

Controlled Group

Generally, a controlled group is a chain of corporations connected through stock ownership.

Controlled group members must apportion (share) the \$50,000, \$25,000, and \$9,925,000 taxable income brackets among themselves. If they do not adopt an apportionment plan, they must divide the amount in each taxable income bracket equally.

There are four types of controlled groups:

1. Parent-Subsidiary Controlled Group

A group where:

- (a) At least 80% of the voting power of each corporation in the group (except the parent) is owned by one or more of the other corporation in the group.
- (b) The parent owns at least 80% of at least one of the other corporations in the group.

2. Brother-Sister Controlled Group

Two or more corporations where five or fewer persons (individuals, estates or trusts) own:

- (a) at least 80% of the total combined voting power (or total value) of the stock of EACH corporation, and
- (b) more than 50% of the total combined voting power of all classes of stock, or more than 50% of the total value of shares of all stock, of EACH corporation.

3. Combined Group

Three or more corporations, one of which is a member of a parent-subsidiary controlled group or brother-sister controlled group.

4. Certain Insurance Companies

Two or more insurance companies subject to taxation under section 801 are treated as a separate controlled group of corporations, exclusive of other corporations in the controlled group.

