



Instructions to File Consolidated Returns for Taxable Years Beginning on or after January 1, 2010

(Rev. 09/26/16)

Note: For taxable years beginning on or after January 1, 2005 the law was changed such that consolidated groups that conduct 100% of their business in Georgia and who previously were not required to request permission must now request permission in the same manner as other consolidated groups. However, if such consolidated group requested permission for a taxable year beginning on or after January 1, 2002, they are not required to request permission again.

Regulation 560-7-3-.13 was adopted during 2002 and applies to tax years beginning on or after January 1, 2002. **The instructions below are intended to ensure that returns process correctly and not to provide a comprehensive list of rules about consolidated returns.** Accordingly, you should read Regulation 560-7-3-.13 in addition to these instructions before completing your returns.

Where To File

If you are subject to the e-file requirements, you must electronically file the consolidated group Form 600 and each separate company Form 600. You must attach a copy of the letter granting permission to file consolidated, the payment transfer schedule, and any other required information to the consolidated Form 600.

If you are not subject to the e-file requirements, the consolidated Form 600 (including the letter granting permission to file consolidated, the payment transfer schedule, and any other required information) and each separate Form 600 must be mailed to the following address:

**Georgia Department of Revenue
PO Box 740397
Atlanta, GA 30374-0397**

Designation of Member

As is mentioned on the Form IT-CONSOL, if the parent corporation is not included in the Georgia Group, please choose a corporation in the Georgia Group to act as the designated member. Please use the same corporation that you chose on the Form IT-CONSOL.

Preparation of the Separate Company Form 600.

- (a) Each corporation within the Georgia consolidated group, including the parent corporation (or designated member), will prepare a separate company Georgia Form 600. The corporation will indicate its name, federal identification number, address, etc., in the heading and mark the "GA Consolidated Subsidiary" box on the return (the parent should also mark this box on its separate

company return). This means that *two* returns will be prepared that have the parent's (designated member's) name and federal identification number. One for the parent's (designated member's) separate company income and one for the consolidated group income and parent's networth.

- (b) Each corporation will begin on Line 1 of Schedule 1 with its separate company federal taxable income or loss. It should make the appropriate additions to or subtractions from taxable income on Lines 2 and 4. In computing the separate company federal taxable income, capital losses of one entity **cannot** offset capital gains of another entity. Furthermore, any computations which involve limitations, such as charitable contributions, must be treated on a separate company basis.
- (c) Each corporation will complete Schedule 6 and Schedule 7 to determine the amount of separate company Georgia taxable income or loss. Effective for tax years beginning on or after January 1, 2008, Georgia has a 100% sales factor.
- (d) If the corporation has a Georgia separate return limitation year loss, or "GSRLY", that loss will be reflected on Line 8 of Schedule 7.
- (e) The separate company income or loss must then be reflected on Line 7 of Schedule 1. This would be the amount from Line 9 of Schedule 7.
- (f) On Line 8 of Schedule 1, enter an amount of zero in the box where the income tax amount is usually entered. It can also be left blank. Enter the Parent's (designated member's) FEIN number on the first page of Form 600.
- (g) Corporations that file a consolidated Georgia income tax return are required to report and pay the net worth tax on a separate company basis. Accordingly, each corporation must complete Schedule 2 on the separate company Form 600. For tax years 2010 and later, the parent (designated member) now reports its net worth on the consolidated Group Form 600. Please do not complete Schedules 2, 3 and 8 on the parent's (designated member's) separate return.
- (h) Credits must be calculated on a separate company basis. Georgia credit forms must be attached to each separate company Form 600, and Schedule 9 of the separate company Form 600 must be completed if the corporation has tax credits. However, Line 3 of Schedule 3 should not be filled in.

Additionally, a schedule must be attached indicating the amount of the credit allowed for each separate company after considering limitations based on a percentage of state income tax liability.

For credit limitation purposes, net operating loss carryovers must be accounted for on a separate company basis. For example: A consolidated group consists of two corporations, Corporation A and Corporation B. In 2010, Corporation A has a separate company apportioned taxable income of \$5,000. Corporation B has a separate company apportioned taxable loss of \$6,000. The consolidated group's taxable loss is \$1,000. The consolidated group elects to carryforward the loss to 2011.

In 2011, Corporation B will be treated, for credit limitation purposes, as having a \$6,000 net operating loss carryover which must be applied to its income before applying the percentage limitations.

- (i) The net worth tax portions of Column B and Column C on Schedule 3 of each separate company Form 600 must be completed (except for the parent's (designated member's separate return)). The amount listed on Line 2, Column C of Schedule 3 must be the amount allocated to the corporation as listed on the payment transfer schedule (see below).

Preparation of the Consolidated Group Form 600

- (a) For each consolidated group, a consolidated group Form 600 must be completed. The parent corporation's (designated member's) name, federal identification number, address, etc., must be listed on the consolidated group Form 600. Additionally, the "Consolidated GA Parent Return" box on the return must be checked. The "GA Consolidated Subsidiary" box will thus remain *unchecked*.
- (b) Lines 1 through 4 of Schedule 1 of the consolidated group Form 600 must be left blank. Additionally, Schedule 4, Schedule 5, Schedule 6, and Schedule 7 of the consolidated group Form 600 must not be completed.
- (c) The separate company income or loss of each corporation in the Georgia consolidated group, (thus after apportionment, if the company qualifies to apportion their income) as reflected on the separate company Form 600 (Line 7 of Schedule 1), must be consolidated (totaled) on the consolidated group Form 600 and reflected on Line 5 of Schedule 1. A schedule **must** be attached to the consolidated group Form 600 which must contain the name, federal identification number, and separate company income or loss for each corporation. Intercompany expenses/payments are *not* eliminated.
- (d) Any consolidated Georgia net operating loss must be deducted on Line 6 of Schedule 1 to arrive at the consolidated group's Georgia taxable income or loss on Line 7 of Schedule 1, and the consolidated group's income tax, if appropriate, on Line 8 of Schedule 1.
- (e) The net worth tax for the parent corporation (designated member) is now computed on the consolidated group Form 600.
- (f) Columns A, B, and C on Schedule 3 of the consolidated group Form 600 must be completed. The amount listed on Line 2, Column C of Schedule 3 must be the amount allocated to the corporation as listed on the payment transfer schedule (see below).
- (g) The amount allowed for each separate company should be entered on schedule 9.

Attachments

- (a) A pro forma federal return (computed on a separate company basis) must be attached to each separate company return.
- (b) **Page 1 and 5 of the federal consolidated return, and all schedules which support page 1 and 5, must be attached to the consolidated group Form 600.**
- (c) The approval letter must be attached to the front of the consolidated group Form 600. In years subsequent to the approval year, the approval letter for the year of approval must be attached to the front of the consolidated group Form 600. Any consolidated return filed without the required approval from the Department will be rejected and separate returns will be required to be filed.

Preparation of the Payment Transfer Schedule

A payment transfer schedule **must** be attached to each separate company Form 600 and to the consolidated group's Form 600. The first part of the payment transfer schedule must show the name, federal identification number, and amount paid by each corporation. The second part of the payment transfer schedule must show the name, federal identification number, and amount of payment that is to be allocated to each corporation.

Example of the Payment Transfer Schedule

Corporations making payments:

| | |
|---|-----------------|
| Parent Corp. (designated member) 58-0000000 | \$10,000 |
| Subsidiary Corp. 58-1111111 | <u>\$ 5,000</u> |
| Total payments | \$15,000 |

Allocation of payments:

| | |
|---|---------------|
| Parent Corp. (designated member) consolidated group return 58-0000000 | \$14,500 |
| Subsidiary Corp. 58-1111111 | <u>\$ 500</u> |
| Total allocation of payments | \$15,000 |

Additional questions

If you have additional questions concerning these instructions, please call (404) 417-2409.