

ONESOURCE™

1120 INSURANCE GUIDE

FOR TAX YEAR 2021

Last Updated: October 19, 2021

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TABLE OF CONTENTS

- Chapter 1: Insurance Returns 1**
 - Topics Covered 1
 - How do I get started? 1
 - Charts for Insurance Returns 2
 - Consolidations 3

- Chapter 2: Setting Up ONESOURCE Income Tax for Insurance Returns 4**
 - How to Set Up ONESOURCE Income Tax for Insurance Returns 4
 - Chart and Adjustment Information 5
 - ONESOURCE Income Tax Insurance Functionality 6
 - NAIC Annual Statement Line Mapping Chart 6
 - Tax Accounting System with Insurance 8
 - NAIC Annual Statement Reconciliation 8
 - NAIC Annual Statement Line Mapping Chart 10
 - Tax Accounting System Menu Tree with Insurance 10
 - NAIC Annual Statement Reconciliation Screen 10
 - Action Items 11
 - Working Trial Balance (WTB) and Insurance 12
 - State Taxable Income Workpapers 13
 - 1120PC Schedule E and F Options 13

- Chapter 3: Selecting the Data Source 15**
 - NAIC Annual Statement 15
 - Electronic Organizer 19

- Chapter 4: Creating Your Return in ONESOURCE Income Tax 26**
 - Step 1: Rollover Return 26
 - Step 2: Choose Return/Entity Type 26
 - Step 3: Enter Federal Tax ID Number 26
 - Step 4: Select the Data Source 27
 - Tax Accounting System Menu Tree for Insurance 27
 - NAIC Annual Statement Reconciliation Screen 28
 - Opening the NAIC Annual Statement Reconciliation 29
 - Opening Insurance Workpapers 29
 - Step 5: Set Up Division 29

Step 6: Determine Net Operating Loss	29
Chapter 5: 1120L Returns	30
Life Insurance Reserves Test	30
Failed Life	30
1120L Unique Items	31
Failed Life	31
Using The Life NAIC Import	31
Unique Items	32
DAC – Deferred Acquisition Costs	32
Schedule T	34
Chapter 6: 1120-PC Returns	36
1120-PC Unique Items	36
Loss Reserve Discounting (LRD)	36
Salvage and Subrogation	36
Failed Life	36
Deferred Acquisition Costs (DAC)	36
Loss Reserve Discounting (LRD)	36
LRD Lines	37
Compute Options	38
Print Suppression Options	39
Discounting Summary	42
Salvage and Subrogation	46
Methods of Calculation of Salvage and Subrogation	47
S&S Options	47
Chapter 7: Working in the Tax Application	49
Cross-Checking of Data Source Types	49
Organizer and Tax Forms	50
General Information	50
Reviewing the Tax Return	65
Chapter 8: State Returns	75
Activating State Returns	75
Allocation and Apportionment	77

Chapter 9: Net Operating Loss	78
Non-SRLY NOL	78
SRLY NOL Entry	79
S382 NOL	80
NOL Organization and Rules	82
NOL Offsetting Rules and Order	82
NOL Organizer Override Rules	83
Limitation of Nonlife NOL Against Life Subgroup Income	84
LNL Eligibility Check Box	85
Examples of NOL Utilization	87
NL Examples	87
LNL Examples	91
Common NOL Support Questions	94
Chapter 10: Consolidating the Return	96
Preparing for Consolidation	96
Elimination Return	96
Types of Elimination Returns	96
Subgroup Consolidation	97
1120 Subgroup Subconsolidation	97
1120-PC Subgroup Subconsolidation	99
1120-L Subgroup Subconsolidation	100
Subgroup Top Consolidation	102
Nonlife Consolidation	103
Nonlife Subgroup or Nonlife Top Consolidation	103
Life Nonlife Consolidation	105
Tools for Consolidation	106
Subview	106
Schedule K Questions	107
Form 851: Corporate Affiliations Schedule	107
Preparing Form 851	107
Consolidation Carry Information	108
Top Consolidation	109
Entering Information for Form 851	109
Printing Form 851	114

Chapter 11: Mixed Group State Consolidation	116
Multi-tier Mixed Group State Consolidation Structures	116
Single-Tier or Flat Mixed Group State Consolidation Structure	117
Nonlife Eliminations	117
E-filing	118
Chapter 12: Printing the Return	119
Print	119
Print Preview	121
Print Options	121
Return and Print Options	122
Compute/Print Options for Schedule M-1/M-3	125
Reviewing Print Options	126
Chapter 13: International Insurance Returns	127
Using Foreign Tax Credit data entry screens in an 1120L or 1120PC binder to populate Form 1118	127
Viewing the International Filing Type for an Entity	127
Creating the Top Consolidation Binder	127
Reviewing the Members	127
Valid Entity Types in International Calculations	128
International Summary Chart of Accounts	128
Assigning Federal and International Chart of Accounts	129
Data Entry and Import into Foreign Tax Credit Screens	132
Divisional Consolidations	132
Preparing Form 1118	133
Tax Credit	133

CHAPTER 1: INSURANCE RETURNS

The objective of this guide is to assist you in preparing your insurance return, whether it is a consolidation or is filed as a single return.

TOPICS COVERED

This manual includes:

- Overview for Insurance Returns
- Using the Tax Accounting System
- Choosing the NAIC annual statement as your data method
- Preparing Insurance Returns
- Working with Your 1120-L Tax Return
- Working in Your 1120-PC Return
- Working in the Tax Application
- Net Operating Loss
- Consolidating Your Insurance Return
- Working in your Consolidation
- Printing the Return
- Mixed Group State Consolidation
- International

HOW DO I GET STARTED?

The first thing you should decide is how you want to enter your information into ONESOURCE Income Tax.

You can either use the Tax Accounting System and import balances and adjustment amounts, which also uses the automatic Schedule M-3 functionality, or you can import data from the **NAIC Annual Statement** into Organizer.

How do I get started?

Charts for Insurance Returns

In addition to assigning a federal chart of accounts and adjustment charts, you can also assign State TI Workpapers, Forms Mapping charts to insurance binders.

You can map accounts of a federal chart of accounts to the lines of the NAIC Annual Statement on the NAIC Annual Statement Line mapping charts. These mapping charts are year specific for a particular federal chart of accounts, for 1120L -Life and Separate Accounts, for 1120PC - Property/Casualty, Health, and Title NAIC types. The mapping charts are located in the **Charts** folder, under the **Federal** folder, and named **NAIC Annual Statement, Line Mapping**. When you assign the mapped chart of accounts to a binder, the NAIC Annual Statement Reconciliation views for 1120L and 1120PC automatically populate for the Balance Sheet and Statement of Income.

NAIC ANNUAL STATEMENT LINE MAPPING CHART

TRC	TCC	Account	Description
<input type="checkbox"/>	10-100	003	100000 Cash
<input type="checkbox"/>	10-100	001	100001 Petty cash1
<input type="checkbox"/>	10-100	002	100011 test1234
<input type="checkbox"/>	10-100	001	100111 test
<input type="checkbox"/>	10-100	003	100999 one more test
<input type="checkbox"/>	10-100	001	10100 Cash
<input type="checkbox"/>	10-200	001	10200 Trade Notes and Accounts Receivable
<input type="checkbox"/>	10-200	001	102000 Trade Notes and Accounts Receivable
<input type="checkbox"/>	10-205	001	10205 Allowance for Bad Debts
<input type="checkbox"/>	10-300	001	10300 Inventories
<input type="checkbox"/>	10-400	001	10400 U.S. Government Obligations
<input type="checkbox"/>	10-205	001	104000 Reserve for Uncollectible Accounts
<input type="checkbox"/>	10-400	115	10401 FAS 115 VALUATION
<input type="checkbox"/>	10-500	001	10500 Tax Exempt Securities
<input type="checkbox"/>	10-500	115	10501 FAS 115 VALUATION

Form Line	Description
BALANCE SHEET	
Assets	
1	Bonds
2	Stocks:
3	Mortgage loans on real estate:
4	Real estate:
5	Cash, cash equivalents, and short-term investments
6	Contract loans (including premium notes)
7	Derivatives
8	Other invested assets
9	Receivables for securities
10	Securities lending reinvested collateral assets
11	Aggregate write-ins for invested assets
13	Title plants less charged off (for Title insurers only)
14	Investment income due and accrued

Figure 1:1

STATE TI WORKPAPER FORMS MAPPING CHART

State Taxable Income Forms Mapping							
Year	Add		Batch Create	Import	Export	Rollover	Print
<input type="checkbox"/>	Actions	Jurisdiction	Chart Name	Return Type	Mapping Status		
<input type="checkbox"/>	  	Alabama	!! 2AL	Income	In Process		
<input type="checkbox"/>	  	Alabama	!! AL	Income	Complete		
<input type="checkbox"/>	  	Alabama	!!!!alsd more 2015 name changed	Income	In Process		
<input type="checkbox"/>	  	Alabama	!!Fin Alabama	Financial	In Process		
<input type="checkbox"/>	  	Alabama	AAAAAAA	Income	In Process		
<input type="checkbox"/>	  	Alabama	BatchNewAlabamaFinancial	Financial	In Process		

Figure 1:2

If you use the Tax Accounting System for insurance returns, the process starts with setting up charts, then importing or entering data in the Tax Accounting System, reviewing data, and then computing the binder to transfer the data into the tax application Organizer.

Follow our best insurance practices and choose the correct entity type, data source, and structure to set up your insurance return. Then your return calculates and prints correctly, and allows for a successful e-filing to the IRS or states.

Consolidations

Complex federal regulations governing consolidations for mixed group consolidations are a difficult and complicated process. After correctly identifying your consolidation structure, several concerns that are unique to mixed group consolidations, such as loss reserve discounting, salvage and subrogation, failed-life returns, and statutory-to-tax adjustments require specialized expertise and intricate calculations. Taking these into consideration, this manual guides you through the tax return preparation process.

CHAPTER 2: SETTING UP ONESOURCE INCOME TAX FOR INSURANCE RETURNS

Setting up the system for insurance returns begins like any other return. You must first start in the **Binder** list, complete the necessary set up of charts, and assign the charts to binders. Later, your work continues in the Tax Accounting System importing preliminary balances, making adjustments, and viewing the working trial balance and reports. Finally, after computing the binder, you finalize the return in Organizer.

The **NAIC Annual Statement Reconciliation** screen allows you to review account detail in NAIC line format. There are also State Taxable Income (TI) Workpapers for insurance binders.

You can also use the Tax Accounting System Schedule M-3 functionality for insurance returns by creating Schedule M-3 Line Coding for 1120L and 1120PC, mapping your federal accounts to a specific Schedule M-3 chart, which then automatically populates the form.



If you use the ONESOURCE Tax Provision software, the tax adjustments and balances data entry functions in TAS makes it more compatible than using the NAIC transfer.

HOW TO SET UP ONESOURCE INCOME TAX FOR INSURANCE RETURNS

- Create a Tax Combination Chart.
- Import TCCs into the new Chart of TCCs.
- Verify TRC and TCC are applicable to 1120L and 1120PC returns.
- Create a Federal Chart of Accounts.
- Create Charts of Adjustments (book, reclassification, and tax) using those Charts of Accounts.
- Assign charts to binders.
- Import balances and adjustments either within an individual binder or using batch import.
- Create a NAIC Line Mapping Chart.
- Rollover or create binders.

- Create State Taxable Income Forms Mapping Charts to map state modifications to state income tax forms and schedules. Four states (New York, Mississippi, Michigan, Oregon) have insurance specific forms to file for insurance companies. These states will use an insurance type of Forms Mapping Chart.

CHART AND ADJUSTMENT INFORMATION

Refer to the following chapters in the *ONESOURCE Income Tax User Guide* for more information on how to set up charts and enter balances and adjustment data.

APPLICATION AREA	TASKS
Federal Charts	Creating and importing into the following types of charts: Chart of Tax Combination Codes with TRCs applicable to 1120L and 1120PC returns Chart of Federal Accounts Chart of Federal Adjustments Schedule M3 Line Coding and Mapping NAIC Line Mapping State Taxable Income Workpaper Forms Mapping Chart for Insurance (New York, Mississippi, Michigan, Oregon, insurance specific)
Tax Accounting System (TAS)	Create binders to hold data for an entity for a year Enter balance and adjustment data View the WTB and reports View NAIC Annual Statement Reconciliation Insurance Workpapers (Data is grouped and used for the tax return.)
State Processing	State Taxable Income Workpaper System

ONESOURCE Income Tax Insurance Functionality

The Tax Accounting System has an **Insurance NAIC Annual Statement Reconciliation** screen for 1120L and 1120PC. The screen displays accounts grouped by the NAIC Annual Statement Lines for the Balance Sheet and Statement of Income. The workpapers are accessible from the TAS navigation tree as **NAIC Annual Statement Reconciliation**. The screen has two tabs, **Balance Sheet** and **Statement of Income** (1120PC) or **Summary of Operations** (1120L) to display the views. The views are expandable to show account and amount detail and are “read only.” You cannot enter data.

NAIC ANNUAL STATEMENT LINE MAPPING CHART

You can use the mapping chart to assign accounts for a federal chart of accounts to the lines of the NAIC Annual Statement. The mapping charts are year specific for a particular federal chart of accounts for either 1120L or 1120PC. The 1120L return type displays Life and Separate Accounts NAIC types; the 1120PC return type displays Property/Casualty, Health, and Title NAIC types.

CREATING AN INSURANCE LINE MAPPING CHART

1. In the Home Window, click **Charts > Federal > NAIC Annual Statement**. This opens the **NAIC Annual Statement Line Mapping** screen.

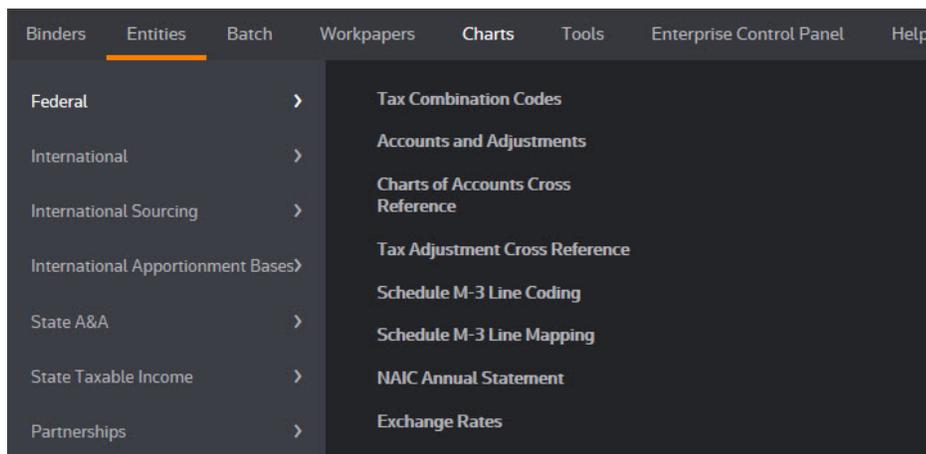


Figure 2:1

2. Select the **Year** from the drop-down list.

3. Select the appropriate **Tax Return/NAIC Type** from the drop-down list:
 - 1120L - Life (default)
 - 1120L - Separate Accounts
 - 1120PC - Property/Casualty
 - 1120PC - Health
 - 1120PC - Title
4. Select the applicable **Chart** of Accounts from the drop-down list. The unmapped federal accounts display in the left pane and the NAIC Annual Statement lines and mapped accounts display in the right pane.

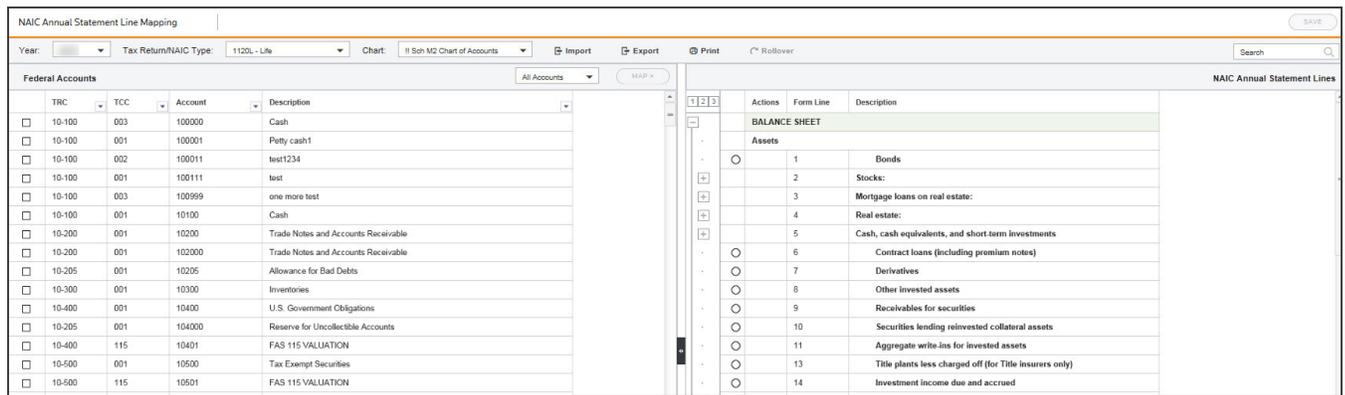


Figure 2:2

5. In the **Accounts** drop-down list, you can choose to view **All Accounts**, **Balance Sheet**, or **Income Statement** accounts. Only accounts which are valid for the tax return type will display.
6. In the **Search** field , enter an account number or description and the system will search and highlight all the instances of the search item in the right (Assigned) pane. If the search item is not found, you will get a message that says *No matches found*.
7. Select the **Federal Account** you wish to map the account to the **NAIC Annual Statement Lines** pane.
8. Select **Add** to map an account, or select **Remove** to remove the mapping.
9. Select **Export** to export a file to use as a template which you can then modify and import.

10. Select **Import** to import a data file. The two fields in the template are:

- NAIC Map Code
- Account Number

TAX ACCOUNTING SYSTEM WITH INSURANCE

In 1120L and 1120PC binders, the Tax Accounting System (TAS) navigation tree has additional screens, the **NAIC Annual Statement Reconciliation** and **Insurance Workpapers**.

NAIC Annual Statement Reconciliation

The views on this screen are sorted by the NAIC Annual Statement lines and display accounts according to the mapping chart you created in the **Charts** menu. Amounts display normal balances to be consistent with the NAIC Annual presentation.

BALANCE SHEET

NAIC Annual Statement Lines/Accounts		TRC	TCC	Preliminary Book Balance	Book Adjustments
ASSETS					
1	Bonds				
2	Stocks:				
3	Mortgage loans on real estate:				
4	Real estate:				
5	Cash, cash equivalents, and short-term investments				

Figure 2:3

SUMMARY OF OPERATIONS

NAIC Annual Statement Reconciliation						PROPERTIES
BALANCE SHEET		SUMMARY OF OPERATIONS				
NAIC Type: Life		Export	Print	Settings		
1 2	NAIC Annual Statement Lines/Accounts	TRC	TCC	Preliminary Book Balance	Book Adjustments	
1	Premiums and annuity considerations for life and accident and health contracts					
2	Considerations for supplementary contracts with life contingencies					
+	3 Net investment income					
4	Amortization of Interest Maintenance Reserve					
5	Separate Accounts net gain from operations excluding unrealized gains or losses					
6	Commissions and expense allowances on reinsurance ceded					
7	Reserve adjustments on reinsurance ceded					
+	8 Miscellaneous Income:					
9	Totals (Lines 1 to 8.3)					
10	Death benefits					
11	Matured endowments (excluding guaranteed annual pure endowments)					

Figure 2:4

On the workpaper, you can select the **NAIC Type** from the drop-down list.

Items with balances

Show / hide columns:

<input checked="" type="checkbox"/> TRC	<input checked="" type="checkbox"/> TCC
<input checked="" type="checkbox"/> Preliminary Book Balance	<input checked="" type="checkbox"/> Book Adjustments
<input checked="" type="checkbox"/> Adjusted Book Balance	<input checked="" type="checkbox"/> Tax Reclass
<input checked="" type="checkbox"/> Balance After Tax Reclass	<input checked="" type="checkbox"/> Tax Adjustment
<input checked="" type="checkbox"/> Historical Tax Adjustments	<input checked="" type="checkbox"/> Adjusted Tax Balance

Figure 2:5

Select the gear icon to change what you see on the NAIC Annual Statement Reconciliation.

NAIC Annual Statement Line Mapping Chart

TRC	TCC	Account	Description
10-100	003	100000	Cash
10-100	001	100001	Petty cash1
10-100	002	100011	test1234
10-100	001	100111	test
10-100	003	100999	one more test
10-100	001	10100	Cash
10-200	001	10200	Trade Notes and Accounts Receivable
10-200	001	102000	Trade Notes and Accounts Receivable
10-205	001	10205	Allowance for Bad Debts
10-300	001	10300	Inventories
10-400	001	10400	U.S. Government Obligations
10-205	001	104000	Reserve for Uncollectible Accounts
10-400	115	10401	FAS 115 VALUATION
10-500	001	10500	Tax Exempt Securities
10-500	115	10501	FAS 115 VALUATION

Actions	Form Line	Description
BALANCE SHEET		
Assets		
○	1	Bonds
○	2	Stocks:
○	3	Mortgage loans on real estate:
○	4	Real estate:
○	5	Cash, cash equivalents, and short-term investments
○	6	Contract loans (including premium notes)
○	7	Derivatives
○	8	Other invested assets
○	9	Receivables for securities
○	10	Securities lending reinvested collateral assets
○	11	Aggregate write-ins for invested assets
○	13	Title plants less charged off (for Title Insurers only)
○	14	Investment Income due and accrued

Figure 2:6

You can rollover the chart either individually or by using the **Batch Chart Rollover** feature.

TAX ACCOUNTING SYSTEM MENU TREE WITH INSURANCE

In 1120L and 1120PC binders, you can see the screens on the Tax Accounting System navigation tree on the **NAIC Annual Statement Reconciliation** and **Insurance Workpapers** screens.

The 1120PC Tax Accounting System 1120PC navigation menu is similar to the 1120L, with an additional item for Schedule M-2, and it does not include Insurance Workpapers.

NAIC Annual Statement Reconciliation Screen

The views on this screen are sorted by the NAIC Annual Statement lines and display accounts according to the mapping chart you created in the Home Window. Amounts display normal balances to be consistent with the NAIC Annual presentation. On the workpaper, you can select the **NAIC Type** from the drop-down list.

You can rollover the chart either individually or by using the batch chart rollover feature.

OPENING THE NAIC ANNUAL STATEMENT RECONCILIATION

1. Open a binder.
2. On the TAS navigation tree, select **NAIC Annual Statement Reconciliation**.

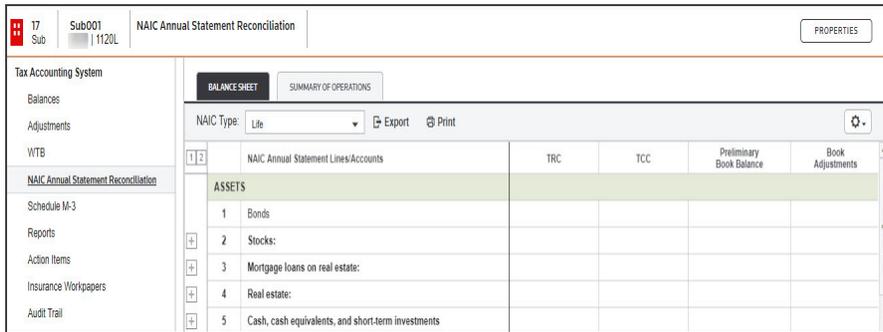


Figure 2:7

3. Select the **NAIC Type** from the drop-down list.
4. Click **Export** to save this information to a spreadsheet file.
5. Click **Print** to print a copy. The print default settings are landscape and letter sized paper.

Action Items

Action Items in TAS in addition to items generated for other tax return types also generate items for the following:

- **NAIC Annual Statement Map** identifies and lists accounts in the binder that have data but have not been mapped in the NAIC Annual Statement Map chart.
- A **Data Input Review** item informs you whenever **total assets** do not equal **total liabilities, surplus, and other funds** on the NAIC Annual Statement Reconciliation. The comparison is for the Adjusted Book Balances.

These action item messages are created whenever one account has been mapped for the tax return type, **NAIC type**, and the federal chart of accounts is assigned to the binder.

WORKING TRIAL BALANCE (WTB) AND INSURANCE

The Working Trial Balance screen for 1120L looks like this:

	Prior Year Preliminary Book Balance	Preliminary Book Balance	Book Adjustments	Adjusted Book Balance	Tax Reclass	Balance After Tax Reclass	Prior Year Balance After Tax Reclass
1 Gross Premiums, etc. less return premiums, etc		-19,868,247		-19,868,247		-19,868,247	
2 Net decrease, if any, in reserves		-18,500		-18,500		-18,500	
3 10% of any decrease in reserves under section 807							
4 Investment income (Schedule B, line 8)		-10,203,500		-10,203,500		-10,203,500	
5 Net capital gain (Schedule D)		-101,642		-101,642		-101,642	
6 Income from a special loss discount account (Form 8816)							
7 Other income							
8 Life insurance company gross income		-30,191,889		-30,191,889		-30,191,889	
9 Death benefits, etc.		9,260,133		9,260,133		9,260,133	
10 Net increase, if any, in reserves		7,425,217		7,425,217		7,425,217	
11 10% of any increase in reserves under section 807							
12 Deductible policyholder dividends		1,118,835		1,118,835		1,118,835	
13 Assumption by another person of liabilities under ir							
14 Dividends reimbursable by taxpayer							
15 Interest expense, net		438,423		438,423		438,423	
16 Deductible policy acquisition expenses							
17 Additional deductions (Form 8816)							
18 Other deductions		8,556,549		8,556,549		8,556,549	
19 Add lines 9 through 18		26,799,157		26,799,157		26,799,157	
20 Subtotal, subtract line 19 from line 8		-3,392,732		-3,392,732		-3,392,732	
21a Dividends-received deduction							
21b Operations loss deduction							
21c Total special deductions							
22 Gain or (loss) from operations		-3,392,732		-3,392,732		-3,392,732	

Figure 2:8

The Working Trial Balance screen for 1120PC looks like this:

	Prior Year Preliminary Book Balance	Preliminary Book Balance	Book Adjustments	Adjusted Book Balance	Tax Reclass	Balance After Tax Reclass	Prior Year Balance After Tax Reclass
1 Premiums earned		-300,000,000		-300,000,000		-300,000,000	
2 Dividends							
3a(a) Gross interest							
3a(b) Gross interest- Amortization of premium							
3b(a) Interest exempt under section 103							
3b(b) Interest exempt under section 103- Amortization							
3d Taxable interest							
4 Gross rents							
5 Gross royalties							
6 Capital gains net income (Schedule D)							
7 Net gain or loss from Form 4797, Part II							
8 Certain mutual fire or flood insurance company premi							
9 Income on account of special income and deduction							
10 Income from protection against loss account							
11 Mutual interinsurers or reciprocal underwriters							
12 Income from a special loss discount account							
13 Other income							
14 Gross income		-300,000,000		-300,000,000		-300,000,000	
15 Compensation of Officers							
16 Salaries and Wages (net of credits)							
17 Agency balances and bills receivable - worthless							
18 Rents							
19 Taxes and licenses							
20a Interest							

Figure 2:9

In addition, Columnar WTB is available for insurance binders that have a level of consolidation of **Subgroup**.

TRC CROSS-REFERENCE FORM RESOURCES

Go to the **WTB** screen and expand the view to level 1 to see which TRCs are used for each line of the tax return

Refer to:

- *1120L ONESOURCE Income Tax TRC and Cross-Reference Guide*
- *1120PC ONESOURCE Income Tax TRC and Cross-References Guide*

Refer to the Default Chart of TCCs and select the tax return type from the drop-down list to see a list of the valid TRCs for insurance.

STATE TAXABLE INCOME WORKPAPERS

State Taxable Income Workpapers are available for insurance binders. New York, Mississippi, Michigan, and Oregon have insurance specific forms to file for insurance companies. For these states, a separate State TI Forms Mapping Chart is available for state modifications to the insurance forms and schedules. For other states, you can assign the income type of mapping chart to insurance binders.

To use the State TI Insurance Mapping Chart, set up the jurisdictions as you normally would in the system. Refer to the *State Processing* chapter in the *ONESOURCE Income Tax RS User Guide* for more information.

1120PC Schedule E and F Options

There are two options available to populate *1120-PC Schedule E Premiums Earned and Schedule F Losses Incurred*. You can choose either the **Default** method or the **Alternate** method.

DEFAULT AND ALTERNATE METHOD FOR THE 1120-PC SCHEDULES E AND F

Default: The default method populates the lines in the 1120-PC Schedules E and F using income statement TRCs. See the *ONESOURCE Income Tax TRC Lists and Cross-Reference Forms Guide* on Customer Center for a list of specific TRCs used for each line.

Alternate: The Alternate method uses the Adjusted Tax Balance amounts of liability accounts to populate Schedules E and F. See the *ONESOURCE Income Tax TRC Lists and Cross-Reference Forms Guide* on Customer Center for specific TRCs used for each line.

If you use the Alternate method, check the box to **Check to carry in reserves from Balance Sheet to Schedule E and F**.

NAIC TRANSFER FOR CERTAIN SCHEDULES

You can still transfer certain schedules to supplement imported data even when you use the Tax Accounting System (TAS) to import it. The **NAIC Annual Statement Transfer** screen limits TAS users access to all schedules but does allow access to certain schedules.

If you use TAS, you can import the following schedules:

1120-PC Property & Casualty Annual Statement Schedules

- Loss Reserve Discounting (LRD)
- LRD and Schedule T
- Schedule T

1120-L Life Annual Statement Schedules

- Deferred Acquisition Cost (DAC)
- DAC and Schedule T
- Schedule T

FAILED LIFE INSURANCE DATA ENTRY

We currently do not support transferring data from TAS to Organizer for failed life insurance companies that are converted to 1120PCs for tax return purposes. Use the NAIC method for those returns. Thus, for failed life insurance companies, continue to check the boxes in Organizer on the **Failed Life Conversion** screen to (1) activate the 1120-PC and to (2) deactivate the 1120L form.

TAS CONSOLIDATIONS

TAS consolidations are available for only like-kind groups: 1120L sub-groups, 1120PC sub-groups, or 1120 sub-groups. Consolidations of nonlife and life / non-life groups are completed in the Organizer.

CHAPTER 3: SELECTING THE DATA SOURCE

There are two data sources for your Insurance returns:

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 shows the 'NAIC Annual Statement Transfer' window. On the left, the 'Organizer' pane has 'NAIC Annual Statement Transfer' selected. The main window is divided into two sections: 'DISKETTE INFORMATION' and 'FILING PERIOD INFORMATION'. In the 'DISKETTE INFORMATION' section, 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'. In the 'FILING PERIOD INFORMATION' section, the 'Year' is set to '2018', 'Days in Short Year (Default - Full Year)' is empty, and 'Total Number of Days in Year (Default is 360)' is set to '360'. A 'Transfer' button is highlighted with a red box at the bottom right.

Figure 3:1

 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.

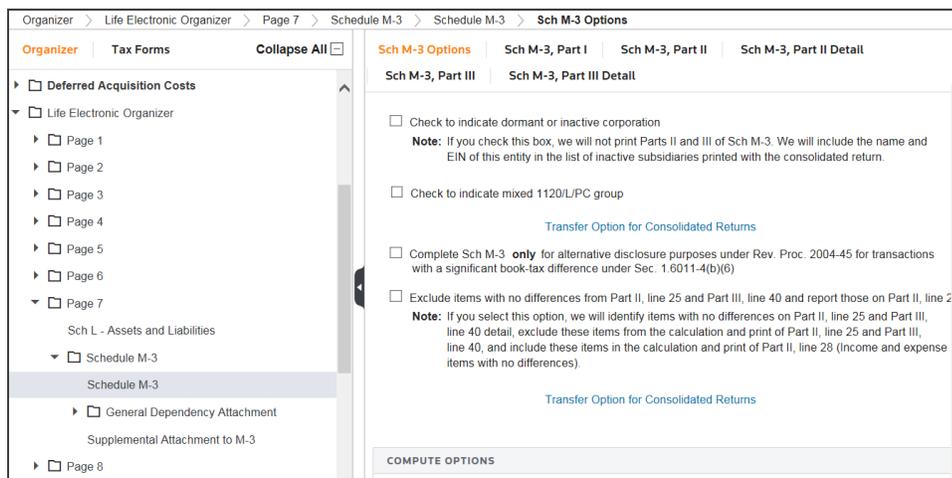


Figure 3:2

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

Figure 3:3

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

	6	Capital gain net income (attach Schedule D (Form 1120)).	6	4,376,232	↓
	7	Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)	7		↓
	8	Certain mutual fire or flood insurance company premiums (section 832(b)(1)(D))	8		↓
	9	Income on account of special income and deduction accounts	9		↓
	10	Income from protection against loss account (see instructions)	10		↓
	11	Mutual interinsurers or reciprocal underwriters - decrease in subscriber accounts	11		↓
	12	Income from a special loss discount account (attach Form 8816).	12		↓
	13	Other income (attach statement)	13	2,358,102	↓
	14	Gross income. Add lines 1 through 13	14	349,666,802	
ctions.)	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	↓
20 a	Interest ▶ <input type="text" value="275,650"/> ↓	b Less tax-exempt interest exp. ▶ <input type="text" value=""/>	c Bal. ▶	275,650	

Figure 3:4

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.....																						
<table border="1"> <thead> <tr> <th>TCC</th> <th>Other Income - TRC 31-900</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> <td> </td> </tr> <tr> <td colspan="3">Total</td> </tr> </tbody> </table>					TCC	Other Income - TRC 31-900	Amount													Total		
TCC	Other Income - TRC 31-900	Amount																				
Total																						

Figure 3:5

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 Return to Annual Statement Reconciliation' section. The interface includes a left-hand navigation pane with a tree view of tax forms, and a main content area with three reconciliation tables: NAIC NET INCOME TO TAXABLE INCOME RECONCILIATION, INVESTMENT INCOME RECONCILIATION, and CAPITAL GAIN (LOSS) RECONCILIATION. The 'Total reclasses per reconciliation' field in the first table 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 3:6

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	4,332,316 ↓
Other Income	<input type="text"/> ↓
Expenses	-4,332,316 ↓
Losses	<input type="text"/> ↓
Special Items	<input type="text"/> ↓
Net Income	<input type="text"/>

Reclasses are in balance.

Figure 3:7

CHAPTER 4: CREATING YOUR RETURN IN ONESOURCE INCOME TAX

Create and set up your insurance return by choosing the proper **return type**, **entity type**, and **data source**. When creating an Insurance Consolidation, the compute, print, and e-file components do not work correctly if these selection are not accurate.

There are two ways to create your return:

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

Step 1: Rollover Return

Rollover the appropriate binder(s).



For rollover information, please refer to the *ONESOURCE Income Tax User Guide*.

Step 2: Choose Return/Entity Type

Review the information found on the **Return/Entity Type** tab after creating or rolling over a return.

1. Binders inherit their return type from the entity under which they are created. To edit an entity's properties, select the entity on the **Entities** screen.
2. Select the **Properties** icon in the **Actions** column.
3. On the **Entity Properties** screen, verify the **Return Type** is correct for an insurance return or consolidation.

Step 3: Enter Federal Tax ID Number

The federal tax ID number (FEIN) is mandatory for all 1120L and 1120PC entities, except for eliminations, subconsolidations, top consolidations, and divisions.

Review the tax ID by going to **Organizer > General Information > Basic Return Information > Entity Information** of the created return. The FEIN for a binder is inherited from the entity.

REQUIREMENTS

- **Parent, Subsidiary, or Single Entity:** The tax ID is *Required* for the individual company.
- **Subgroup Subconsolidation:** Tax ID is *Not Required*.
- **Top Consolidation (topcon):** The Parent tax ID transfers to this level. You should not have to enter it.
- **Eliminations:** Tax ID is *Not Required*.
- **Division:** Tax ID is *Not Required*.
- **Divisional Consolidation:** Tax ID is *Required*.
- **EINs Applied for:** This check box is available on the **General Information** screen.

Step 4: Select the Data Source

Ordinarily, the **Source of Data for Tax Return** will be the Electronic Organizer, whenever charts are assigned to an entity's binder. Otherwise, select the NAIC Annual Statement type.

TAX ACCOUNTING SYSTEM MENU TREE FOR INSURANCE

The Tax Accounting System has two items in the navigation tree that are unique to insurance returns, the **NAIC Annual Statement Reconciliation** and **Insurance Workpapers** (1120L).

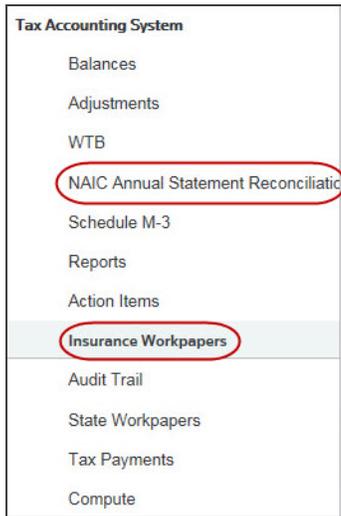


Figure 4:1

NAIC ANNUAL STATEMENT RECONCILIATION SCREEN

The columns on this screen are similar to the **Working Trial Balance** screen.

Select the NAIC type from the drop-down list. The rows display the NAIC Annual Statement lines for the selected NAIC type and the accounts and amounts according to the mapping chart. Amounts display normal balances.

The screenshot shows the "NAIC Annual Statement Reconciliation" screen. The top bar includes "17 Sub", "Sub001", "1120L", and "NAIC Annual Statement Reconciliation". A "PROPERTIES" button is on the right. The left sidebar shows the "Tax Accounting System" menu with "Insurance Workpapers" selected. The main area has tabs for "BALANCE SHEET" and "SUMMARY OF OPERATIONS". Below the tabs, there is a "NAIC Type" dropdown set to "Life", and "Export" and "Print" buttons. The table below has the following structure:

	NAIC Annual Statement Lines/Accounts	TRC	TCC	Preliminary Book Balance	Book Adjustments
ASSETS					
1	Bonds				
2	Stocks:				
3	Mortgage loans on real estate:				
4	Real estate:				
5	Cash, cash equivalents, and short-term investments				

Figure 4:2

Opening the NAIC Annual Statement Reconciliation

1. Open a binder.
2. On the TAS navigation tree, select **NAIC Annual Statement Reconciliation**.
3. Select the **NAIC Type** from the drop-down list.
4. Click **Export** to save this information to a spreadsheet file.
5. Click **Print** to print a copy. The print default settings are landscape and letter sized paper.

Opening Insurance Workpapers

1. From the TAS navigation tree, select **Insurance Workpapers**.
2. Verify that the appropriate schedule is displayed.
3. Verify that the correct amounts for the insurance schedules are displayed.
4. In the **My Binders** list, select the binder, then select **Copy Binder** .
5. Select the options to copy that apply.
6. Click **OK**.
7. In TAS, click **Compute**.
8. Select **Update Organizer** to transfer the insurance information to the Organizer.

Step 5: Set Up Division

Refer to the *ONESOURCE Income Tax User Guide* for more information about divisions.

Step 6: Determine Net Operating Loss

Refer to the *ONESOURCE Income Tax User Guide* for more information about net operating loss.

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 \(page 31\)](#) for more information.

1120L UNIQUE ITEMS

See [Unique Items \(page 32\)](#) 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

The screenshot shows the 'Totals' tab of the 'Direct Business - Gross Premiums' worksheet. The interface includes a navigation bar with tabs for 'Totals', 'Annuity', 'Group Life', and 'Other Life'. Below the navigation bar, the title 'Direct Business - Gross Premiums' is displayed. A note states: 'Note: To manually override, enter amounts with the same signs, positive or negative, as they should appear in the workpapers.' The main area contains a table with the following rows and columns:

	Total
Premiums and other consideration.....	<input type="text"/>
Deposit-type funds.....	<input type="text"/>
Elimination of Non-Specified Insurance	
Contracts & Other Reclasses:	
Pension plan contracts.....	<input type="text"/>

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 Reclases:			
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 §800(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.....	xxxxxxxxxxxxxxxxxxxx	xxxxxxxxxxxxxxxxxxxx	
Other Life.....	xxxxxxxxxxxxxxxxxxxx	xxxxxxxxxxxxxxxxxxxx	

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	2	3	4	5
	Is Insurer Licensed?	Life Insurance Premiums	Annuity Considerations	Accident and Health Premiums	Other Considerations
	(Yes or No)				
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 \(LRD\) \(page 36\)](#) for more information.

Salvage and Subrogation

See [Salvage and Subrogation \(page 46\)](#) for more information.

Failed Life

See [Failed Life \(page 31\)](#) 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 \(page 32\)](#) 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.

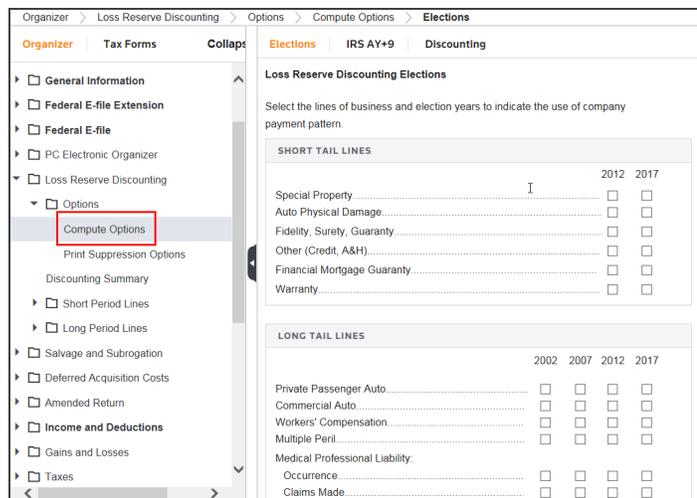


Figure 6:1

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

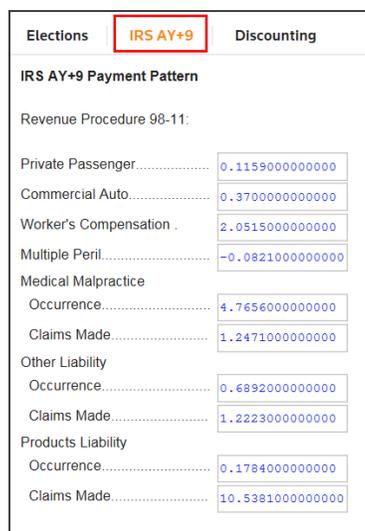


Figure 6:2

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).

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

Loss Reserve Discounting Options

DISCOUNTING RESERVES

- 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))
- 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

Global | Short Period | Long Period

Global LRD Print Suppression Options

SUPPRESS SUMMARY AND DETAIL

- 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:

2003	%	2007	%	2011	%	2015	%
2000	%	2004	%	2008	%	2012	%
2001	%	2005	%	2009	%	2013	%
2002	%	2006	%	2010	%	2014	%

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: _____ 1

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 Guarranty.....			
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.

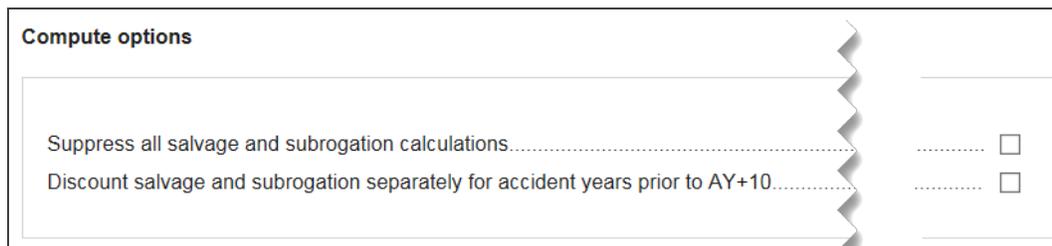
Two methods apply when discounting the S&S area:

- **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.

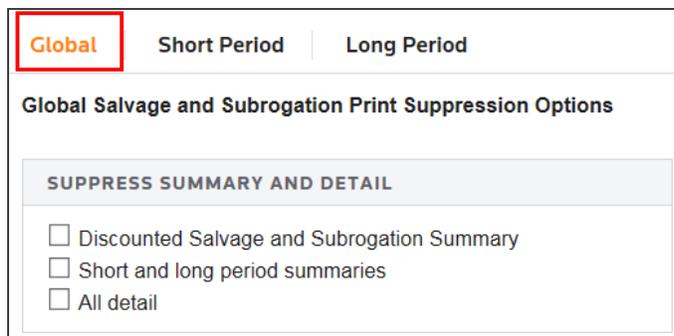


The screenshot shows a window titled "Compute options". It contains two lines of text, each followed by a checkbox:

- Suppress all salvage and subrogation calculations.....
- Discount salvage and subrogation separately for accident years prior to AY+10.....

Figure 6:11

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



The screenshot shows a window with three tabs: "Global", "Short Period", and "Long Period". The "Global" tab is selected and highlighted with a red box. Below the tabs is the title "Global Salvage and Subrogation Print Suppression Options". Underneath is a section titled "SUPPRESS SUMMARY AND DETAIL" containing three checkboxes:

- Discounted Salvage and Subrogation Summary
- Short and long period summaries
- 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: 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 7:1

- **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 7:2

- **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 7:3

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

Figure 7:4

- **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 Transfer to Members
Fiscal year ending.....	MM/DD/YYYY

Figure 7:5

- **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 7:6

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 'Basic Options' tab within the tax application. The left sidebar shows a navigation menu with 'Return and Print Options' highlighted. The main content area is divided into several sections:

- CLIENT INFORMATION:** Client Code: Madhu_Insu
- CLIENT NOTES:** (Empty text box)
- NUMBER OF COPIES:** Total number of federal returns to be printed: [input field]; Total number of state returns to be printed: [input field]
- 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
- ATTACHMENTS:** Statement number printing on the forms: Print Suppress; Entire "See Statement" text printing on the forms: Print Suppress; All white paper statements with the tax return: Print Suppress; Statement numbers printing on the white paper statements: Print Suppress; Selected federal forms attached to the state returns: Print Suppress
- NON-TAX FORM OPTIONS:** Print Tax return cover sheet: Print Suppress

Figure 7:7

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

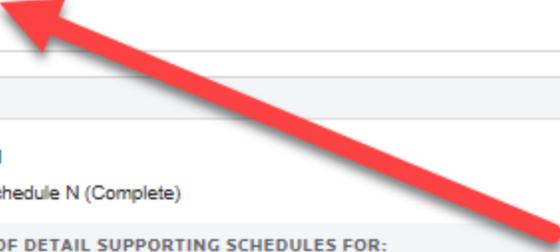
Basic Options	Pg 1-5 Options	Tax Form Options	E-file Options	Accrual Options						
SCHEDULE D										
<input type="checkbox"/> Carry Capital Loss to Page 1 (Applies to taxable entity types only, i.e Single or Top Consolidated) <input type="checkbox"/> Automatically prorate capital gains and losses 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 7:8

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 style="border: 1px solid gray; padding: 2px;"> PRINT SEQUENCE <input checked="" type="radio"/> Print in proper sequence <input type="radio"/> Print out of IRS sequence </td> <td style="padding: 2px;"> <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																												
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<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 7:9

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 7:10

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 7:11

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

OMB No. 1545-0123

▶ Attach to Form 1120-PC.
▶ Go to www.irs.gov/Form1120PC for instructions and the latest information.

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: Beginn 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 7:12

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 7:13

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 7:14

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 7:15

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"/>
Schedule N Reconciliation prints unless suppressed under General Information 1120-L Options Print Options.			

Figure 7:16

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										
Income Tax Return Summary Worksheet										
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			415,789				
2 Supplementary contracts with life contingencies.....	60,245		60,245			60,245				
3 Net investment income.....	10,000		10,000			10,000				
4 Amortization of interest maintenance reserve.....	1,254		1,254			1,254				
5 Separate accounts net gain from operations, excluding unreal.....	1,900		1,900			1,900				
6 Commissions and expenses on reins.....	2,800		2,800			2,800				
7 Reserve adjustment on reins. ceded.....	1,700		1,700			1,700				
8 Miscellaneous income:										
8.1 Income from fees associated with investment management.....	1,600		1,600			1,600				
8.2 Charges and fees for deposit-type.....	3,500		3,500			3,500				
8.3 Aggregated write-ins misc income.....										
9 Total (Items 1 to 8.3).....	498,788		498,788			498,788				
10 Death benefits.....	124,563		124,563			124,563				
11 Matured endowments.....	99,658		99,658			99,658				
12 Annuity benefits.....	10,000		10,000			10,000				
13 Benefits - disability, A H policies.....	4,000		4,000			4,000				
14 Coupons, endowments and similar..... benefits.....	1,000		1,000			1,000				
15 Surrender benefits/fund withdrawals.....	54,782		54,782			54,782				

Figure 7:17

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 7:18

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 7:19

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 7:20

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 7:21

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.

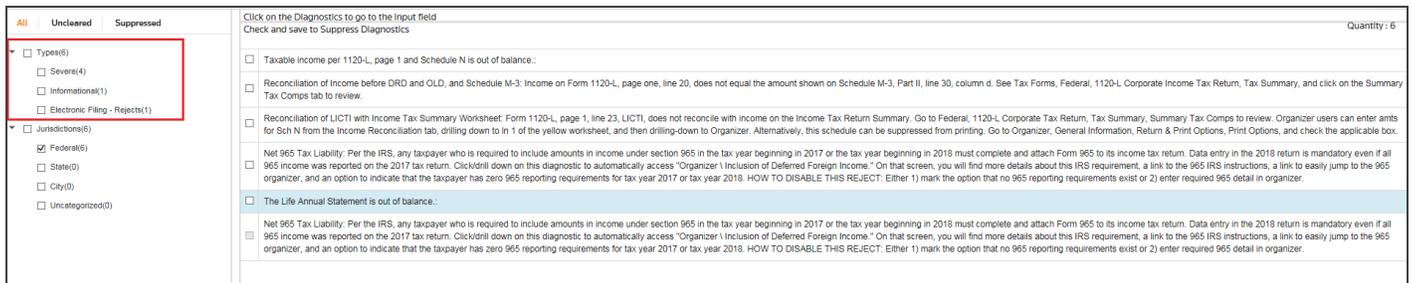


Figure 7:22

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 8: 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	<input type="checkbox"/>	1120-L	Single	N/A	Transfer
3	ALLOCATION & APPORTIONMENT	<input type="checkbox"/>	N/A	N/A	N/A	
4	ALABAMA	<input type="checkbox"/>	1120	Single		
5	ALASKA	<input type="checkbox"/>	1120	Single		
6	ARIZONA	<input type="checkbox"/>	1120	Single		
7	ARKANSAS	<input type="checkbox"/>	1120	Single		
8	CALIFORNIA	<input type="checkbox"/>	1120	Single		
9	COLORADO	<input type="checkbox"/>	1120	Single		
10	CONNECTICUT	<input checked="" type="checkbox"/>	1120	Single		
11	DELAWARE	<input type="checkbox"/>	1120	N/A		
13	DISTRICT OF COLUMBIA	<input type="checkbox"/>	1120S	Single		
14	FLORIDA	<input type="checkbox"/>	1120	Single		
15	GEORGIA	<input type="checkbox"/>	1120	Single	(None selected)	
16	HAWAII	<input type="checkbox"/>	1120	Single		
17	IDAHO	<input type="checkbox"/>	1120	Single		
18	ILLINOIS	<input type="checkbox"/>	1120	Single		
19	INDIANA	<input type="checkbox"/>	1120	Single		
21	IOWA	<input type="checkbox"/>	1120	Single		
22	KANSAS	<input type="checkbox"/>	1120	Single		

Figure 8:1

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

State Activation				
FAQ Spreadsheet Guide Video Common State Spreadsheets				
	A	C	D	E
1	Activate All States	STATE ACTIVATION/CONSOLIDATION	RETURN TYPE	ENTITY TYPE
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)	120	Top Consolidation
6	ARIZONA	Combine	120	Top Consolidation
7	ARKANSAS	Active	1120	Top Consolidation
8	CALIFORNIA	Active	1120	Top Consolidation
9	COLORADO	Active	1120	Top Consolidation

Figure 8:2



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.

State Activation							
FAQ Spreadsheet Guide Video Common State Spreadsheets							
	A	B	D	E	F	G	H
1	Activate All States	STATE ACTIVATION	RETURN TYPE	ENTITY TYPE	FINANCIAL RETURN	INSURANCE RETURN FORM TYPE	SUPPRESS PROFORMA
2	FEDERAL	<input type="checkbox"/>	1120-L	Single	N/A	Transfer to members	<input type="checkbox"/>
3	ALLOCATION & APPORTIONMENT	<input type="checkbox"/>	N/A	N/A	N/A	(None Selected)	<input type="checkbox"/>
30	MICHIGAN	<input checked="" type="checkbox"/>	1120	Single	(None selected)	Insurance	<input type="checkbox"/>
31	MINNESOTA	<input type="checkbox"/>	1120	Single	N/A	Insurance	<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"/>

Figure 8:3

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** workpaper. 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 shows the 'Workpaper' interface for Florida. The breadcrumb trail is 'Tax Forms > States > Allocation and Apportionment > Detail > Florida > Workpaper:'. The left sidebar, titled 'Organizer', shows a tree view with 'Florida' selected and highlighted in a red box. The main area displays the 'Other Receipts' table with columns for 'Within' and 'Everywhere'. The table has three rows: 'Other Receipts', 'Premiums from Schedule T', and 'Total'. A red arrow points from the 'Florida' box in the sidebar to the 'Total' row in the table.

Other Receipts	Within	Everywhere
Other Receipts.....	<input type="text"/>	<input type="text"/>
Premiums from Schedule T.....	<input type="text"/>	<input type="text"/>
Total.....	<input type="text"/>	<input type="text"/>

Figure 8:4

CHAPTER 9: 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 SRLY NOL 5 382 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.

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						

Figure 9:1

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

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

Figure 9:2

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.

S382 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 (topcon) and LNL top consolidation.

Navigation: Organizer > Carryovers, Footnotes, and Invoicing > Carryovers > Carryover Detail > Regular NOL > S 382 NOL tab.

SECTION 382 NOL				
Year Ending (Override)	Original NOL	Carryover to	Limited Amount (Mandatory)	(Override) Amount Utilized in
MM/DD/YYYY		20		20
MM/DD/YYYY				

Figure 9:3

Enter **Carryover NOL** and **Limited Amount (Mandatory)**.

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 9:4

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	Navigate to the override field in the Organizer for each return type: <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		Navigate to the override field in the Organizer for each return type: <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 9:5

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.

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)			

Examples of NOL Utilization

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

Examples of NOL Utilization

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 10: 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.



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
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

1120-L SUBGROUP	
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 is 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.

SubView - 1120PC Locator For Consol

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
 Total on selected return 0

Subview EXPORT REFRESH CLOSE

Figure 10:1

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 10:2

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 Corporatio
 - 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 10:3

CHAPTER 11: 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.

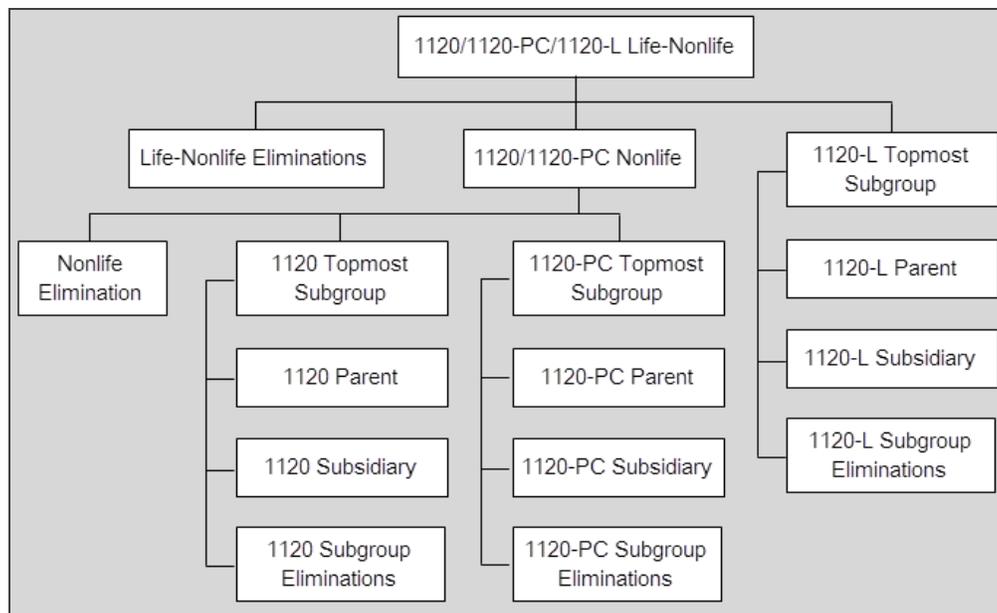


Figure 11:1

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.

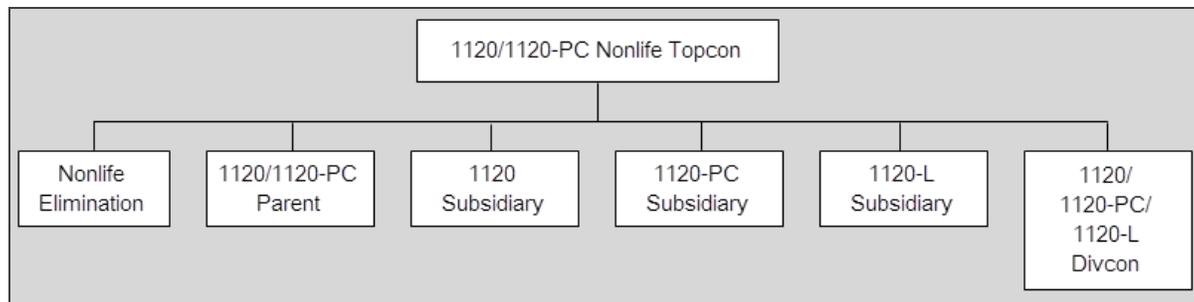


Figure 11:2

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.

CHAPTER 12: PRINTING THE RETURN

PRINT

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

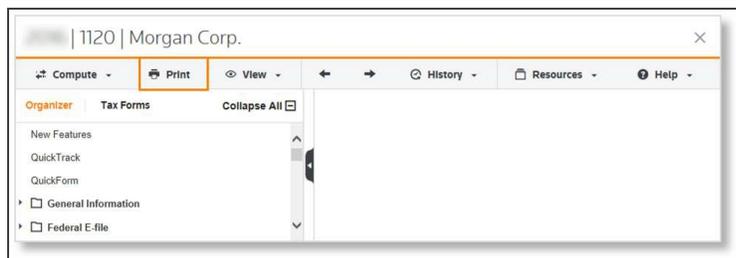


Figure 12:1

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.

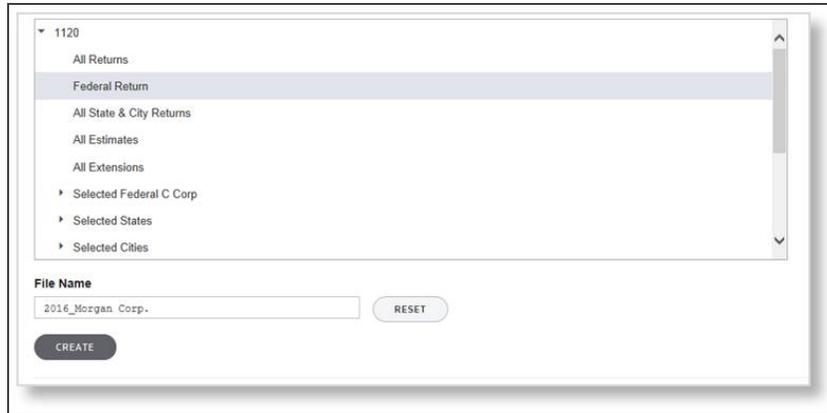


Figure 12:2

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.

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.....	<input type="text"/>
Total number of state returns to be printed.....	<input type="text"/>

EVERY PAGE PRINT OPTIONS	
Corporation Name and Federal EIN.....	<input checked="" type="radio"/> Print <input type="radio"/> Suppress
Locator number and Account number.....	<input checked="" type="radio"/> Print <input type="radio"/> Suppress
Version number.....	<input checked="" type="radio"/> Print <input type="radio"/> Suppress
Date.....	<input checked="" type="radio"/> Print <input type="radio"/> Suppress
Time.....	<input checked="" type="radio"/> Print <input type="radio"/> Suppress
Page number.....	<input checked="" type="radio"/> Print <input type="radio"/> Suppress
Client Code.....	<input checked="" type="radio"/> Print <input type="radio"/> Suppress

Figure 12:4

- 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 12:5

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 a software interface with five tabs: 'Basic Options', 'Pg 1-6 Options', 'Tax Form Options', 'E-file Options', and 'Accrual Options'. The 'Tax Form Options' tab is selected and highlighted with a red box. Below the tabs, there are three sections: 'SCHEDULE D', 'SCHEDULE M-1', and 'SCHEDULE M-3'. Under 'SCHEDULE D', there are two 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 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' with a red arrow pointing to it.

Figure 12:6

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.

CHAPTER 13: INTERNATIONAL INSURANCE RETURNS

USING FOREIGN TAX CREDIT DATA ENTRY SCREENS IN AN 1120L OR 1120PC BINDER TO POPULATE FORM 1118

An insurance binder (return type of 1120L or 1120PC) with an international filing type of Foreign Tax Credit can be included in the international calculations (TIBS, FTC and Schedule A&H, and Transfer to US1118).

Currently, all binders with an international filing type of Foreign Entity must have a return type of 1120 to be included in the international calculations (E&P, Look-Thru, Subpart F, and Transfer to US5471). The international filing type (*None*, *Foreign Tax Credit*, or *Foreign Entity*) is assigned at the entity level and inherited by the binders for that entity. Selecting *Foreign Tax Credit* or *Foreign Entity* for a binder is permanent.

Viewing the International Filing Type for an Entity

1. On the **My Binders** screen, select the binder.
2. Select **Properties** and then the **General** tab.

Creating the Top Consolidation Binder

The top consolidation binder should have an international filing type of Foreign Tax Credit and a return type of 1120 rather than 1120L or 1120PC. However, any mix of these binder return types is allowed on the **Domestic** and **International Members** tabs of the top consolidation binder for international calculation purposes.

Reviewing the Members

1. Select a top consolidation binder.
2. Select **Properties** and then click the **Members** tab.

Valid Entity Types in International Calculations

The following entity types are allowed for international calculations:

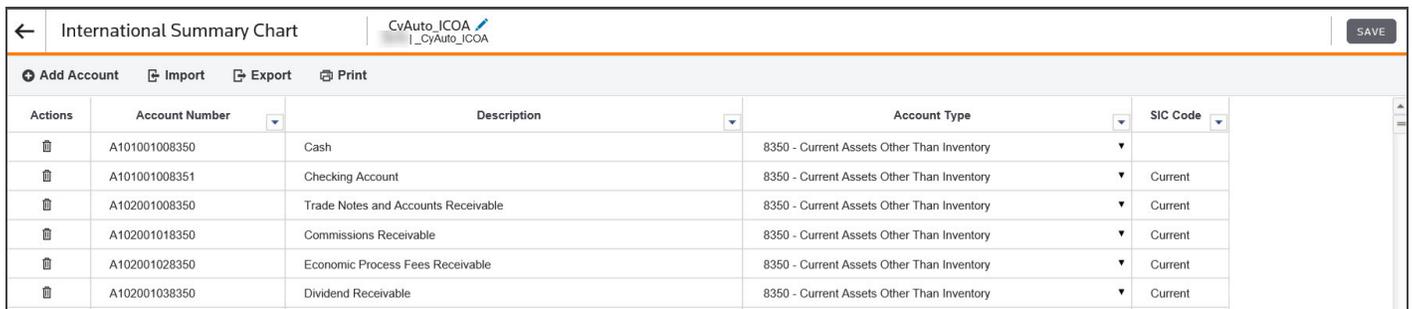
Parent	Division (used in div con members)
Subsidiary	Elimination
Div Con (used in top consolidation members)	Corporate single entity

A subconsolidation entity is not valid for international calculations. If a subconsolidation entity is used on the **Domestic Members** screen, the subsidiaries of the subconsolidation should be used on the **International Members** screen for inclusion in the international calculations.

For the valid entity types, when the Foreign Tax Credit binder is added to the **Domestic Members** screen, the binder is automatically inherited by the **International Members** screen for inclusion in the international calculations.

INTERNATIONAL SUMMARY CHART OF ACCOUNTS

The **International Summary Chart** summarizes the earnings and profit to reduce the amount of data that must be sourced in each entity. The accounts and descriptions listed in the chart define the rows on the sourcing workpaper in the binder. Each user-defined account has a system-defined four-digit account type assigned that is used for international calculations only. An example of this chart is shown below.



Actions	Account Number	Description	Account Type	SIC Code
🗑️	A101001008350	Cash	8350 - Current Assets Other Than Inventory	
🗑️	A101001008351	Checking Account	8350 - Current Assets Other Than Inventory	Current
🗑️	A102001008350	Trade Notes and Accounts Receivable	8350 - Current Assets Other Than Inventory	Current
🗑️	A102001018350	Commissions Receivable	8350 - Current Assets Other Than Inventory	Current
🗑️	A102001028350	Economic Process Fees Receivable	8350 - Current Assets Other Than Inventory	Current
🗑️	A102001038350	Dividend Receivable	8350 - Current Assets Other Than Inventory	Current

Figure 13:1

The Federal Chart of Accounts must be cross-referenced to the International Summary Chart in order for amounts to flow to the sourcing workpaper. The **International Cross Reference** screen establishes the relationship between the federal chart and the summary chart.

An example of the Federal to International cross-reference chart is shown below:

International Cross Reference					SAVE	
Year: <input type="text"/> Import Export Rollover Print						
Federal COA: <input type="text"/> Show More MAP >				International COA: <input type="text"/>		
Account Number	Account Description	TRC	TCC	1 2 3 4	Actions	International Account (Federal TRC / TCC / Account)
<input type="checkbox"/>	C384093001150 RRE: Other Income	38-409	300		○	A101001008350 Cash
<input type="checkbox"/>	C384193001150 RRE: Net gain (loss) from disposition of property	38-419	300		←	10-100 Cash
<input type="checkbox"/>	C384203001150 RRE: Net income (loss) from pass-through entities	38-420	300		←	100 Cash
<input type="checkbox"/>	C385093001150 OR: Other Income	38-509	300		←	A101001008350 Cash
<input type="checkbox"/>	D401554000760 COGS: Inventoriable costs paid	40-155	400		○	A101001008351 Checking Account
<input type="checkbox"/>	D402554000153 COPS: Inventoriable costs paid	40-255	400		←	10-100 Cash
<input type="checkbox"/>	D445314005900 Sch K: Other Portfolio Deductions	44-531	400		←	100 Cash
<input type="checkbox"/>	D445314015900 Sch K: Other Portfolio Deductions 1	44-531	401		←	A101001008351 Checking Account
<input type="checkbox"/>	D445314025900 Sch K: Other Portfolio Deductions 2	44-531	402		○	A102001008350 Trade Notes and Accounts Receivable
					←	10-200 Trade Notes and Accounts Receivable
					←	100 Trade Notes and Accounts Receivable

Figure 13:2

Assigning Federal and International Chart of Accounts

Federal and international charts of accounts can be assigned to binders with return types of 1120L and 1120PC and an international filing type of Foreign Tax Credit. These charts are necessary for data entry or import to the FTC sourcing workpaper. Charts are assigned at an individual binder level or to a group of entities through Enterprise Control Panel.

You can view chart assignments by right-clicking the binder and selecting **Properties**:

Report Copy Rollover Delete Read-Only ⓘ Lock Balances ⓘ

GENERAL INFO **CHARTS** STATE A&A WORKPAPERS STATE TI WORKPAPERS PARTNERSHIP HISTORY

Charts

⚠ Once charts have been assigned to existing binders, they cannot be changed.

Tax Combination Codes

Federal Chart of Accounts

International Summary Chart of Accounts

Federal Chart of Book Adjustments

Federal Chart of Reclass Adjustments

Federal Chart of Tax Adjustments

Federal Chart of AMT Adjustments

Federal Chart of ACE Adjustments

Chart of Partnership K-1 Forms Mapping

Closing and Rounding Options

Update closing and rounding from chart UPDATE

Close books to Retained Earnings Account:

Post rounding difference to Balance Sheet Account:

Round up to the Amount of:

Post Translation Gain/Loss to Retained Earnings Account not used in any other adjustment or preliminary balance:

Suppress calculation of Other Decreases (TRC 62-302) or Other Increases (TRC 62-300), Translation Gain/Loss (TCC 997)

Figure 13:3

DATA ENTRY AND IMPORT INTO FOREIGN TAX CREDIT SCREENS

For 1120L and 1120PC binders, the following **Foreign Tax Credit** data entry screens are available for data entry or import:

- Sourcing Workpaper
- Interest Apportionment Information
- R&D Apportionment Information
- Foreign Income Taxes

Since TAS functionality exists for 1120L and 1120PC binders, tax adjusted amounts flow directly to the FTC Sourcing workpaper trial balance column. For international calculation purposes, the amounts in this column can be overridden manually or by import. Batch and single entity imports have been created for import into the **Sourcing Workpaper Trial Balance Override** screen. Sourcing workpaper trial balance amounts (from either TAS transfer or override), along with any allocation or apportionment, are required for successful international calculations.

The **Sourcing Workpaper Trial Balance Override** template is defined as follows:

Divisional Consolidations

Similar to a binder with a return type of 1120, international information for an insurance divisional consolidation can be entered at the division or divisional consolidation level. Each division of the divisional consolidation should have the same return type and international filing type as the divisional consolidation. Each division may use a different federal chart of accounts but must use the same international chart of accounts. In this scenario, at the enterprise level, multiple federal charts would be cross-referenced to the same international chart.

TAS preliminary balance and journal entry adjustment amounts are always entered at the divisional level. The amounts then consolidate in the divisional consolidation process.

When sourcing is performed at the division level, sourcing workpaper and other international data is imported or entered in the division binders on data entry screens located beneath the **Foreign Tax Credit** folder. This international data then consolidates in the divisional consolidation process.

When sourcing is done at the divisional consolidation level, all data entry or imports on data entry screens located beneath the **Foreign Tax Credit** folder (including the Sourcing Workpaper Trial Balance Override import) is completed in the consolidated binder.

To set the data entry level, right-click the **Divisional Consolidation Binder Properties**, click the **International** tab, and then check (or uncheck) the box.

PREPARING FORM 1118

The Form 1118s populated by the international calculations are under the **Intl Foreign Tax Credit** and **Intl Foreign Tax Credit - AMT Organizer** folders. Data manually entered or transferred to these international versions of the 1118 will not consolidate at a higher level. These organizers should be used throughout the organization structure if international calculations are used.

TAX CREDIT

When you execute the transfer to the 1118 from the **International Compute** screen, data is transferred to international 1118s in the top consolidation and legal entity binders (that is, Parent, Subsidiary, and Div Con binders with an international filing type of Foreign Tax Credit). The calculated amounts for the Form 1118 can be transferred to the current Top Con binder, or a different Top Con binder. As part of the transfer process, any information currently in the Form 1118 of the transfer destination binder is deleted. Therefore, we recommend that you wait until the last transfer from the international computes is done before you manually enter or override any information in the 1118 Organizer.

The **International Compute** dialog box is depicted below, with the **Transfer To US1118** option selected for a specific Top Con binder.

Status: Compute Ready

Last Compute Time: [blurred]

Auto Compute: Not Enabled for [blurred]

INFO TAS Data has changed. A compute is needed.

Update Organizer with Federal TAS

Update Organizer with State A&A

Update Organizer with State TI TAS

Transfer 8865 K-1

Transfer International

Refresh Entity: "Company Information" and "Fiscal Year and Incorporation"

Refresh historical balances from prior year related binder

Figure 13:4