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MEMORANDUM

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To Our Clients and Friends

Re: Agencies Propose Rule Regarding Tax Allocations

The Comptroller of the Currency, Federal Reserve Board and the Federal Deposit Insurance Corporation are proposing a rule to establish requirements for tax allocation agreements between institutions and their holding companies. Banks and savings associations that file tax returns as part of a consolidated tax filing group will be required to enter into tax allocation agreements with their holding companies and other members of the group filing a consolidated group tax return. The proposal, if adopted, will supersede the interagency policy statement on tax allocation agreements that was issued in 1998 and supplemented in 2014.

The proposal describes specific mandatory provisions in tax allocation agreements, including provisions addressing the ownership of tax refunds. The agencies propose a methodology for tax payment obligations between an institution and its parent holding company within a consolidated group and how the institution should be compensated for the use of its tax assets, such as net operating losses and tax credits.

Tax allocation agreements would be required to include provisions relating to:

- The timing and amounts of any payments for taxes due to taxing authorities
- The acknowledgment of an agency relationship between institutions and their holding companies with respect to tax refunds received, and
- Making returns and documents regarding consolidated income tax filings available to the institution

The proposal also addresses the regulatory reporting treatment of an institution's deferred tax assets.

A copy of the agencies' proposed rule is available on our website at <http://schwartzandballen.com/news.html>.

For more information, please call Gilbert Schwartz, Robert Ballen, Heidi Wicker, or Victor Razon at (202) 776-0700.