

ning on the day after the change date as if its books were closed on the change date.

**Consistency Rules**

Unlike the proposed regulations, the final regulations revise the consistency rules for consolidated and controlled groups. The final regulations provide that if an election is made for an ownership change occurring in a consolidated return year, all allocations must be consistent with the election. These consistency rules may well be revised again, as the Service develops its final regulations for applying Section 382 to consolidated groups.

Like the proposed rules, the final regulations do not contain a Section 382 limitation increase rule for cases in which net post-change loss offsets net income, and losses may be netted together without limitation. This approach may be favorable to some taxpayers and unfavorable to others. However, the Service explained in its preamble to the final regulations that a limitation increase rule would add significant complexity.

The final regulations also do not contain special rules regarding the allocation of extraordinary items. However, the preamble to the final regulations suggests that further consideration may be given to the desirability of such rules. ■

## Final Regs. on Section 382 Closing-of-Books Election

by Robert W. Wood • San Francisco

Final regulations have been issued under Section 382 (TD 8546) dealing with the closing-of-books election. The final rules concern allocations of net operating losses (“NOLs”) or taxable income and net capital loss or gain within the tax year in which a loss corporation has an ownership change. The final regulations adopt most of the rules contained in the proposed regulations that were issued in November 1992. As for effective date, the final regulations apply to ownership changes occurring after 6/21/94.

The final regulations permit a loss corporation to elect to allocate NOLs and taxable income and net capital loss or gain between the period ending on the ownership change date and the period begin-

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