

Federal Corporate Income Tax Payments

Overview of Potential
Reconciliation Process



USEITI and Corporate Tax Payments

- Three basic steps needed to design a potential reconciliation process for corporate tax payments:
 - Step 1 = Formats for reporting to IA
 - Template & instructions for use by corporate taxpayers (e.g., the mechanics how the reporting would work)
 - Step 2 = Permission for IRS reporting to IA
 - Vehicle for release of company data by IRS to IA
 - Step 3 = Format for external IA reporting
 - Level of company aggregation



USEITI and Corporate Tax Payments

- Federal corporate income tax payments (refunds) could be reconciled as part of the USEITI
 - This would include payments made to the IRS or refunds paid to the taxpayer during an accounting period (i.e., the “wire transfers” between the parties)
 - Payments (refunds) could be accounted for in the accounting period they were made.
 - For example, a tax refund applied to next year’s tax liability would not be counted as a payment. The corporation’s earlier tax payments, which resulted in the refund, would have already been accounted for.
- Payments (refunds) of corporate tax payments can be identified in the IRS accounting system by various accounting codes.



Examples of Accounting Codes

IRS Transaction Code	Description
610	Credits the tax module with a payment received with the return, including payment with voucher.
640	Credits the tax module with an advance payment of a determined deficiency.
840	Designates a manual refund was issued prior to or after a return has posted.
846	Debits the tax module for the amount of overpaid tax (plus applicable interest) to be refunded to the taxpayer.



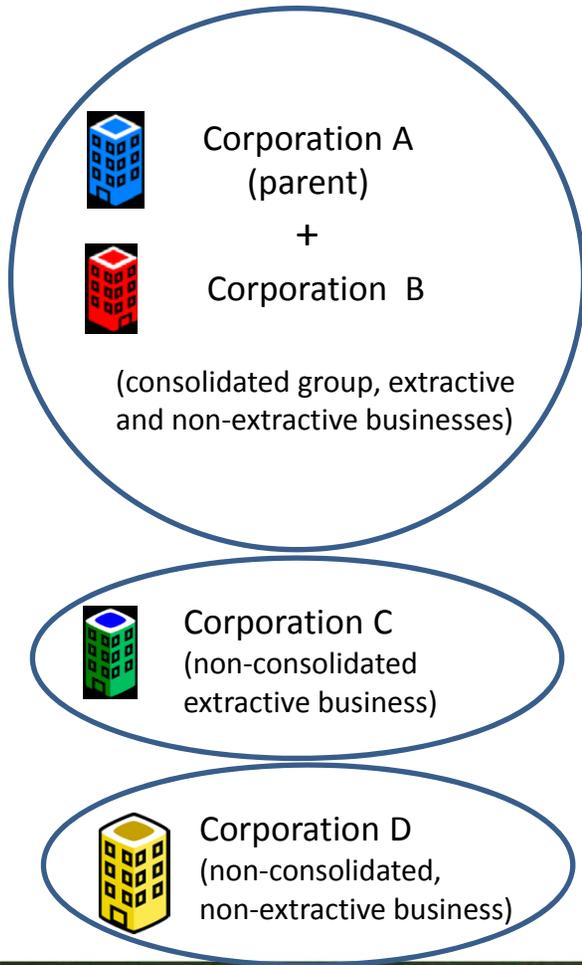
Reconciliation of Tax Payment Information

- Tax consolidation is governed by IRC Section 1501, under which affiliated groups may, and almost always do, elect to file a single consolidated return. Affiliated groups may consist of corporations that are related through ownership of at least 80%. Only domestic corporations may be included in the affiliated group. Corporations owned less than 80% are excluded completely from the consolidated return and file their own separate returns.
 - Tax payment information sent to the reconciler would be based on:
 - A company's consolidated tax return and...
 - Any tax returns for stand alone extraction based subsidiaries.

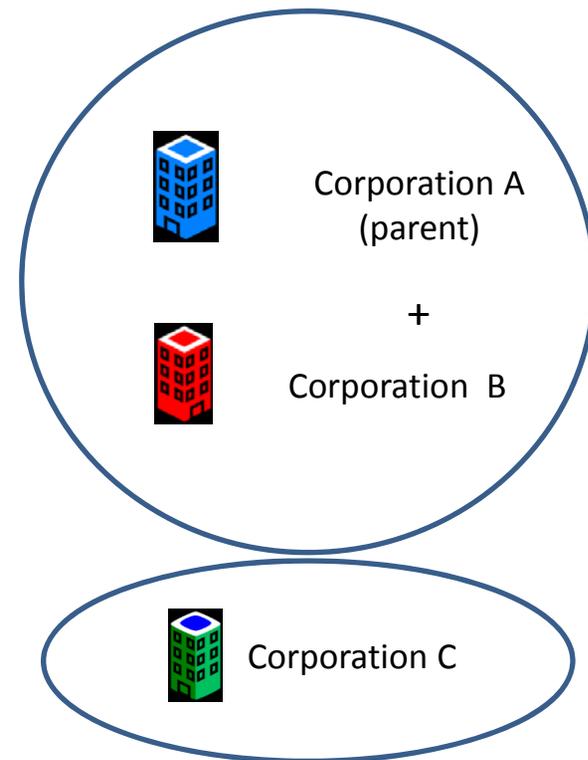


Simple Example of Tax Payment Reconciliation

Three corporate tax payers for federal income tax reporting



Tax payment information sent to the reconciler



Path Forward

- For Step 1: Reach final agreement on all the IRS accounting codes associated with corporate tax payments and continue working out details of potential disclosure process.
- For Step 2: The MSG will need to reach a consensus on whether corporate tax payments as outlined above should be included in the reconciliation process as well as finalize the disclosure process.
- For Step 3: The MSG will need to determine how tax payment information will be reported out by the IA
 - Should the IA report out data by the tax consolidated group or at a different aggregate level like majority ownership?

