

Instructions

Section references are to the Internal Revenue Code.

Purpose of Form

Use Form 851 to:

1. Identify the common parent corporation and each member of the affiliated group;
2. Report the amount of overpayment credits, estimated tax payments, and tax deposits attributable to each corporation; and
3. Determine that each subsidiary corporation qualifies as a member of the affiliated group, as defined in section 1504.

Who Must File

The parent corporation must file Form 851 for itself and for corporations in the affiliated group. File Form 851 by attaching it to the consolidated tax return for the group.

Affiliated Group

The term "affiliated group" means one or more chains of includible corporations connected through stock ownership with a common parent corporation. See sections 1504(a) and (b). The common parent must be an includible corporation and the following requirements must be met:

1. The common parent must own directly stock that represents at least 80% of the total voting power and at least 80% of the total value of the stock of at least one of the other includible corporations.
2. Stock that represents at least 80% of the total voting power, and at least 80% of the total value of the stock of each of the other corporations (except for the common parent) must be owned directly by one or more of the other includible corporations.

Stock. The term "stock" generally does not include any stock that:

1. Is nonvoting,
2. Is nonconvertible,
3. Is limited and preferred as to dividends and does not participate significantly in corporate growth, and
4. Has redemption and liquidation rights that do not exceed the issue price of the stock (except for a reasonable redemption or liquidation premium).

Address

Include the suite, room, or other unit number after the street address. If the Post Office does not deliver mail to the street address and the corporation has a P.O. box, show the box number instead.

Corporation Numbers

When listing information in Parts II, III, and IV, use the same number for the common parent corporation and for each subsidiary corporation as the number listed in Part I, page 1.

Part I

Portion of overpayment credits and estimated tax payments. Enter for the common parent corporation and for each subsidiary corporation the amount of:

- Overpayments of tax from the prior tax year that each corporation elected to credit to the current year's tax and
- Estimated tax payments made by each corporation.

The total must be the same as the amounts entered on the lines for overpayments and estimated tax payments on the consolidated income tax return.

Portion of tax deposited with Form 7004. Enter for the common parent the tax deposited with **Form 7004**, Application for Automatic Extension of Time To File Corporation Income Tax Return, that is attributable to each corporation. The total must be the same as the amount entered on the line "Tax deposited with Form 7004" on the consolidated income tax return.

Part II

Principal Business Activity (PBA) and PBA Code No. Enter the PBA and the PBA code number for the common parent corporation and for each subsidiary corporation. Use the activity for the specific industry group from which the largest percentage of each corporation's total receipts is based.

A list of the PBAs and code numbers is located in the Instructions for Forms 1120 and 1120-A.

Nondividend distributions. Nondividend distributions are any distributions (other than stock dividends and distributions in exchange for stock) made to shareholders during the tax year for which the consolidated tax return is filed that were in excess of the corporation's current and accumulated earnings and profits. See sections 301 and 316 and **Form 5452**, Corporate Report of Nondividend Distributions.

Part IV

Question 1. For purposes of question 1 only, disregard certain preferred stock as described in section 1504(a)(4).

Question 3. The term "arrangement" includes, but is not limited to, phantom stock, stock appreciation rights, an option, warrant, conversion feature, or

similar arrangements. If "Yes" to question 3, complete items 3a through 3d, if applicable.

Item 3a. Show the percentage of the value of the outstanding stock that the person(s) could acquire.

Item 3b. If the arrangement was associated with voting stock, show the percentage of outstanding voting stock that the person(s) could acquire.

Item 3c. If the arrangement was associated with the acquisition of voting power without the acquisition of the related stock, show the percentage of voting power that the person(s) could acquire.

Item 3d. Give a brief description of any arrangement (defined above) by which a person that is not a member of the affiliated group could acquire any stock, or acquire any voting power without acquiring stock, in the corporation.

Paperwork Reduction Act Notice

We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping . . . 11 hr., 28 min.

Learning about the law or the form . . . 1 hr., 12 min.

Preparing and sending the form to the IRS . . . 1 hr., 25 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.

