <input type="checkbox"/> Auto Physical Damage <input type="checkbox"/> Fidelity and Surety <input type="checkbox"/> Other (Credit, A&H) <input type="checkbox"/> Financial/Mortgage Guaranty <input type="checkbox"/> Warranty		
SUPPRESS RESERVE DETAIL BY LINE OF BUSINESS		
<input type="checkbox"/> Special Property <input type="checkbox"/> Auto Physical Damage <input type="checkbox"/> Fidelity and Surety <input type="checkbox"/> Other (Credit, A&H) <input type="checkbox"/> Financial/Mortgage Guaranty <input type="checkbox"/> Warranty		

Figure 6:5

On the **Long Period** tab, the **Long Period Suppression Options** allow you to suppress the following:

- Suppress **Summary and Detail**
- Suppress **Company Payment Pattern Detail by Line of Business**
- Suppress **Reserve Detail by Line of Business**

Global | Short Period | **Long Period**

Long Period LRD Print Suppression Options

SUPPRESS SUMMARY AND DETAIL

- ☐ All summary and detail print
- ☐ Long Period Loss Reserve Discounting Summary
- ☐ All detail
- ☐ Company payment pattern detail
- ☐ Reserve detail

SUPPRESS COMPANY PAYMENT PATTERN DETAIL BY LINE OF BUSINESS

- ☐ Auto Liability
- ☐ Private Passenger Auto
- ☐ Commercial Auto
- ☐ Worker's Compensation
- ☐ Multiple Peril
- ☐ Homeowners/Farmowners
- ☐ Commercial Multiple Peril
- ☐ Special Liability
- ☐ Medical Malpractice
- ☐ Other Liability
- ☐ Products Liability

SUPPRESS RESERVE DETAIL BY LINE OF BUSINESS

- ☐ Auto Liability
- ☐ Worker's Compensation
- ☐ Multiple Peril
- ☒ Medical Malpractice
- ☐ Other Liability
- ☐ International
- ☐ Reinsurance
- ☐ Products Liability

Figure 6:6

Discounting Summary

Navigation: Organizer > Loss Reserve Discounting > Discounting Summary > Summary Totals tab

This folder is where most of the LRD data is located.

- **Summary Totals** tab
- **Short Period Lines** tab
- **Long Period Lines** tab
- **Accident and Health** tab
- **IRS Discount Factors** tab.

Summary Totals		Short Period Lines		Long Period Lines		Accident and Health		IRS Discount Factors	
Loss Reserve Discounting Summary									
Discount Rate:									
2000		%	2001		%	2002		%	2003
2004		%	2005		%	2006		%	2007
2008		%	2009		%	2010		%	2011
2012		%	2013		%	2014		%	2015
2016		%	2017		%	2018		%	2019
1 Schedule P - Short Period Lines.....									
2 Schedule P - Long Period Lines.....									
3 Other Accident, Health and Disability.....									
4 Total Discounting Unpaid Loss Adjustment.....									
OR:									
Total Discounting Unpaid Loss Adjustment Override.....									

Figure 6:7

SHORT PERIOD LINES

For the following short period lines, you can see the amounts from the Company Payment pattern: the Annual Statement and the Loss Reserve Calculations. The Company Payment Pattern shows the last five years of data. The Annual Statement section displays information from columns 23, 24, 35, and 36 of Schedule P. The Loss Reserve Calculation section displays statutory reserves, discounted anticipated Salvage and Subrogation, and Discounted Loss Reserves for the last two years.

Navigation: Organizer > Loss Reserve Discounting > Discounting Summary > Short Period Lines tab

Summary Totals		Short Period Lines		Long Period Lines		Accident and Health		IRS Discount Factors	
Loss Reserve Discounting - Summary of Short Period Lines									
		Discounted Book Reserves	Discounted Tax Reserves	Discount					
1	Special Property.....								
2	Auto Physical Damage.....								
3	Fidelity and Surety.....								
4	Other (Credit, A&H).....								
5	Financial/Mtg Guaranty.....								
6	Guaranty.....								
7	Totals.....								
LRD Options									

Figure 6:8

- Special Property
- Auto Physical Damage
- Fidelity and Surety
- Other (Credit & A&H)
- Financial/ Mortgage Guaranty

LONG PERIOD LINES

For the following Long period lines, you can see the amounts from the Company Payment pattern, the Annual Statement, and the Loss Reserve Calculations. The Company Payment Pattern shows the last fifteen years of data. The Annual Statement section displays information from columns 23, 24, 35, and 36 of Schedule P. The Loss Reserve Calculation section displays statutory reserves, discounted anticipated Salvage and Subrogation, and Discounted Loss Reserves for the last 15 years.

Navigation: Organizer > Loss Reserve Discounting > Discount Summary > Long Period Lines tab

Summary Totals	Short Period Lines	Long Period Lines	Accident and Health	IRS Discount Factors
Loss Reserve Discounting - Summary of Long Period Lines				
	Discounted Book Reserves	Discounted Tax Reserves	Discount	
1 Auto Liability	<input type="text"/>	<input type="text"/>	<input type="text"/>	
2 Workers Compensation	<input type="text"/>	<input type="text"/>	<input type="text"/>	
3 Multiple Peril	<input type="text"/>	<input type="text"/>	<input type="text"/>	
4 Medical Malpractice	<input type="text"/>	<input type="text"/>	<input type="text"/>	
5 Other Liability	<input type="text"/>	<input type="text"/>	<input type="text"/>	
6 International	<input type="text"/>	<input type="text"/>	<input type="text"/>	
7 Reinsurance	<input type="text"/>	<input type="text"/>	<input type="text"/>	
8 Products Liability	<input type="text"/>	<input type="text"/>	<input type="text"/>	
9 Totals	<input type="text"/>	<input type="text"/>	<input type="text"/>	
<input type="button" value="LRD Options"/>				

Figure 6:9

- Auto Liability
- Worker's Compensation
- Multiple Peril
- Medical Professional Liability
- Other Liability
- International
- Reinsurance
- Products Liability

ACCIDENT AND HEALTH

Summary of Group Accident and Health policies unpaid losses.

Navigation: Organizer > Loss Reserve Discounting > Discounting Summary > Accident and Health tab

Summary Totals	Short Period Lines	Long Period Lines	Accident and Health	IRS Discount Factors
Summary for Accident and Health				
1 Group Accident and Health unpaid losses.....			<input type="text"/>	↓
2 Group Accident and Health LAE expenses.....			<input type="text"/>	↓
3 Other Accident and Health unpaid losses.....			<input type="text"/>	↓
4 Other Accident and Health LAE expenses.....			<input type="text"/>	↓
5 Less: Reserves not eligible for half-year discounting.....			<input type="text"/>	↓
6 Net Accident and Health Reserves subject to discounting*			<input type="text"/>	
7 Discount Factor.....			<input type="text"/>	
8 Accident and Health discounted reserves.....			<input type="text"/>	
9 Accident and Health reserves subject to Morbidity discounting.....			<input type="text"/>	↓
10 Total adjustment for discounting Accident and Health loss reserves.....			<input type="text"/>	
* Statutory reserves from Schedule P, Part L should be adjusted to reflect the amounts represented on line 6 above.....				
Col. 24 Adjustments				

Figure 6:10

- Group Accident and Health unpaid losses
- Group Accident and Health LAE expenses
- Other Accident and Health unpaid losses
- Other Accident and Health LAE expenses
- Less: Reserves not eligible for half-year discounting
- * Net Accident and Health Reserves subject to discounting*
- Discount Factor
- Accident and Health discounted reserves
- Accident and Health reserves subject to Morbidity discounting
- Total adjustment for discounting Accident and Health loss reserves

* Statutory reserves from Schedule P, Part L should be adjusted to reflect the amounts represented on line 6 above.

SALVAGE AND SUBROGATION

The Revenue Recognition Act of 1990 (RRA) requires that, for the tax years beginning after 1989, salvage and subrogation (S&S) recoverable must be included in determination of losses incurred. This provision is required whether or not an insurer reduced its unpaid losses and loss adjustment expense (LAE) by anticipated S&S recoverable for statutory accounting purposes. Recoverable amounts include those amounts applicable to paid and unpaid losses and LAE and are calculated for tax purposes on a discounted basis. Life insurance companies are not subject to the tax treatment of S&S recoverable.

Salvage is the sale of damaged goods for which the insured has been indemnified by the insurance company. The most typical example of salvage is when the insurance company sells the remains of a car to which it has taken title after the insurance settlement with the insured for the total precrash value of the car.

Subrogation is the collection by the insurance company of the amount of a paid claim from a negligent third party or his insurer. Although subrogation is a liability concept, you might well find that subrogation actually outweighs salvage even in your company's auto physical damage experience. For example: to speed claim settlement, your company has paid for the physical damage of your not-at-fault insureds and then collected subrogation from the insurance companies of the at-fault drivers.

Salvage Recoverable is the estimated salvage and subrogation (net of expenses) to be recovered on all claims incurred to date, whether reported or unreported.

Methods of Calculation of Salvage and Subrogation

To calculate the Salvage & Subrogation (S&S) option for the Annual Statement, Schedule P column 24 must be selected for the amounts to flow from the LRD screens to the S&S discount screens.

Two methods apply when discounting the S&S area:

- **Alternative 1:** This method uses the industry pattern.
- **Alternative 2:** This method uses the same factors used to discount unpaid losses.

S&S Options

Navigation: Organizer > Salvage and Subrogation > Options > Compute Options

- **Global Calculation Suppression:** Two options are available to suppress all salvage and subrogation calculations and to discount salvage and subrogation separately for accident years prior to AY+10.

Compute options

Suppress all salvage and subrogation calculations.....	<input type="checkbox"/>
Discount salvage and subrogation separately for accident years prior to AY+10.....	<input type="checkbox"/>

Figure 6:11

- **Print Suppression Options:** Select one of the first two check boxes to suppress various detail summaries or select **All detail**.

Global Short Period Long Period

Global Salvage and Subrogation Print Suppression Options

SUPPRESS SUMMARY AND DETAIL

<input type="checkbox"/> Discounted Salvage and Subrogation Summary
<input type="checkbox"/> Short and long period summaries
<input type="checkbox"/> All detail

Figure 6:12

- **Discounting Summary:** This is where the discounting amounts can be seen for the Short and Long period lines. The IRS Table is also included here for both short and long period lines. It displays the Salvage Discount factors based on published revenue procedures.

	Summary Totals	Short Period Lines	Long Period Lines	IRS Table
Discounted Salvage and Subrogation Summary				
		Statutory Sal/Sub Amounts	Discount	Discounted Sal/Sub Amounts
1 Short Period Lines.....		<input type="text"/>	<input type="text"/>	<input type="text"/>
2 Long Period Lines.....		<input type="text"/>	<input type="text"/>	<input type="text"/>
3 Totals.....		<input type="text"/>	<input type="text"/>	<input type="text"/>

Figure 6:13

CHAPTER 7: STATE RETURNS

ACTIVATING STATE RETURNS

1120 state returns are activated on the state activation spreadsheet, found when you navigate in **Organizer > States > State and City Activation > State and City Activation**.

For each state, select the check box in column **B - State Activation** for a single company or consolidated return member company.

In addition, select the **Return Type** and **Entity Type** by selecting the down arrow beside each item to open a list of options.

	A	B	D	E	F	
	Activate All States	STATE ACTIVATION	RETURN TYPE	ENTITY TYPE	FINANCIAL RETURN	INSURANCE FORM
1						
2	FEDERAL	N/A	1120-L	Single	N/A	Transfer
3	ALLOCATION & APPOINTMENT		N/A	N/A	N/A	Transfer
4	ALABAMA		1120	Single		
5	ALASKA		1120	Single		
6	ARIZONA		1120	Single		
7	ARKANSAS		1120	Single		
8	CALIFORNIA		1120	Single		
9	COLORADO		1120	Single		
10	CONNECTICUT	<input checked="" type="checkbox"/>	1120	Single		
11	DELAWARE		1120		N/A	
12	DISTRICT OF COLUMBIA		1120S	Single		
13	FLORIDA		1120	Single		
14	GEORGIA		1120	Single	(None selected)	
15	HAWAII		1120	Single		
16	IDAHO		1120	Single		
17	ILLINOIS		1120	Single		
18	INDIANA		1120	Single		
19	IOWA		1120	Single		
20	KANSAS		1120	Single		

Figure 7:1

In a consolidated return, mark states to combine by selecting **Combine** in the drop-down list in column C.

	A	C	D	E
	Activate All States	STATE ACTIVATION/CONSOLIDATION	RETURN TYPE	ENTITY TYPE
1				
2	FEDERAL	Combine All States	1120	Top Consolidation
3	ALLOCATION & APPORTIONMENT	(None selected)		N/A
4	ALABAMA	Combine	1120	Top Consolidation
5	ALASKA	(None selected)	1120	Top Consolidation
6	ARIZONA	Combine	1120	Top Consolidation
7	ARKANSAS	Active	1120	Top Consolidation
8	CALIFORNIA	Active	1120	Top Consolidation
9	COLORADO	Active	1120	Top Consolidation

Figure 7:2

Combine and **Active** are mutually exclusive options.

Additionally, four states have their own insurance returns: *Michigan, Mississippi, New York, and Oregon*. Individual state instructions indicate whether an insurance return only is required, or an 1120 state form can alternatively be used. The **State Activation** spreadsheet indicates these insurance states in column **G - Insurance Return Form Type** with an entry of Insurance displayed in the cells. **Insurance** is the default selection if the federal return is an 1120-PC or 1120L. The choice of Insurance or C Corporation return is made at the member company level (that is, at the parent and subsidiary company level), based on the desired state return form.

	A	B	D	E	F	G	H
	Activate All States	STATE ACTIVATION	RETURN TYPE	ENTITY TYPE	FINANCIAL RETURN	INSURANCE RETURN FORM TYPE	SUPPRESS PROFORMA
1							
2	FEDERAL	N/A	1120-L	Single	N/A	Transfer to 1120s	N/A
3	ALLOCATION & APPORTIONMENT	N/A	N/A	N/A	N/A	N/A	N/A
30	MICHIGAN	<input checked="" type="checkbox"/>	1120	Single	(None selected)	Insurance	<input type="checkbox"/>
31	MINNESOTA	<input type="checkbox"/>	1120	Single	N/A	N/A	<input type="checkbox"/>
32	MISSISSIPPI	<input checked="" type="checkbox"/>	1120	Single	N/A	C-Corporation	<input type="checkbox"/>
33	MISSOURI	<input type="checkbox"/>	1120	Single	(None selected)	N/A	<input type="checkbox"/>
34	MONTANA	<input type="checkbox"/>	1120	Single	N/A	N/A	<input type="checkbox"/>
35	NEBRASKA	<input type="checkbox"/>	1120	Single	N/A	N/A	<input type="checkbox"/>
36	NEW HAMPSHIRE	<input type="checkbox"/>	1120	Single	N/A	N/A	<input type="checkbox"/>
37	NEVADA	<input type="checkbox"/>	1120	N/A	N/A	N/A	<input type="checkbox"/>
39	NEW JERSEY	<input type="checkbox"/>	1120	N/A	N/A	N/A	<input type="checkbox"/>
42	NEW MEXICO	<input type="checkbox"/>	1120	Single	N/A	N/A	<input type="checkbox"/>
43	NEW YORK	<input checked="" type="checkbox"/>	1120	Single	N/A	Insurance	<input type="checkbox"/>
44	NORTH CAROLINA	<input type="checkbox"/>	1120	N/A	N/A	N/A	<input type="checkbox"/>
45	NORTH DAKOTA	<input type="checkbox"/>	1120	Single	N/A	N/A	<input type="checkbox"/>
46	OHIO	<input type="checkbox"/>	1120	Single	N/A	N/A	<input type="checkbox"/>
47	OKLAHOMA	<input type="checkbox"/>	1120	Single	N/A	N/A	<input type="checkbox"/>
48	OREGON	<input checked="" type="checkbox"/>	1120	Single	N/A	Insurance	<input type="checkbox"/>
49	PENNSYLVANIA	<input type="checkbox"/>	1120	N/A	(None selected)	N/A	<input type="checkbox"/>
50	UTAH	<input type="checkbox"/>	1120	Single	N/A	N/A	<input type="checkbox"/>

Figure 7:3

At any consolidated level, only for New York, the selection of Insurance or C Corporation can be transferred to the member companies by selecting the **Transfer to Members (New York)** button at the top of column **G**.



For a PC Basic account, only a federal single company return can be filed, which does not include consolidations or state return. In addition, the Electronic Organizer is the only data source available for PC Basic users.

ALLOCATION AND APPORTIONMENT

If Schedule T of the Annual Statement is used, amounts automatically flow from Schedule T to the **Sales - Other Receipts** worksheet. Amounts from Schedule T can be suppressed from flowing to the **Allocation and Apportionment** area.

Navigation: Tax Forms > States > Allocation and Apportionment > A&A Detail > [State] > Payroll and Sales > Other Receipts and Misc. Other

The screenshot displays the 'Tax Forms' application interface. The breadcrumb trail at the top reads: Tax Forms > States > Allocation and Apportionment > Detail > Florida > Workpaper:. On the left, the 'Organizer' pane shows a tree structure under 'Tax Forms'. The 'Detail' folder is expanded, listing various states. 'Florida' is selected and highlighted with a red box. A red arrow points from this box to the 'Total' row in the 'Other Receipts' table on the right. The 'Other Receipts' table has two columns: 'Within' and 'Everywhere'. The rows include 'Other Receipts', 'Premiums from Schedule T', and 'Total'. The 'Total' row is highlighted with a red arrow pointing to it from the 'Florida' selection in the sidebar.

Other Receipts	Within	Everywhere
Other Receipts.....		
Premiums from Schedule T.....		
Total.....		

Figure 7:4

CHAPTER 8: NET OPERATING LOSS

A deduction is allowed on the tax return for an amount equal to the aggregate of (1) the net operating loss (NOL) carryover, plus (2) the net operating loss carry back. The mixed group consolidation has three types of net operating losses that can be calculated in the return:

- Non-SRLY net operating losses
- SRLY net operating losses
- S382 net operating losses.

Each type of net operating loss has its own Organizer where you can enter the amounts. All entries for each loss type should be entered in the pertinent taxable entity. Depending on the type of NOL, the amount to be limited must be entered as well.

Navigation: Organizer > Carryovers, Footnotes, and Invoicing > Carryovers > Computed Carryover Details. Choose the appropriate tab for carrybacks or carryovers.

NON-SRLY NOL

The amount for the Non-SRLY net operating loss must be entered by year in both of the following columns: Original NOL and Carryover to XXXX, where XXXX represents the current year. The amounts must be entered in the lowest level subsidiary or parent return in order to consolidate correctly, and not in the top consolidation. There are screen instructions for amounts to be utilized, mainly for print and rollover purposes. These are consolidated to the top consolidation return and limited against other subgroup income according to the LNL eligibility check box, IRS rules, and the Organizer overrides. Non-SRLY NOLS are NOT displayed in the lower entities tax forms.

Non-SRLY NOLS are displayed in the following tax returns:

- Nonlife subgroup Subconsolidation
- NL top consolidation
- LNL top consolidation.

Navigation: Organizer > Carryovers, Footnotes, and Invoicing > Carryovers > Computed Carryover Detail > Carryover Detail > Regular NOL > Non-SRLY NOL tab

Non-SRLY NOL

☐ Check to suppress print of original NOL on carryover schedules

NON-SRLY NOL

*The "Amount Utilized Override" should only be used for consolidated or single returns, if necessary, to present correct utilization.
 **The "Parent or Subsidiary Utilization" fields are for members of consolidations to correctly reflect remaining carryovers for print and rollover purposes. Include any carryback to prior years utilized in the current year utilization.

Do not use the current year generated amount field on a top consolidation or single company.

Year Ending (Override)	Original NOL	Carryover to	(Override)* Amount Utilized in	NOL Converted from Contributions (Override)	Parent or Subsidiary Utilization**	NOL Converted from Contributions Parent/Subsidiary
MM/DD/YYYY		20	20			
MM/DD/YYYY						
MM/DD/YYYY						
MM/DD/YYYY						
MM/DD/YYYY						
MM/DD/YYYY						

Figure 8:1

1. Select the check box to suppress the print of original NOL on carryover schedules, if desired.
2. Enter **Original NOL** and **Carryover NOL**.
3. Enter carryover amounts if NOL occurred before 8/6/1997.

SRLY NOL ENTRY

The amounts for the SRLY net operating losses must be entered by year in both of the following columns, Original NOL and Carryover to XXXX, where XXXX represents the current year. The amounts must be entered in the lowest level subsidiary or parent return in order to consolidate correctly, and not in the top consolidation.

The SRLY NOL amounts are displayed in the following tax returns:

- a lower level return where the amount is entered
- the subgroup level
- the NL subgroup Subconsolidation
- the NL top consolidation and the LNL top consolidation.

These amounts are consolidated in the top consolidation and limited to be applied against other subgroup income according to the LNL eligibility check box.

Read the instructions found on the screen displayed below to determine if you need to enter the amount utilized (mainly for print and rollover purposes).

Navigation: Organizer > Carryovers, Footnotes, and Invoicing > Carryovers > Computed Carryover Detail > Carryover Detail > Regular NOL > SRLY NOL tab

Non-SRLY NOL

SRLY NOL

S 382 NOL

SRLY NOL

Year Ending (Override)**	Original NOL	Carryover to	(Override)** Amount Utilized in
<div>MM/DD/YYYY</div>		20	20
<div>MM/DD/YYYY</div>			
<div>MM/DD/YYYY</div>			
<div>MM/DD/YYYY</div>			
<div>MM/DD/YYYY</div>			
<div>MM/DD/YYYY</div>			
<div>MM/DD/YYYY</div>			
<div>MM/DD/YYYY</div>			
<div>MM/DD/YYYY</div>			
<div>MM/DD/YYYY</div>			

Figure 8:2

S382 NOL

The amount for the S382 net operating loss must be entered by year in the taxable entity's parent, subsidiary, or divcon column. In order for the return to consolidate correctly, enter both the **Carryover to XXXX** (where **XXXX** is the current year) and the **Limited** amount in the **lowest level** subsidiary or parent return and not in the top consolidation return. The limitation must be entered to process accurately. S382 NOLs must be applied against the income of its entity. Any remainder that results is carried forward and used against next year's income. The column labeled **Amount Utilized** is the **override** column.

NOL ORGANIZATION AND RULES

The following chart details where NOLs are displayed on the tax return.

NOL -Display chart (by default) Where they display on the tax return	Parent/ Sub	Subgroup	NL Subgroup	NL Top Con	LNL Top Con
S382 NOLs entered in the following entity Parent/ Subsidiary	X	X	X	X	X
SRLY NOLs entered in the following entity Parent/ Subsidiary	X	X	X	X	X
non-SRLY NOLs entered in the following entity Parent/ Subsidiary			X	X	X

Figure 8:4

NOL Offsetting Rules and Order

The following list of net operating loss rules provides the order that the rules are applied in a Mixed Group consolidation. Read each NOL type carefully to fully understand before applying.

- NOL carryovers of the same return type (1120 NOLs, 1120-PC NOLs, OR 1120-L NOLs) must be absorbed by income of the same return type **FIRST**. Any carryovers that remain can then be utilized by other subgroup return types.
- NOLs of the same return type (1120 NOLs, 1120-PC NOLs, OR 1120-L NOLs) are utilized by income of the same return type **FIRST**. Any carryovers that remain are utilized by other return type subgroups.
- NOLs are offset **WITHIN** each subgroup before being consolidated to the top consolidation return, according to the IRS rules. The limited amounts are entered in the Organizer, AND the Organizer overrides are entered also.
- NOLs in the top consolidation are offset according to the IRS rules,
 - Limited amounts must be entered in the Organizer for each Life company, and at the LNL level.
 - Limitations, such as the 35 percent limitation on Nonlife subgroup losses against Life subgroup income, are automatically applied when the LNL eligibility is checked for each applicable year of loss.
 - The Organizer overrides must be entered.

NOL Organizer Override Rules

The following items are some of the net operating loss rules for entering Organizer overrides. Overrides should not be entered on the tax form, nor used to accomplish consolidation accuracy. Instead, use the Organizer fields at each level for entry overrides.

LEVEL	FIELD	DESCRIPTION	NAVIGATION
LOWEST	Override column - see NOL (SRLY, Non-SRLY, S382) Organizer entry screen	In Organizer, select check box labeled Unlimited NOL computations	<p>Navigate to the override field in the Organizer for each return type:</p> <ul style="list-style-type: none"> • 1120 Organizer > Income and Deductions > Deductions > Net Operating Losses section • 1120-L Organizer > Life Electronic Organizer > Page 1 - Deductions • 1120-PC Organizer > PC Electronic Organizer > Page 2 - Deductions • 1120-PC Organizer > PC Electronic Organizer > Page 2 > Schedule A - Deductions > Miscellaneous Deductions tabs
SUBGROUP AND NONLIFE SUBGROUP	Override column		<p>Navigate to the override field in the Organizer for each return type:</p> <ul style="list-style-type: none"> • 1120 Organizer > Income and Deductions > Deductions > Net Operating Losses section • 1120-L Organizer > Life Electronic Organize > Page 1 - Deductions • 1120PC Organizer > PC Electronic Organizer > Page 2 - Deductions • 1120-PC Organizer > PC Electronic Organizer > Page 2 > Schedule A - Deductions > Miscellaneous Deductions tabs

LEVEL	FIELD	DESCRIPTION	NAVIGATION
TOPCON	Overrides must be entered in the lower level fields or subgroups in the Organizer.		

LIMITATION OF NONLIFE NOL AGAINST LIFE SUBGROUP INCOME

The limitation of Nonlife NOLs against life subgroup income is done automatically in the tax application. The 35 percent limitation is automatically calculated in the top consolidation of the tax return. The computation is the lesser of the available Nonlife consolidated NOL or the consolidated life subgroup taxable income after capital loss offset. This computation is done on the yellow workpaper screen shown below.

1 1120, Page 1, line 28 minus line 29c	1,842,830,035	↕
2 Less: Deduction for amounts contributed to a CCF.....		↕
3 Net taxable income.....	1,842,830,035	
4 Inversion gain under section 7874		↕
5 Total income under sections 860E(a) and 860J		↕
Taxable income from line 3 OR largest of lines 3 through 5 if applicable.....		1,842,830,035

Figure 8:5

Steps required to view computation screens

1. Navigate to **Tax Forms > Federal > 1120 Life-Nonlife Consolidation > 1120 Corporate Tax Return**.
2. On the **1120, Page 1** tab, navigate to the **Tax, Refundable Credits, and Payments** section, and find **line 30 - Taxable income**. Select the link in the field to take you to the yellow workpaper.
3. Select in the field of item 1 labeled **1120, Page 1, line 28 minus line 29c**.

4. The **Life-Nonlife Consolidated Taxable Income** workpaper is displayed. Navigate to item 7 labeled **Consol. OLD or NOL offset (*)**.
5. Select the link in the field under the **Nonlife subgroup** column 2, labeled **Nonlife against Life**, to take you to the **Consolidated subgroup OLD or NOL Utilized** workpaper.
6. Navigate to item 2 labeled **Limitation on subgroup losses**. Select in the field in the **Nonlife subgroup** column for the item labeled **Nonlife against Life**.
7. The **Limitation on Nonlife NOL Utilization per Reg. 1.1502-47(m)(4)(x)** worksheet is displayed.

LNL ELIGIBILITY CHECK BOX

Nonlife subgroup net operating losses that occur in a Life Nonlife top consolidation by default are NOT offset against life subgroup income. There is an election for the Nonlife subgroup NOLs to be eligible against life subgroup income. In order to have the Nonlife subgroup NOLs (1120 and 1120-PC) be offset against any life subgroup income, you must select a check box to determine for which year the election should be used. This check box is located in the Nonlife subgroup, Life subgroup, or Life Nonlife top consolidation.

Navigation: Organizer > Carryovers, Footnotes and Invoicing > Carryovers > Computed Carryback Detail > Life-nonlife Carryover Detail > Non-SRLY Eligibility Election (globally)

Non-SRLY NOL

SRLY NOL

S 382 NOL

☐ Check to suppress print of original NOL on carryover schedules

NON-SRLY NOL

*The "Amount Utilized Override" should only be used for consolidated or single returns, if necessary, to present correct utilization.

**The "Parent or Subsidiary Utilization" fields are for members of consolidations to correctly reflect remaining carryovers for print and rollover purposes. Include any carryback to prior years utilized in the current year utilization.

***We calculate the conversion of contribution carryover to NOL carryover based on total NOL carryover. If you are calculating NOL carryover to next year for each year separately, enter the amount of NOL converted from contributions in the Organizer Override fields.

Do not use the current year generated amount field on a top consolidation or single company.

	Year Ending (Override)	Original NOL	Carryover to	(Override)* Amount Utilized in	(Override)*** NOL Converted from Contributions	Parent or Subsidiary Utilization**	NOL Converted from Contributions Parent/Subsidiary
	MM/DD/YYYY						
	MM/DD/YYYY						
	MM/DD/YYYY						
	MM/DD/YYYY						
	MM/DD/YYYY						
	MM/DD/YYYY						
	MM/DD/YYYY						
	MM/DD/YYYY						
	MM/DD/YYYY						
	MM/DD/YYYY						
	MM/DD/YYYY						
	MM/DD/YYYY						
	MM/DD/YYYY						
	MM/DD/YYYY						
	MM/DD/YYYY						
	MM/DD/YYYY						
	MM/DD/YYYY						
	MM/DD/YYYY						
	MM/DD/YYYY						

Figure 8:6

EXAMPLES OF NOL UTILIZATION

NL Examples

NL NOL	1120 PARENT WITH NON SRLY NOL \$5,000		
1120 SUBGROUP TAX RETURN	1120 SUBGROUP	1120 PARENT	ELIM.
TAXABLE INCOME BEFORE NOL	4,004,000	4,004,000	0
LESS NOL	_____	_____	
LESS SPECIAL DEDUCTION	4,000	4,000	0
TOTAL NOL AND DEDUCTION	4,000 _____	4,000 _____	0 _____
TOTAL NOL AND DEDUCTIONS	4,000,000	4,000,000	0
Comment: The Non-SRLY NOL are utilized in the topcon (see below)			

NL CONSOL. WORKSHEET	NL CONSOL.	ADJUSTMENTS	1120 SUBGROUP	PC SUBGROUP
TAXABLE INCOME BEFORE NOL	6,006,000		4,004,000	2,002,000
LESS NOL	5,000	5,000	None	0
LESS SPECIAL DEDUCTION	6,000		4,000	2,000

Examples of NOL Utilization

NL CONSOL. WORKSHEET	NL CONSOL.	ADJUSTMENTS	1120 SUBGROUP	PC SUBGROUP
TOTAL NOL AND DEDUCTION	4,000 _____	4,000 _____	4,000 _____	0 _____
TOTAL NOL AND DEDUCTIONS	11,000	5,000	4,000	2,000
TAXABLE INCOME	5,995,000	(5,000)	4,000,000	2,000,000

NL NOL	1120 PARENT WITH NON-SRLY \$5,000, \$100 SRLY & \$382 SECTION 382 NOL		
1120 SUBGROUP TAX RETURN	1120 SUBGROUP	1120 PARENT	ELIM.
TAXABLE INCOME BEFORE NOL	4,004,000	4,004,000	0
LESS NOL	482	482	
LESS SPECIAL DEDUCTION	4,000	4,000	0
TOTAL NOL AND DEDUCTION	4,482 _____	4,482 _____	0 _____
TOTAL NOL AND DEDUCTIONS	3,999,518	3,999,518	0

Comment: The Non-SRLY NOL are utilized in the topcon (see below)

NL CONSOL. WORKSHEET	NL CONSOL.	ADJUSTMENTS	1120 SUBGROUP	PC SUBGROUP
TAXABLE INCOME BEFORE NOL	6,006,000		4,004,000	2,002,000
LESS NOL	5,482	5,000	482	0
LESS SPECIAL DEDUCTION	6,000		4,000	2,000
TOTAL NOL AND DEDUCTION	4,000	4,000	4,000	0
	_____	_____	_____	_____
TOTAL NOL AND DEDUCTIONS	11,482	5,000	4,482	2,000
TAXABLE INCOME	5,994.518	(5,000)	3,999,518	2,000,000

NL NOL	1120 PARENT WITH NON-SRLY \$5,000, \$100 SRLY & \$382 SECTION 382 NOL, AND PC SUBGROUP WITH \$1382 SECTION 382 NOL		
1120 SUBGROUP TAX RETURN	1120 SUBGROUP	1120 PARENT	ELIM.
TAXABLE INCOME BEFORE NOL	4,004,000	4,004,000	0
LESS NOL	482	482	
LESS SPECIAL DEDUCTION	4,000	4,000	0
TOTAL NOL AND DEDUCTION	4,000	4,000	0
	_____	_____	_____

Examples of NOL Utilization

NL NOL	1120 PARENT WITH NON-SRLY \$5,000, \$100 SRLY & \$382 SECTION 382 NOL, AND PC SUBGROUP WITH \$1382 SECTION 382 NOL		
1120 SUBGROUP TAX RETURN	1120 SUBGROUP	1120 PARENT	ELIM.
TOTAL NOL AND DEDUCTIONS	3,999,518	3,999,518	0
Comment: The Non-SRLY NOL are utilized in the topcon (see below)			

NL NOL	1120 PARENT WITH NON-SRLY \$5,000, \$100 SRLY & \$382 SECTION 382 NOL, AND PC SUBGROUP WITH \$1382 SECTION 382 NOL		
1120 SUBGROUP TAX RETURN	1120 SUBGROUP	1120 PARENT	ELIM.
TAXABLE INCOME BEFORE NOL	2,002,000	2,002,000	0
LESS NOL	1,382	1,382	
LESS SPECIAL DEDUCTION	2,000	2,000	0
TOTAL NOL AND DEDUCTION	3,382 _____	3,382 _____	0 _____
TOTAL NOL AND DEDUCTIONS	1,998,618	1,998,618	0
Comment: The Non-SRLY NOL are utilized in the topcon (see below)			

NL CONSOL. WORKSHEET	NL CONSOL.	ADJUSTMENTS	1120 SUBGROUP	PC SUBGROUP
TAXABLE INCOME BEFORE NOL	6,006,000		4,004,000	2,002,000
LESS NOL	6,864	5,000	482	0
LESS SPECIAL DEDUCTION	6,000		4,000	2,000
TOTAL NOL AND DEDUCTION	4,000	4,000	4,000	0
	_____	_____	_____	_____
TOTAL NOL AND DEDUCTIONS	12,864	5,000	4,482	3,382
TAXABLE INCOME	5,993,136	(5,000)	3,999,518	1,998,618

LNL Examples

LNL NOL	1120 PARENT WITH \$5,000 NON-SRLY, \$100 SRLY & \$382 SECTION 382 NOL, PC SUBGROUP WITH \$1382 SECTION 382 NOL, AND LIFE SUBGROUP WITH \$10,382 SECTION 382 NOL		
1120 SUBGROUP TAX RETURN	1120 SUBGROUP	1120 PARENT	ELIM.
TAXABLE INCOME BEFORE NOL	4,004,000	4,004,000	0
LESS NOL	482	482	
LESS SPECIAL DEDUCTION	4,000	4,000	0

LNL NOL	1120 PARENT WITH \$5,000 NON-SRLY, \$100 SRLY & \$382 SECTION 382 NOL, PC SUBGROUP WITH \$1382 SECTION 382 NOL, AND LIFE SUBGROUP WITH \$10,382 SECTION 382 NOL		
1120 SUBGROUP TAX RETURN	1120 SUBGROUP	1120 PARENT	ELIM.
TOTAL NOL AND DEDUCTION	4,482 _____	4,482 _____	0 _____
TOTAL NOL AND DEDUCTIONS	3,999,518	3,999,518	0
Comment: The Non-SRLY NOL are utilized in the topcon (see below)			

LNL NOL	1120 PARENT WITH \$5,000 NON-SRLY, \$100 SRLY & \$382 SECTION 382 NOL, PC SUBGROUP WITH \$1382 SECTION 382 NOL, AND LIFE SUBGROUP WITH \$10,382 SECTION 382 NOL		
PC SUBGROUP TAX RETURN	PC SUBGROUP	PC PARENT	PC ELIM.
TAXABLE INCOME BEFORE NOL	2,002,000	2,002,000	0
LESS NOL	1,382	1,382	
LESS SPECIAL DEDUCTION	2,000	2,000	0
TOTAL NOL AND DEDUCTION	3,382 _____	3,382 _____	0 _____
TOTAL NOL AND DEDUCTIONS	1,998,618	1,998,618	0
Comment: The Non-SRLY NOL are utilized in the topcon (see below)			

LNL NOL	1120 PARENT WITH \$5,000 NON-SRLY, \$100 SRLY & \$382 SECTION 382 NOL, PC SUBGROUP WITH \$1382 SECTION 382 NOL, AND LIFE SUBGROUP WITH \$10,382 SECTION 382 NOL		
LIFE SUBGROUP TAX RETURN	LIFE SUBGROUP	LIFE PARENT	LIFE ELIM.
TAXABLE INCOME BEFORE NOL	1,001,000	1,001,000	0
LESS NOL	10,382	10,382	
LESS SPECIAL DEDUCTION	1,000	1,000	0
TOTAL NOL AND DEDUCTION	11,382 _____	11,382 _____	0 _____
TOTAL NOL AND DEDUCTIONS	989,618	989,618	0
Comment: The Non-SRLY NOL are utilized in the topcon (see below)			

LNL CONSOL. WORKSHEET	LNL CONSOL.	ADJUSTMENTS	1120 SUBGROUP	PC SUBGROUP	LIFE SUBGROUP
TAXABLE INCOME BEFORE NOL	7,007,000		4,004,000	2,002,000	1,001,000
LESS NOL	17,246	5,000	482	1,382	10,382
LESS SPECIAL DEDUCTION	6,000		4,000	2,000	1,000

LNL CONSOL. WORKSHEET	LNL CONSOL.	ADJUSTMENTS	1120 SUBGROUP	PC SUBGROUP	LIFE SUBGROUP
TOTAL NOL AND DEDUCTION	7,000 _____	_____	4,000 _____	0 _____	0 _____
TOTAL NOL AND DEDUCTIONS	24,246	5,000	4,482	3,382	11,382
TAXABLE INCOME	6,982,754	(5,000)	3,999,518	1,998,618	989,618

COMMON NOL SUPPORT QUESTIONS

Q: How do I suppress the NOL carryover statement from printing for the sub members?

A: Navigate to **Organizer > Consolidated Returns > Step 3 > Form Print Options**. Select the check box to suppress 1120 on the Page 1 NOL detail for both parent and all subsidiaries.

Q: How do I print the NOL statement? The statement is not printing correctly.

A: Depending on the type of NOL (there are three types), utilization and print of Non- SRLY NOL are at the topcon level. If NOLs have been entered, check if overrides are entered used in the Organizer.

Q: How do I print the NOL SRLY NOL schedule? It is not printing on the form.

A: The utilization and print of Non-SRLY NOL is at the topcon level. If the non-SRLY NOL schedule is not printing on the form, enter *NONE* if no amount is present (if applicable).

Q: Do the federal NOL amounts flow to the states schedules?

A: Yes, they flow automatically from the federal area to the states.

Q: How do I correct the S382 NOL? The S382 NOL is not flowing to the topcon and/or not utilizing the correct amount.

A: For S382 NOLs, the **limited amount** in the Organizer must also be entered. Navigate to **Organizer > Carryovers, Footnotes, and Invoicing > Carryovers > Computed Carryover Detail > Carryover Detail > Regular NOL > S 382 NOL** tab

Q: Why is the NOL not being limited by income?

A: Navigate to **Organizer > Income and Deductions > Deductions > Detail**, and clear the check box labeled **Unlimited NOL computations**.

Q: Where can I override my NOL?

A: First check if entry of NOL is correct in lowest level (parent or subsidiary) and not in the topcon level. Overrides should be entered in **Organizer > Income and Deductions > Deductions**. Choose the type of NOL field to override.

Q: Where is the check box to allow unlimited NOL computations?

A: Navigate to **Organizer > Income and Deductions > Deductions**, and locate the **NOL** section.

CHAPTER 9: CONSOLIDATING THE RETURN

PREPARING FOR CONSOLIDATION

Before beginning any consolidations, all individual company returns should be completed and balanced. Ensure that the return/entity type is marked correctly in each return. All of the components for the consolidation must be prepared before beginning the consolidation process, which includes entering the company data in the 1120, 1120-PC, and 1120-L tax returns. If states are to be consolidated, the particular states to be consolidated must be activated in every return in the consolidation (even if it is not filed by a particular company) in the state Organizer **Add/Delete** screen.

ELIMINATION RETURN

Every consolidation group must have an elimination return. All inter-company transactions to be eliminated for tax purposes are entered in the elimination return.

Nonlife eliminating entries can be entered using the same 1120 subgroup's Income/Deductions and Schedule M-3 screens.

A subgroup elimination return can be converted to a nonlife elimination return. (See [Step 3: Choose Return/Entity Type \(page 43\)](#) for more information on changing entity types.) All entries made will be automatically transferred from the subgroup elimination company to the Nonlife eliminations company.



Elimination entries are made at the Nonlife and subgroup company level. The software does not support elimination adjustments at the Life-Nonlife level.

Types of Elimination Returns

- LNL topcon elimination
- NL elimination
- Subgroup eliminations.

NONLIFE ELIMINATION

The Nonlife return has an elimination company in which intercompany entries can be made between the 1120 and the 1120-PC returns. These elimination entries are made in the NL elimination entry screens. There are limited data entry fields in the Nonlife elimination return. The Nonlife elimination return is not included in the e-file sent to the IRS, but it does consolidate to the top level consolidation.

INSURANCE CONSOLIDATIONS STEP 2 - ELIMINATING ENTRIES

In the **Nonlife Elimination** Organizer, you have to choose the proper return entity tab to enter data, 1120 or 1120-PC. The following screens have fields available to enter data:

- 1120 Income & Deductions
- 1120 Balance Sheet (beginning and ending balances)
- 1120 M-1 & M-2
- 1120 M-3 Part II & III
- 1120-PC Income & Deductions
- 1120-PC Balance Sheet (beginning and ending balances)
- 1120-PC M-1 & M-2
- 1120-PC M-3 Part II & III

SUBGROUP ELIMINATION

Each subgroup Subconsolidation has its own subgroup Elimination return. The elimination return type matches the subgroup return type 1120, 1120-L or 1120-PC. Subgroup elimination returns are there to make the intercompany and elimination entries for the subgroup.



Only the topmost subgroup Elimination of each return type is included in the e-file.

SUBGROUP CONSOLIDATION

1120 Subgroup Subconsolidation

The topmost 1120 subgroup Consolidation is consolidated in a Nonlife subgroup or top consolidation (topcon) and is then included in the e-file. You can have many lower 1120 subgroups included (there is no limit) in the topmost 1120 subgroup, but they are not included in the e-file. Only the one topmost 1120 subgroup is allowed in e-file. All entities in the **What to Consolidate** listing must be of the 1120 return type. Do not mix entity types within a subgroup.

Types of 1120 Subgroup Subconsolidations

The 1120 subgroup can have any of the following structures.

If the entities share the same tax ID number, create a Divcon. The returns listed are divisions. The tax ID is on the Divcon.

DIVCON RETURN	
PARENT SLOT	Division
ELIMINATION SLOT	Subgroup Elimination
SUBSIDIARY SLOT	Division

If there are several 1120 subsidiaries and 1120 subgroups to be consolidated together:

1120 SUBGROUP	
PARENT SLOT	1120 Subsidiary or Subgroup
ELIMINATION SLOT	1120 Subgroup Elimination
SUBSIDIARY SLOT(S)	1120 Subsidiary or Subgroup

If there are several 1120 subsidiaries to be consolidated together:

1120 SUBGROUP	
PARENT SLOT	1120 Subsidiary

1120 SUBGROUP	
ELIMINATION SLOT	1120 Subgroup Elimination
SUBSIDIARY SLOT(S)	1120 Subsidiary

If there is ONLY one 1120 subsidiary in the entire consolidation:

1120 SUBGROUP	
PARENT SLOT	1120 Subsidiary
ELIMINATION SLOT	1120 Subgroup Elimination
SUBSIDIARY SLOT	

Steps to Complete an 1120 Topmost Subgroup

1. Create the 1120 topmost 1120 subgroup return.
2. Go to **Organizer > Insurance Consolidations > 1120 Subgroup Consolidation Wizard > Step 2 - What to Consolidate**.
3. Enter the applicable parent, elimination, and subsidiaries according to the above structures.
4. Compute all subsidiaries if necessary. If you make any changes to the lower entities, you must recompute them and reconsolidate.
5. Consolidate.

1120-PC Subgroup Subconsolidation

ALL 1120-PC returns must be combined in an 1120-PC Subgroup Consolidation. ***Even if there is only ONE 1120-PC individual company in the entire consolidation, a subgroup is required.***

The topmost 1120-PC Subgroup Consolidation is consolidated into a Nonlife subgroup or top consolidation. You can have many lower 1120-PC subgroups included (there is no limit) in the topmost 1120-PC subgroup, but they are not included in the e-file per the IRS schema rules. Only the one topmost 1120-PC subgroup is allowed in the e-file. All entities in the **What to Consolidate** listing must be of the 1120-PC-type of return. ***Do not mix entity types in a subgroup subconsolidation.***

Types of 1120-PC Subgroup Subconsolidations

The 1120-PC subgroup can have the following three examples in the **What to Consolidate** listing.



If your parent is in this group and a 1120-PC, your NL or LNL top consolidation must be a 1120-PC and is not allowed to e-file yet.

If there are several 1120-PC subsidiaries and/or subgroups to be consolidated together:

1120-PC SUBGROUP	
PARENT SLOT 1120-PC	Subsidiary or Subgroup
ELIMINATION SLOT 1120	Subgroup Elimination
SUBSIDIARY SLOT(S) 1120-PC	Subsidiary/or Subgroup

If there are several 1120-PC subsidiaries to be consolidated together:

1120-PC SUBGROUP	
PARENT SLOT 1120	PC Subsidiary
ELIMINATION SLOT 1120	PC Subgroup Elimination
SUBSIDIARY SLOT(S) 1120	PC Subsidiary

If there is ONLY one 1120-PC subsidiary in the entire consolidation:

1120-PC SUBGROUP	
PARENT SLOT	1120-PC Subsidiary
ELIMINATION SLOT 1120	1120-PC Subgroup Elimination
SUBSIDIARY SLOT	Blank

Steps to Complete an 1120-PC Topmost Subgroup

1. Create the 1120-PC topmost 1120 subgroup return.
2. Go to **Organizer > Insurance Consolidations > 1120-PC subgroup Consolidation Wizard > Step 3 - What to Consolidate**.
3. Enter the applicable parent, elimination, and subsidiaries according to the above structures.
4. Compute all subsidiaries if necessary. If you make any changes to the lower entities, you must recompute and reconsolidate.
5. Consolidate.

1120-L Subgroup Subconsolidation

ALL 1120-L returns must be combined in an 1120-L subgroup Consolidation. ***Even if there is only ONE 1120-L individual company in the entire consolidation, a subgroup is required for the tax product.*** The topmost 1120-L subgroup consolidation is consolidated with a Nonlife subgroup into the Life Nonlife topcon. You can have many lower 1120-L subgroups included (there is no limit) in the topmost 1120-L subgroup, but they are not in the e-file. Only the topmost 1120-L subgroup is allowed in the e-file. All entities in the **What to Consolidate** listing must be of the 1120-L return type. ***Do not mix entity types.***

Types of 1120-L Subgroup Subconsolidation Structures

The 1120-L subgroup can have any of the following structures. If your parent is in this group and is an 1120-L return type, then your LNL top consolidation must be an 1120-L return type and is not allowed to e-file yet.

If the entities share the same tax ID number, create a **Divcon**. The returns listed are **Divisions**. This is the case for the Life Annual Statement return and the Separate Accounts statement because they usually share the same tax ID number. The tax ID is on the Divcon.

DIVCON RETURN	
PARENT SLOT	Division
ELIMINATION SLOT	Subgroup Elimination
SUBSIDIARY SLOT	Division

If there are several 1120-L subsidiaries and 1120-L subgroups to be consolidated together:

1120-L SUBGROUP	
PARENT SLOT	1120-L Subsidiary or Subgroup
ELIMINATION SLOT	1120-L Subgroup Elimination
SUBSIDIARY SLOT(S)	1120-L Subsidiary or Subgroup

If there are several 1120-L subsidiaries to be consolidated together:

1120-L SUBGROUP	
PARENT SLOT	1120-L Subsidiary
ELIMINATION SLOT	1120-L Subgroup Elimination
SUBSIDIARY SLOT(S)	1120-L Subsidiary

If there is ONLY one 1120-L subsidiary in the entire consolidation:

1120-L SUBGROUP	
PARENT SLOT	1120-L Subsidiary
ELIMINATION SLOT	1120-L Subgroup Elimination
SUBSIDIARY SLOT	Blank

Steps to Complete an 1120-L Topmost Subgroup

1. Create the 1120-L topmost 1120-L subgroup return.
2. Go to **Organizer > Insurance Consolidations > 1120-L subgroup Consolidation Wizard > Step 3 - What to Consolidate**.
3. Enter the applicable parent, elimination, and subsidiaries according to the above structures.
4. Compute all subsidiaries if necessary. If you make any changes to the lower entities, you must recompute and reconsolidate.
5. Consolidate.

Subgroup Top Consolidation

This is NOT a Mixed Group filing. This consolidation contains entities that are all of one type of return. If multiple 1120-PCs (and no 1120 or 1120-L returns) file to the IRS together, your top consolidation is an 1120-PC subgroup top consolidation. If multiple 1120-Ls (and no 1120 or 1120-PC returns) file to the IRS together, your top consolidation is an 1120-L subgroup top consolidation.

While this return resembles a subgroup Subconsolidation, it is an Insurance top consolidation that can file to the IRS by print only. The IRS does not yet accept e-file for this return type.

Types of Subgroup Top Consolidation Structures

These are the following possible structures for a subgroup top consolidation.

If all entities in the consolidation are 1120-PCs, then the example would be:

PARENT SLOT	1120-PC Subgroup/Parent
ELIMINATION SLOT	1120-PC Elimination
SUBSIDIARY SLOT	1120-PC Subgroup/Parent

If all entities in the consolidation are 1120-Ls, then the example would be:

PARENT SLOT	1120-L Subgroup/Parent
ELIMINATION SLOT	1120-L Elimination
SUBSIDIARY SLOT	1120-L Subgroup/Parent

NONLIFE CONSOLIDATION

A mixed group consolidation that consists of 1120 and 1120-PC returns ONLY is a Nonlife Consolidation. It cannot contain any other return type. If you have other subsidiaries in your company structure, they must be combined in the subgroups. The IRS rules designate that an 1120 subgroup return and an 1120-PC subgroup return consolidate together. Return types must be grouped together.

Only the following Nonlife Structures correctly compute, print, and create an e-file in the tax application. If you are creating a Nonlife subgroup to be further consolidated with a Life subgroup into a Life Nonlife top consolidation, you must set up the structure correctly.

Nonlife Subgroup or Nonlife Top Consolidation

The Nonlife consolidation can ONLY contain THREE entities on the Subsidiary Listing (see below) of the **What to Consolidate** listing. The structures are the same for the Nonlife subgroup and the Nonlife top consolidation. There are only two structures for a Nonlife subgroup or Nonlife top consolidation.

Types of Nonlife Structures

The Nonlife consolidation can ONLY contain THREE entities. The structures are the same for the Nonlife subgroup and the Nonlife top consolidation. The Nonlife can have the following examples:

If the parent is an 1120, the example would be:

PARENT SLOT	1120 Topmost Subgroup
ELIMINATION SLOT	1120 Nonlife Elimination
SUBSIDIARY SLOT	1120-PC Topmost Subgroup

If the parent is an 1120-PC, then the example would be:

PARENT SLOT	1120-PC Topmost Subgroup
ELIMINATION SLOT	1120-PC Nonlife Elimination
SUBSIDIARY SLOT	1120 Topmost Subgroup

Complete the **What to Consolidate Subsidiary** listing with all 1120-L entities.

If the Nonlife subgroup (to be consolidated in a LNL top consolidation) has only an 1120-PC subgroup return and no 1120 subgroup, then the example would be:

PARENT SLOT	1120 Topmost Subgroup
ELIMINATION SLOT	1120 -PC Subgroup Elimination
SUBSIDIARY SLOT	BLANK

Steps to Complete a Nonlife Return

1. Create the Nonlife top consolidation or subgroup return.
2. Go to **Organizer > Insurance Consolidations > Nonlife Consolidation Wizard > Step 2 - What to Consolidate**.
3. Enter the applicable parent, elimination, and subsidiaries according to the above structures.
4. Compute all subsidiaries if necessary. If you make any changes to the lower entities, you must recompute and reconsolidate.
5. Consolidate.

Consolidation Review

After consolidation, you can review the results and verify the company's taxable income on this screen. It lists each entity, return type, and taxable income. Only parent, subsidiary, and elimination returns transfer; subgroup subconsolidation returns do not transfer.

LIFE NONLIFE CONSOLIDATION

A mixed group consolidation that consists of 1120, 1120-PC, and 1120-L returns is a Life Nonlife Consolidation. It cannot contain any other return type. If you have other subsidiaries in your company structure, they must be combined in one of the three subgroups. Return types must be grouped together.

Only the following Life Nonlife Structures correctly compute, print, and e-file in the tax application.

Types of Life Nonlife Structures

The Life Nonlife consolidation can ONLY contain THREE entities. The Life Nonlife can have the following examples.

If the parent is an 1120, then the example would be:

PARENT SLOT	1120 Nonlife Subgroup
ELIMINATION SLOT	1120 LNL Elimination
SUBSIDIARY SLOT	1120-L Topmost Subgroup

If the parent is an 1120-PC, then the example would be:

PARENT SLOT	1120-PC Nonlife Subgroup
ELIMINATION SLOT	1120-PC Elimination
SUBSIDIARY SLOT	1120-L Topmost Subgroup

If the parent is an 1120-L, then the example would be:

PARENT SLOT	1120-L Nonlife Subgroup
ELIMINATION SLOT	1120 Elimination
SUBSIDIARY SLOT	1120 or 1120-PC Topmost Subgroup

If the Nonlife subgroup does not include a PC subgroup:

You MUST create a PC subgroup that includes a blank PC subsidiary and blank PC elimination. This is then consolidated with the 1120 subgroup in the Nonlife subgroup Subconsolidation. If the PC subgroup is omitted, the result in a *nonqualified* XML file.

TOOLS FOR CONSOLIDATION

Subview

Subview has been modified to go directly to the lower entities.

Subview gives easier access to the members of consolidated returns and is used for reconciliation of consolidated returns. In any consolidated return, select any field and select **Subview** to view the entities, amounts, and adjustments, if any, that make up that consolidated number. A dialog box then shows you entities that consolidate to the current field. To see a specific entity, highlight or select the item, and the screen jumps to that entity, while still maintaining the consolidation.

Through the Windows option at the top of the screen, you can choose entities you have opened using **Subview**. When you are finished with a particular entity, close it using the red X in the upper left corner below the file option. After using **Subview**, you must complete the consolidation as usual at each consolidated level if any changes were made to any entity in that consolidation.

Company No	Company Name	Return	Amount
1120PC	1120PC Locator For Consol	4153JB	
P	1120PC Locator_Parent	4165JB	
S	1120PC Locator Subs 1	4155JB	
S	1120PC Locator_Sub 2	4159JB	
E	1120PC Elims Test Locator	4163JB	

Total from subsidiaries of selected return 0

Adjustment 0

Total on selected return 0

Subview EXPORT REFRESH CLOSE

Figure 9:1

Schedule K Questions

The software pulls Schedule K information from the parent company. On a Nonlife or Life-Nonlife return, this information comes from the subgroup Schedule K that contains the parent company.

FORM 851: CORPORATE AFFILIATIONS SCHEDULE

Preparing Form 851

Form 851 is printed from the top consolidation return, but consists of information entered in the parent and subsidiary returns. To create the 851 correctly, it is important to know where to enter information for each field and section of the form. These instructions lead you through that process.

Generally, information for the 851 comes from these three places: the top consolidation return, the parent return, and the subsidiary returns. When you create a consolidation return, select the active members to be included in the consolidation on the **What to Consolidate** screen. The program can now transfer in certain information from the entities you have listed. The corporation name, address, FEIN, estimated and extension payments, Principal Business Activity, and PBA code information is carried in from the **General Information** area in the respective parent and subsidiary returns.

Consolidation Carry Information

We call the information that transfers into the top consolidation from other returns **consolidation carry information**. Every time you perform a consolidation, the program sweeps the parent and subsidiary returns to collect the Consolidation Carry Information.



Be careful not to enter any of this information in the top consolidation's Organizer or Tax Forms. If you manually enter any data in these fields, the application overwrites this information each time you consolidate, when it transfers the Consolidation Carry Information into the Organizer.

First we look at what information comes from which return, and then go through the form field-by-field, and list the source for the data. In general, the following information transfers from the returns shown.

Parent

The following information carries automatically to the top consolidation return from the parent. To have this transfer take place, you must enter the company locator numbers on the top consolidation return in **Organizer > Consolidated Returns > What to Consolidate** screen.

- Name and address (street, city, state, zip code)
- Tax year ending
- Employer identification number
- Prepayment credits
- PBA (Principal Business Activity) Code number.

Subsidiaries

The following information carries automatically to the top consolidation return from the subsidiary returns:

- Names and addresses
- Employer identification numbers
- Prepayment credits
- Principal business activity
- PBA code numbers.

Top Consolidation

Enter the following information in the top consolidation return:

Inactive Subsidiary Information

If you do not prepare returns for inactive members of the consolidation, you can add these members to your Form 851 on the top consolidation return. This information carries to Part I of the Form 851 tax return.

1. In the top consolidation return, access **Organizer > Informational Forms > Affiliation Schedule > Inactive Subsidiary Information**.
2. Enter the name, address, FEIN, and PBA information for each inactive member company.
3. Be sure to assign the first inactive subsidiary a company number that follows the last number assigned to active subsidiaries on the **Consolidated Returns > What to Consolidate > Consolidation Locator List** screen.

Voting Stock Information

Enter your company number, the PBA activity, and the code appears.

Part III and Part IV Information

Enter Parent and Subsidiary information for Parts III and IV of Form 851.

Entering Information for Form 851

Part I

For Part I, the following tables indicate where information is entered.

Page 1, top section: General Information

FORM 851 ITEM	WHERE TO ENTER IN ORGANIZER
IN THE PARENT RETURN	
Common Parent corporation name	General Information > Basic Return Information > Entity Information tab
Address	General Information > Basic Return Information > Entity Information tab
FEIN	General Information > Basic Return Information > Entity Information tab
Tax year end	General Information > Basic Return Information > Entity Information tab

For Part I, the following shows where information is entered.

FORM 851 ITEM	WHERE TO ENTER IN ORGANIZER
IN THE TOP CONSOLIDATION RETURN	
Company Number	Consolidated Returns > What to Consolidate
IN THE PARENT RETURN	
Portion of Form 7004 tax deposits	Payments and Extensions > Payment of Taxes
Portion of estimated tax credits and deposits	Payments and Extensions > Payment of Taxes
IN SUBSIDIARY RETURNS	
Name and address of corporation	General Information > Basic Return Information > Entity Information tab
Employer identification number	General Information > Basic Return Information > Entity Information tab

FORM 851 ITEM	WHERE TO ENTER IN ORGANIZER
Portion of Form 7004 tax deposits	Payments and Extensions > Payment of Taxes
Portion of estimated tax credits and deposits	Payments and Extensions > Payment of Taxes



If you enter payments on Form 851 in the top consolidation return, these amounts override the carry information.

FORM 851 ITEM	WHERE TO ENTER IN ORGANIZER
IN THE TOP CONSOLIDATION RETURN	
Company Number(s)	Informational Forms > Affiliations Schedule > 851 Page 1
Did the subsidiary make any non dividend distributions?	Informational Forms > Affiliations Schedule > 851 Page 1
Stock holdings at beginning of year Number of shares Percent of voting power Percent of value Owned by corporation number	Informational Forms > Affiliations Schedule > 851 Page 1
IN THE PARENT RETURN	
PBA Code Number	General Information > Questions
IN SUBSIDIARY RETURNS	
Principal business activity (PBA)	General Information > Questions
PBA Code No.	General Information > Questions

Part III: Changes in Stock Holdings During the Year

You are not required to complete Part III for all members of the affiliated group. Therefore, we default to leaving this part blank. If the affiliated group has members who must complete Part III, enter the following information to the Organizer screens:

FORM 851 ITEM	WHERE TO ENTER IN ORGANIZER
IN THE TOP CONSOLIDATION RETURN	
Company Number(s)	Informational Forms > Affiliations Schedule > 851 Page 2
Stockholder (Corporation No.)	Informational Forms > Affiliations Schedule > 851 Page 2
Change in stock holdings during the year Date (a) Changes Shares Acquired Shares Disposed of (b) Shares held after changes described in Column (a) Percent of voting power Percent of value	Informational Forms > Affiliations Schedule > 851 Page 2
If the equitable owners of any capital stock shown above were other than the holders of record, give full details	Informational Forms > Affiliations Schedule > 851 Page 2

Part IV: Additional Information

You are not required to complete Part IV for all members of the affiliated group. Therefore, we default to leaving this part blank. If the affiliated group has members who must complete Part IV, enter the following information on the Organizer screens:

FORM 851 ITEM	WHERE TO ENTER IN ORGANIZER
IN THE TOP CONSOLIDATION RETURN	
Question 1 Company number(s) Answer to Question 1 If yes, list and describe each class of stock	Informational Forms > Affiliations Schedule > 851 Page 3
Question 2 Company number(s) Answer to Question 2 If yes for any part of question 2, list and explain the circumstances	Informational Forms > Affiliations Schedule > 851 Page 3
Question 3 Company number(s) Answer to Question 3 Item 3a, 3b, 3c Item 3d – description of arrangements	Informational Forms > Affiliations Schedule > 851 Page 3

Printing Form 851

Form 851 has been changed to print only on the top consolidation; it does not print on the subgroup, subcon, or divcon.

The system does not transfer Part III and IV information from members. This information must be entered on the top consolidation.

Part III

851, Page 1
851, Page 2
851, Page 3

CHANGES IN STOCK HOLDINGS DURING THE TAX YEAR

Enter the information on the consolidated return, not on the parent or subsidiaries.
Enter only one line for each company for e-file.

(a) Changes
(b) Shares held after changes

Corp. No.	Stockholder No.	Date	No. of Shares Acquired	No. of Shares Disposed of	*Percent of Voting Power	*Percent of Value

Figure 9:2

Part IV

Organizer

Tax Forms

Collapse All

Salvage and Subrogation

Deferred Acquisition Costs

Amended Return

Income and Deductions

Gains and Losses

Taxes

Credits

Payments and Extension

Estimates and Penalties

Letters and Filing Instructions

Informational Forms

Affiliation Schedule

851

Part II Enter on the sub (Multi-tier)

Inactive Subsidiary Information

General Dependency Attachment

Application to Use LIFO Method

Asset Acquisition

Asset Allocation Statement

Authorization to be Included

Consent Dividend

Change in Accounting Method

Change of Address

Disclosure Statement

Dissolution or Liquidation

Election by a Small Business Corporation

Election Under Section 338

Election to Have Other Tax Year

Employer-Owned Life Ins Contract

Entity Classification Election

851, Page 1

851, Page 2

851, Page 3

PART IV - QUESTION 1

During the tax year, did the corporation have more than one class of stock outstanding?

☐ Yes

☒ No

☐ Leave Blank

If "Yes," enter the name of the corporation and list and describe each class of stock.

Corp. No.	Class of Stock

PART IV - QUESTION 2

During the tax year, was there any member of the consolidated group that reaffiliated within 60 months of disaffiliation?

☐ Yes

☒ No

☐ Leave Blank

If "Yes," enter the name of the corporation(s) and explain the circumstances.

Corp. No.	Explanation

PART IV - QUESTIONS 3

During the tax year, was there any arrangement in existence by which one or more persons that were not members of the affiliated group could acquire any stock, or acquire any voting power without acquiring stock, in the corporation, other than a de minimis amount, from the corporation or another member of the affiliated group?

☐ Yes

☒ No

☐ Leave Blank

If "Yes," enter the name of the corporation and see the instructions for what to enter in items 3a, 3b, 3c, and 3d.

Figure 9:3

CHAPTER 10: MIXED GROUP STATE CONSOLIDATION

There are two different structures of setting up a mixed group state consolidation return:

- multitier structure
- single tier or flat consolidation structure

MULTI-TIER MIXED GROUP STATE CONSOLIDATION STRUCTURES

Similar to the federal mixed group consolidation, this structure includes a topmost 1120 subgroup, a topmost 1120-PC subgroup, and if applicable, a topmost 1120-L subgroup. The 1120 topmost subgroup is consolidated with the 1120-PC onto a nonlife topcon (or subcon if there is an 1120-L subgroup in the consolidation). Then, if applicable, the nonlife subgroup is consolidated with the topmost 1120-L subgroup into a life-nonlife consolidation.

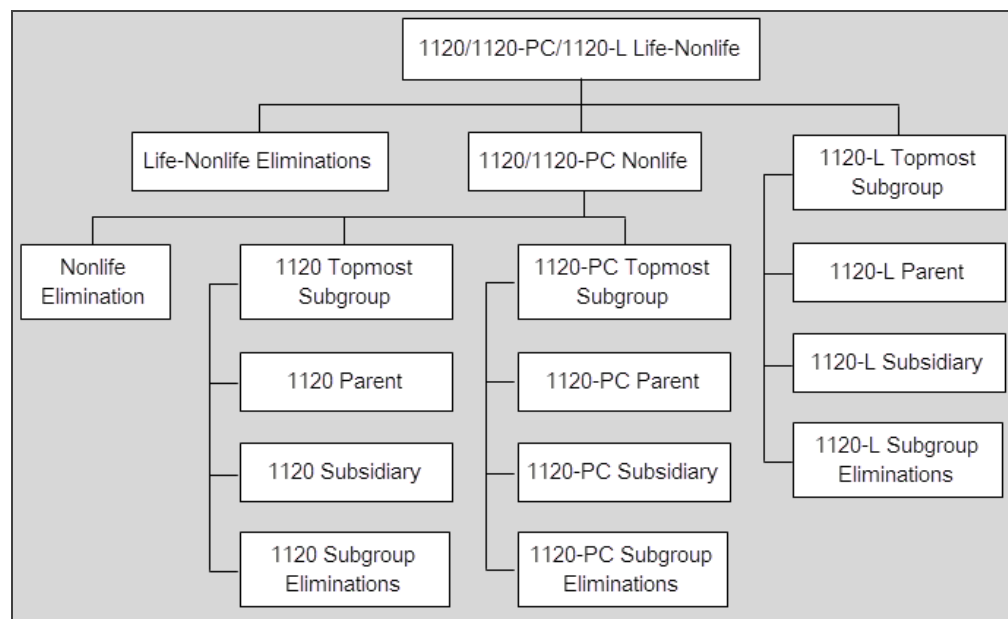


Figure 10:1

SINGLE-TIER OR FLAT MIXED GROUP STATE CONSOLIDATION STRUCTURE

This structure should be used only for mixed group state consolidation returns. The state combined includes one nonlife top consolidation, one nonlife elimination, and all underlying 1120, 1120-PC, and 1120-L companies. There should be no mid-level subgroup subconsolidations with this structure. This state combined allows every underlying company to be shown on the top consolidation return. It is designed to be used for states, such as Illinois and California.

- Illinois requires every underlying company to be shown on its Schedule UB.
- The California form requires that both the income and deductions be shown for every underlying company.

This structure should also be used for those states that do not allow subgroup subconsolidations.

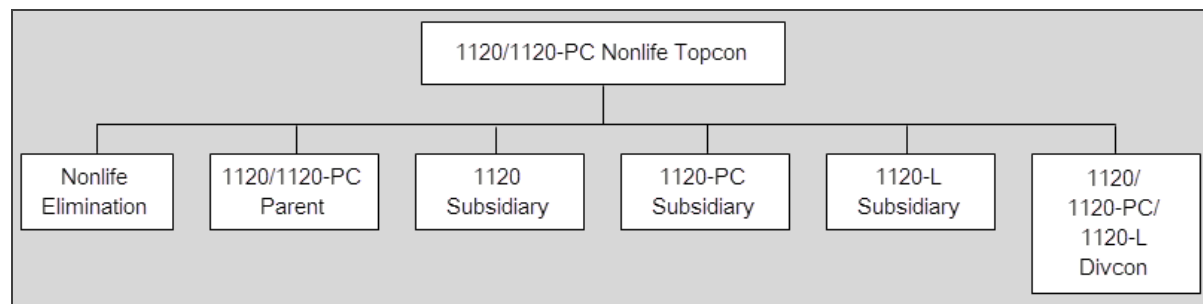


Figure 10:2

NONLIFE ELIMINATIONS

For the 2012 tax year and after, a subgroup elimination return can be converted to a nonlife elimination return. This is beneficial to those who had eliminating entries entered on their subgroup eliminations for the federal return. However, for single-tier mixed group state consolidation, since there are no mid-level subgroup subconsolidations, the subgroup elimination returns cannot be used. Now, the subgroup elimination returns can be converted using this feature into the nonlife elimination return, and all existing subgroup eliminating entries are then transferred to nonlife elimination return.

Also, starting with 2012, both 1120 and 1120-PC subgroup elimination returns can be combined into one nonlife elimination return. This is beneficial to those who had eliminating entries on both 1120 and 1120-PC subgroup eliminations for the federal return. This feature combines all 1120 and 1120-PC eliminating entries into one set of entries on the non-life elimination return.

BEST PRACTICE FOR CONVERSIONS

Best practice for the conversion is to make a copy of the subgroup elimination return. If the parent is an 1120 company, then the 1120 subgroup elimination return should be copied. If the parent is an 1120-PC company, then the 1120-PC subgroup elimination return should be copied.

After copying, the return can be converted to a nonlife eliminations by selecting the appropriate button, **1120-Non-life Eliminations** or **1120PC-Non-life Eliminations**. These buttons are found on **Organizer > General Information > Basic Return Information > Return/Entity Type Conversion** tab.

E-FILING

A PDF copy of the federal return can be obtained and attached to the mixed group state consolidation return. There are two copy options: one is to copy the federal return directly from the mixed group state consolidation itself. The other option is to copy the federal return from a different return. The latter option should be chosen for a mixed group state combined return that uses the single-tier structure, since it is not federally compliant.

The screenshot displays the 'Organizer' tab in a software application. On the left is a sidebar menu with categories like 'Credits', 'Payments and Extension', 'Estimates and Penalties', 'Balance Sheet/M1-M2-M3', 'Letters and Filing Instructions', 'Current-Year to Prior-Year Comparison', 'Informational Forms', 'Foreign Information', 'Carryovers, Footnotes, and Invoicing', 'Federal Tax Elections', 'States', 'Common State', and 'General Information'. The 'States' category is expanded, showing a list of states and territories. The main area is a table with columns A through J. Column A is 'Activate All States'. Column C is 'STATE ACTIVATION/CONSOLIDATION' with a dropdown menu set to 'Combine All States'. Column D is 'RETURN TYPE' with a value of '1120'. Column E is 'ENTITY TYPE' with a value of 'Top consolidation'. Column F is 'FINANCIAL RETURN' with a value of 'N/A'. Column H is 'SUPPRESS PROFORMA' with a value of 'N/A'. Column J is 'DELETE' with a 'Delete' button. The table lists 34 states and territories, each with a row number, a state name, a dropdown menu for activation/consolidation, and a 'Delete' button.

	A	C	D	E	F	H	J
	Activate All States	STATE ACTIVATION/CONSOLIDATION	RETURN TYPE	ENTITY TYPE	FINANCIAL RETURN	SUPPRESS PROFORMA	DELETE
2	FEDERAL	Combine All States	1120	Top consolidation	N/A	N/A	N/A
3	ALLOCATION & APPORTIONMENT	(None selected)	N/A	N/A	N/A	N/A	Delete
4	ALABAMA	(None selected)	1120	Top consolidation	<input type="checkbox"/>	<input type="checkbox"/>	Delete
5	ALASKA	(None selected)	1120	Top consolidation	N/A	<input type="checkbox"/>	Delete
6	ARIZONA	(None selected)	1120	Top consolidation	N/A	<input type="checkbox"/>	Delete
7	ARKANSAS	(None selected)	1120	Top consolidation	N/A	<input type="checkbox"/>	Delete
8	CALIFORNIA	(None selected)	1120	Top consolidation	N/A	<input type="checkbox"/>	Delete
9	COLORADO	(None selected)	1120	Top consolidation	N/A	<input type="checkbox"/>	Delete
10	CONNECTICUT	(None selected)	1120	Top consolidation	N/A	<input type="checkbox"/>	Delete
11	DELAWARE	(None selected)	1120	N/A	N/A	<input type="checkbox"/>	Delete
13	DISTRICT OF COLUMBIA	(None selected)	1120	Top consolidation	N/A	<input type="checkbox"/>	Delete
14	FLORIDA	(None selected)	1120	Top consolidation	N/A	<input type="checkbox"/>	Delete
15	GEORGIA	(None selected)	1120	Top consolidation	(None selected)	<input type="checkbox"/>	Delete
16	HAWAII	(None selected)	1120	Top consolidation	<input type="checkbox"/>	<input type="checkbox"/>	Delete
17	IDAHO	(None selected)	1120	Top consolidation	N/A	<input type="checkbox"/>	Delete
18	ILLINOIS	(None selected)	1120	Top consolidation	N/A	<input type="checkbox"/>	Delete
19	INDIANA	(None selected)	1120	Top consolidation	<input type="checkbox"/>	<input type="checkbox"/>	Delete
21	IOWA	(None selected)	1120	Top consolidation	<input type="checkbox"/>	<input type="checkbox"/>	Delete
23	KANSAS	(None selected)	1120	Top consolidation	N/A	<input type="checkbox"/>	Delete
24	KENTUCKY	(None selected)	1120	Top consolidation	<input type="checkbox"/>	<input type="checkbox"/>	Delete
25	LOUISIANA	(None selected)	1120	N/A	N/A	<input type="checkbox"/>	Delete
27	MAINE	(None selected)	1120	Top consolidation	N/A	<input type="checkbox"/>	Delete
28	MARYLAND	(None selected)	1120	N/A	N/A	<input type="checkbox"/>	Delete
29	MASSACHUSETTS	(None selected)	1120	Top consolidation	<input type="checkbox"/>	<input type="checkbox"/>	Delete
30	MICHIGAN	(None selected)	1120	Top consolidation	(None selected)	<input type="checkbox"/>	Delete
31	MINNESOTA	(None selected)	1120	Top consolidation	N/A	<input type="checkbox"/>	Delete
32	MISSISSIPPI	(None selected)	1120	Top consolidation	N/A	<input type="checkbox"/>	Delete
33	MISSOURI	(None selected)	1120	Top consolidation	(None selected)	<input type="checkbox"/>	Delete
34	MONTANA	(None selected)	1120	Top consolidation	N/A	<input type="checkbox"/>	Delete

Figure 10:3

CHAPTER 11: PRINTING THE RETURN

PRINT

1. Select **Print** on the Organizer toolbar.

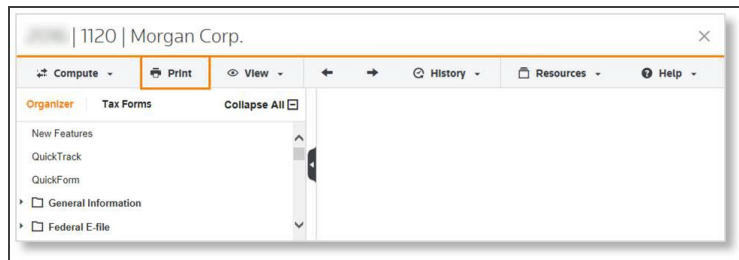
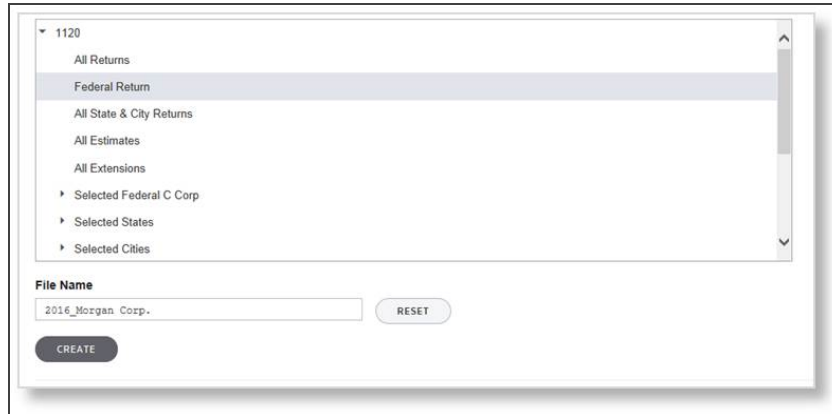


Figure 11:1

2. The **Print Selection** screen opens a new window. Within this screen you can:
 - Verify the return type to print
 - Select desired copy types
 - Include e-file attachments
 - Select the all returns, or portions of the return to print
 - Enter a file name
 - Create the print file
 - Review previous print history for the return

3. Select the returns you wish to print.



The screenshot shows a web-based interface for selecting returns to print. A dropdown menu is open, displaying a list of return types. The 'Federal Return' option is highlighted. Below the menu, there is a 'File Name' input field with the text '2016_Morgan Corp.' entered. To the right of the input field is a 'RESET' button. Below the input field is a 'CREATE' button.

Figure 11:2

4. Enter the **File Name**.
5. Select **Create**.

Create populates the **History**. This History area shows the file name, print status, print selection, start date and time, and end date and time.

Once the print process has completed, you will see three options in the **Actions** column:

- Click **Open** to open the print file in PDF format within a separate browser window.
- Click **Download** to save the PDF to a desired location.
- Click **Delete** to delete the print file.

Print Preview

Print Preview provides an on-screen view of a return and all associated forms, schedules, and supporting documents.

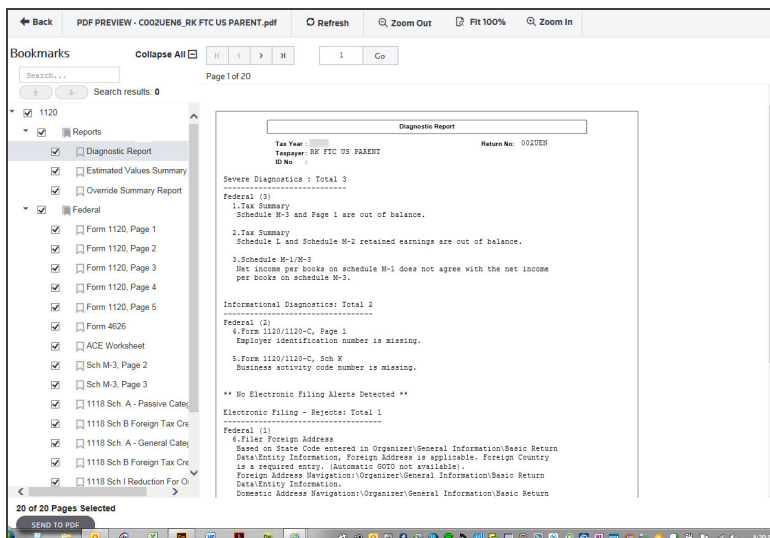


Figure 11:3

PRINT OPTIONS

There are three places to go to review print options:

- Return and Print Options
- 1120-L Options
- 1120-PC Options

Return and Print Options

Navigation: Organizer > General Information > Return and Print Options > Basic Options tab

Where to go for control whether to print:

- Number of copies, return number, date and other information at the bottom of each page

NUMBER OF COPIES

Total number of federal returns to be printed.....

Total number of state returns to be printed.....

EVERY PAGE PRINT OPTIONS

Corporation Name and Federal EIN.....

☒ Print ☐ Suppress

Locator number and Account number.....

☒ Print ☐ Suppress

Version number.....

☒ Print ☐ Suppress

Date.....

☒ Print ☐ Suppress

Time.....

☒ Print ☐ Suppress

Page number.....

☒ Print ☐ Suppress

Client Code.....

☒ Print ☐ Suppress

Figure 11:4

- Workpapers with the tax return and other documents

ATTACHMENTS	
Statement number printing on the forms.....	<input checked="" type="radio"/> Print <input type="radio"/> Suppress
Entire "See Statement" text printing on the forms.....	<input checked="" type="radio"/> Print <input type="radio"/> Suppress
All white paper statements with the tax return.....	<input checked="" type="radio"/> Print <input type="radio"/> Suppress
Statement numbers printing on the white paper statements.....	<input checked="" type="radio"/> Print <input type="radio"/> Suppress
Selected federal forms attached to the state returns.....	<input checked="" type="radio"/> Print <input type="radio"/> Suppress

NON-TAX FORM OPTIONS	
Print Tax return cover sheet.....	<input type="radio"/> Print <input checked="" type="radio"/> Suppress
Listing of Diagnostics.....	<input checked="" type="radio"/> Print <input type="radio"/> Suppress
Override Summary Sheet.....	<input checked="" type="radio"/> Print <input type="radio"/> Suppress
Estimate Summary Sheet.....	<input checked="" type="radio"/> Print <input type="radio"/> Suppress
Index of the Federal forms in the return.....	<input type="radio"/> Print <input checked="" type="radio"/> Suppress
Schedule detailing carryovers to next year.....	<input checked="" type="radio"/> Print <input type="radio"/> Suppress

RETURN MAILING SHEETS
<input type="checkbox"/> Print return cover sheets for mailing
<input type="checkbox"/> Suppress print of taxpayer return cover sheet
<input type="checkbox"/> Suppress print of federal return cover sheet
<input type="checkbox"/> Suppress print of state return cover sheets

Figure 11:5

Some of the options that can be selected for printing are:

- Include or omit return-specific information at the bottom of each page
- Print workpapers with the return
- Print return as an 1120-L, even if the percent-of-reserves test is not met
- Include Loss Reserve Discounting and Salvage and Subrogation workpapers with the return
- Force print return even if out of balance
- M-3 print options
- Suppress print of M-1 and M-2
- Print LRD Workpapers
- Print Annual Statement pages

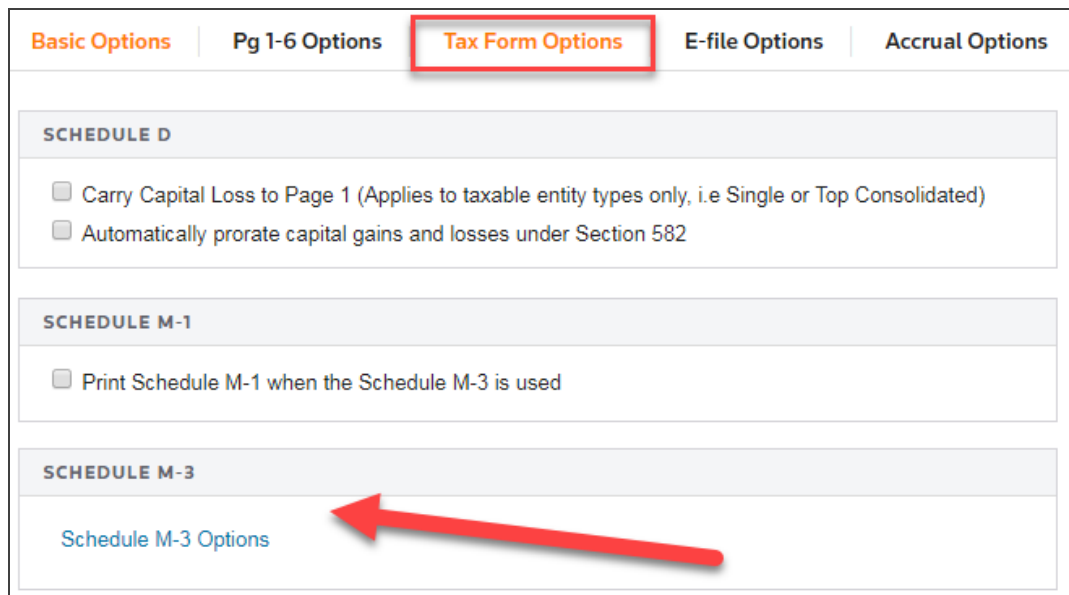
If the return does not print as expected, always check the **Return and Print Options** screen. An option might exist to change the appearance of the printed return.

Use **Print Preview** to check the appearance of the return before sending the return to the printer.

Compute/Print Options for Schedule M-1/M-3

To change compute/print options for the Schedule M-1 or M-3:

1. Select **Organizer > General Information > Return and Print Options > Tax Form Options** tab.



The screenshot shows the 'Tax Form Options' tab selected. It contains three main sections: SCHEDULE D, SCHEDULE M-1, and SCHEDULE M-3. Under SCHEDULE D, there are two unchecked checkboxes: 'Carry Capital Loss to Page 1 (Applies to taxable entity types only, i.e Single or Top Consolidated)' and 'Automatically prorate capital gains and losses under Section 582'. Under SCHEDULE M-1, there is one unchecked checkbox: 'Print Schedule M-1 when the Schedule M-3 is used'. Under SCHEDULE M-3, there is a link labeled 'Schedule M-3 Options' which is pointed to by a large red arrow.

Figure 11:6

2. Select the **Schedule M-3 Options** link.
3. The **Compute Options** section gives you computation choices for Schedule M-1 and M-3. The default is calculation of both Schedule M-1 and M-3.



Schedule M-1 will not print if M-3 is completed unless you select the option to force print Schedule M-1 from the **Print Options** section.

4. Use the **Print Options** section to suppress Schedule M-3 or force print Schedule M-1 when M-3 is completed.

Reviewing Print Options

Check the print options before printing a return. By default, the system does not print out-of-balance returns. If your return is not printing, make sure the **Allow printing of the tax return even if it is out-of-balance** option is selected. If your return is not printing the way you expect, check your print options that include:

- Printing an out-of-balance return
- Suppressing information at the bottom of each page
- Attachments
- Number of copies
- Non-Tax forms
- State suppression

Workpapers display supporting detail for the numbers appearing on a return. Be sure to provide an audit trail from the Tax Form to the Organizer. Workpapers can be printed separately or with the tax return.