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A Washington National Tax Services (WNTS)  
Publication

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## *D.C. issues final combined reporting regulations*

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### *In brief*

The District of Columbia published its final combined reporting regulations on September 14, 2012. The final regulations are substantially similar to the proposed regulations issued on August 31, 2012, with a few changes. For a summary of the proposed regulations, please see our August 31 summary attached to this alert. [[Office of Tax and Revenue, Notice of Final Rulemaking \(9/14/12\)](#)]

### *In detail*

On September 14, 2012, the District of Columbia issued final regulations on combined reporting. The final regulations make the following changes to the regulations that were proposed on August 31, 2012:

- **"Taxable Member" definition clarified.** "Taxable member" means a member of a combined group that has nexus in the District and is therefore subject to tax on its income under chapter 18 of title 47 of the D.C. Official Code. **Sec. 156.6(k).**
- **Passive holding companies.** Language was added to this section related to passive holding companies, requiring entities to be "engaged in a unitary business." Note that this language was originally present when the regulations were first proposed in January 2012, but had been removed in the August version. **Sec. 159.**



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- **Combining entities with different apportionment formulas.** Further guidance was provided, including a specific example related to financial institutions, with respect to entities with different apportionment formulas. The final regulations provide "[e]ach member shall separately compute its District apportionment factor numerators, determine its District apportionment factor based on the group's denominators, and then apply its factors to the group's business income or loss subject to apportionment to arrive at net income or loss apportioned to the District." **Sec. 164.**
  - **Unincorporated business entity / partnership nonbusiness income.** Language was added to address nonbusiness income. The final regulations provide "[i]f the income from the ownership interest in the partnership or UB is non-business income, then that income will be subject to allocation to the combined group member-partner." **Sec. 170.**
  - **Treatment of partnerships that are not unincorporated business entities.** The final regulations provide guidance on the treatment of partnerships that are not unincorporated businesses. **Sec. 170.**
  - **Extended deadlines for combined reports and FAS 109 Schedule.** The final regulations extend the due date for combined returns and the FAS 109 Schedule to October 15, 2012. Both extensions were previously reported in [Notice 2012-07](#) (9/7/12) and [Notice 2012-07](#) (9/5/12), respectively. **Secs 175 and 176.**
  - **Zero returns required.** If an entity filed a District return on a separate reporting basis or on a District consolidated basis for the tax year beginning prior to December 31, 2010, and that entity will now be filing on a combined reporting basis for the tax year beginning after December 31, 2010, that entity (or entities), except for the designated agent, shall file a separate final zero return along with the combined report. **Sec. 176.**

For a summary of the August 31, 2012, proposed regulations please see our summary following this alert. (and also [available here](#)).

## *Let's talk*

If you have questions about the D.C. combined reporting regulations, please contact either of the following individuals:

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