§ 1.6655–3 Adjusted seasonal installment method.

(a) In general. In the case of any required installment, the amount of the adjusted seasonal installment is the excess (if any) of—

1. 100 percent of the amount determined under paragraph (c) of this section; over

2. The aggregate amount of all prior required installments for the taxable year.

(b) Limitation on application of section. This section applies only if the base period percentage (as defined in section 6655(e)(3)(D)(i) and paragraph (d)(1) of this section) for any six consecutive months of the taxable year equals or exceeds seventy percent.

(c) Determination of amount. The amount determined under this paragraph (c) for any installment will be determined in the following manner—

1. Take the taxable income for all months during the taxable year preceding the filing month;

2. Divide such amount by the base period percentage for all months during the taxable year preceding the filing month;

3. Determine the tax on the amount determined under paragraph (c)(2) of this section; and

4. Multiply the tax computed under paragraph (c)(3) of this section by the base period percentage for the filing month and all months during the taxable year preceding the filing month.

(d) Special rules—(1) Base period percentage. The base period percentage for any period of months is the average percent that the taxable income for the corresponding months in each of the three preceding taxable years bears to the taxable income for the three preceding taxable years. If there is no taxable income for the corresponding months, taxable income for this purpose is zero.

(2) Filing month. The term filing month means the month in which the installment is required to be paid.

(3) Application of the rules related to the annualized income installment method to the adjusted seasonal installment method. The rules governing the computation of taxable income (and resulting tax) for purposes of determining any required installment payment of estimated tax under § 1.6655–2 apply to the computation of taxable income (and resulting tax) for purposes of determining any required installment payment of estimated tax under...
the adjusted seasonal installment method.

(4) **Alternative minimum tax.** The amount determined under paragraph (c) of this section must properly take into account the amount of any alternative minimum tax under section 55 that would apply for the period of the computation. The amount of any alternative minimum tax that would apply is determined by applying to alternative minimum taxable income, tentative minimum tax, and alternative minimum tax, the rules described in paragraph (c) of this section for taxable income and tax.

(e) **Example.** The provisions of this section may be illustrated by the following example:

**Example.** (i) X, a corporation that reports on a calendar year basis, expects to have an estimated tax liability of $1,200,000 for its taxable year ending December 31, 2009. On its 2009 tax return, X reports a tax liability of $652,800. X pays four installments of estimated tax, each in the amount of $250,000, $250,000, $450,000 on April 15, 2009, June 15, 2009, September 15, 2009, and December 15, 2009, respectively. X reports a tax liability of $1,152,600 on its return due March 15, 2010, with no credits against tax. Under the general provision of section 6655(b) and section 6655(d), there was an underpayment in the amount of $76,300 for the first installment through December 15, 2009, determined as follows:

(A) Tax as defined in section 6655(g) = $1,152,600

(B) 100% of this paragraph (e), Example (i)(A) = $1,152,600

(C) Amount of estimated tax required to be paid on or before the first installment date = $250,000

(D) Deduction of amount timely paid on or before the first installment due date under the general rule of section 6655(b) = $250,000

(E) Amount of overpaid estimated tax for the first installment date = $86,800

(F) Amount of estimated tax required to be paid on or before the second installment (25% of $1,152,600 plus the recapture amount under section 6655(d)(2)(B) of $124,950 (25% of $1,152,600 less $163,200)) = $413,100

(G) Deduction of amount paid on or before the due date of the second installment less amount applied towards the first installment under the general rule of section 6655(b) ($250,000 paid in each of the first, second, and third installments less this paragraph (e), Example (i)(C)) = $336,800

(H) Amount of underpayment for the second installment date = $76,300

(I) Amount of estimated tax required to be paid on or before the third installment (25% of $1,152,600) = $288,150

(J) Deduction of amount paid on or before the due date of the third installment less amount applied towards the first and second installments under the general rule of section 6655(b) ($250,000 paid in each of the first, second, and third installments less this paragraph (e), Example (i)(C) less this paragraph (e), Example (i)(F)) = $173,700

(K) Amount of underpayment for the third installment date = $114,450

(L) Amount of estimated tax required to be paid on or before the fourth installment (25% of $1,152,600) = $288,150

(M) Deduction of amount paid on or before the due date of the fourth installment less amount applied towards the first, second, and third installments under the general rule of section 6655(b) ($250,000 paid in each of the first, second, and third installments plus $450,000 paid in the fourth installment less this paragraph (e), Example (i)(C) less this paragraph (e), Example (i)(F) less this paragraph (e), Example (i)(I)) = $335,550

(N) Amount of overpaid estimated tax for the fourth installment date = $47,400

(ii) X wants to determine if it qualifies for the adjusted seasonal installment method. X determines that its monthly taxable income for the preceding three taxable years and for the current taxable year 2009 is as follows:

<table>
<thead>
<tr>
<th>January</th>
<th>February</th>
<th>March</th>
<th>April</th>
<th>May</th>
<th>June</th>
<th>July</th>
<th>August</th>
<th>September</th>
<th>October</th>
<th>November</th>
<th>December</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006:</td>
<td>$100,000</td>
<td>$90,000</td>
<td>$80,000</td>
<td>$70,000</td>
<td>$60,000</td>
<td>$50,000</td>
<td>$40,000</td>
<td>$30,000</td>
<td>$20,000</td>
<td>$10,000</td>
<td>$10,000</td>
</tr>
<tr>
<td>2007:</td>
<td>200,000</td>
<td>170,000</td>
<td>160,000</td>
<td>150,000</td>
<td>140,000</td>
<td>130,000</td>
<td>120,000</td>
<td>110,000</td>
<td>100,000</td>
<td>90,000</td>
<td>80,000</td>
</tr>
<tr>
<td>2008:</td>
<td>200,000</td>
<td>170,000</td>
<td>160,000</td>
<td>150,000</td>
<td>140,000</td>
<td>130,000</td>
<td>120,000</td>
<td>110,000</td>
<td>100,000</td>
<td>90,000</td>
<td>80,000</td>
</tr>
<tr>
<td>2009:</td>
<td>400,000</td>
<td>350,000</td>
<td>300,000</td>
<td>250,000</td>
<td>200,000</td>
<td>150,000</td>
<td>100,000</td>
<td>50,000</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2010:</td>
<td>600,000</td>
<td>680,000</td>
<td>650,000</td>
<td>620,000</td>
<td>590,000</td>
<td>560,000</td>
<td>530,000</td>
<td>500,000</td>
<td>470,000</td>
<td>440,000</td>
<td>410,000</td>
</tr>
</tbody>
</table>

(iii) X must initially determine if its base period percentage for the same 6 consecutive months of the 3 preceding taxable years equals or exceeds 70 percent (see section 6655(e)(3) and paragraphs (b) and (c) of this section). By using its taxable income for the
first 6 months of 2006, 2007, and 2008, X qualifies for the adjusted seasonal installment method because its base period percentage is 67.5 percent (which exceeds 70 percent) computed as follows:

(A) Taxable income for first 6 months of 2006 = $420,000
(B) Total taxable income for 2006 = $480,000
(C) Divide this paragraph (e), Example (iii)(A) by this paragraph (e), Example (iii)(B) = .875

(D) Taxable income for first 6 months of 2007 = $940,000
(E) Total taxable income for 2007 = $960,000
(F) Divide this paragraph (e), Example (iii)(D) by this paragraph (e), Example (iii)(E) = .875

(G) Taxable income for first 6 months of 2008 = $1,680,000
(H) Total taxable income for 2008 = $1,920,000
(I) Divide this paragraph (e), Example (iii)(G) by this paragraph (e), Example (iii)(H) = .875
(J) Add this paragraph (e), Example (iii)(C), (F), and (I) = 2.625

(K) Divide this paragraph (e), Example (iii)(J) by 3 = .875

(iv) To determine the amount of the first installment under the rules of section 6655(e)(3) and paragraph (a) of this section, the following computation is necessary:

(A) Taxable income for first 3 months of 2009 = $1,930,000
(B) Taxable income for first 3 months of 2009 = $2,625,000
(C) Taxable income for first 3 months of 2009 = $3,420,773

(D) Taxable income for first 3 months of 2009 = $1,163,049
(E) Add this paragraph (e), Example (iv)(B), (C), and (D) and divide by 3 = .9167
(F) Divide this paragraph (e), Example (iv)(A) by this paragraph (e), Example (iv)(E) = $3,380,773

(G) Determine the tax on this paragraph (e), Example (iv)(F) = $1,183,049
(H) Taxable income for first 4 months of 2009 = $3,420,000
(I) Taxable income for first 4 months of 2009 = $3,420,773
(J) Taxable income for first 4 months of 2009 = $1,360,000
(K) Add this paragraph (e), Example (iv)(H), (I), and (J) and divide by 3 = .8333

(L) Multiply this paragraph (e), Example (iv)(G) by this paragraph (e), Example (iv)(K) = $819,717

(M) 100% of this paragraph (e), Example (iv)(L) = $819,717

(N) Amount of all prior required installments for 2009 = $0

(O) Amount of adjusted seasonal installment for the first installment payment (this paragraph (e), Example (iv)(M) less this paragraph (e), Example (iv)(N)) = $819,717

(v) To determine the amount of the second installment under the rules of section 6655(e)(3) and paragraph (a) of this section, the following computation is necessary:

(A) Taxable income for first 5 months of 2009 = $2,950,000
(B) Taxable income for first 5 months of 2009 = $840,000
(C) Taxable income for first 5 months of 2009 = $1,163,049

(D) Taxable income for first 5 months of 2009 = ($1,620,000) divided by total taxable income for 2009 = .8333

(E) Add this paragraph (e), Example (iv)(B), (C), and (D) and divide by 3 = .8333

(F) Divide this paragraph (e), Example (iv)(A) by this paragraph (e), Example (iv)(E) = $1,206,109

(G) Determine the tax on this paragraph (e), Example (iv)(F) = $1,206,109

(H) Taxable income for first 6 months of 2009 = $2,950,000
(I) Taxable income for first 6 months of 2009 = $1,055,345

(J) Taxable income for first 6 months of 2009 = $940,000
(K) Add this paragraph (e), Example (iv)(H), (I), and (J) and divide by 3 = .8333

(L) Multiply this paragraph (e), Example (iv)(G) by this paragraph (e), Example (iv)(K) = $1,055,345

(M) 100% of this paragraph (e), Example (iv)(L) = $1,055,345

(N) Amount of all prior required installments for 2009 = $163,200

(O) Amount of adjusted seasonal installment for the second installment payment (this paragraph (e), Example (iv)(M) less this paragraph (e), Example (iv)(N)) = $892,145

(vi) To determine the amount of the third installment under the rules of section 6655(e)(3) and paragraph (a) of this section, the following computation is necessary:

(A) Taxable income for first 8 months of 2009 = $3,250,000
(B) Taxable income for first 8 months of 2009 = $440,000
(C) Taxable income for first 8 months of 2009 = $1,055,345

(D) Taxable income for first 8 months of 2009 = ($819,717) divided by total taxable income for 2009 = .9167

(E) Add this paragraph (e), Example (vi)(B), (C), and (D) and divide by 3 = .9167

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(F) Divide this paragraph (e), Example (vii)(A) by this paragraph (e), Example (vi)(E) = $3,545,326
(G) Determine the tax on this paragraph (e), Example (vi)(F) = $1,205,411
(H) Taxable income for first 9 months of 2006 ($450,000) divided by total taxable income for 2006 ($480,000) = .9375
(I) Taxable income for first 9 months of 2007 ($900,000) divided by total taxable income for 2007 ($960,000) = .9375
(J) Taxable income for first 9 months of 2008 ($1,880,000) divided by total taxable income for 2008 ($1,920,000) = .9792
(K) Taxable income for first 9 months of 2009 ($900,000) divided by total taxable income for 2009 ($940,000) = .9681
(L) Taxable income for first 11 months of 2006 ($800,000) divided by total taxable income for 2006 ($850,000) = .9412
(M) Taxable income for first 11 months of 2007 ($940,000) divided by total taxable income for 2007 ($960,000) = .9792
(N) Taxable income for first 11 months of 2008 ($1,880,000) divided by total taxable income for 2008 ($1,920,000) = .9792

(vii) To determine the amount of the fourth installment under the rules of section 6655(e)(3) and paragraph (a) of this section, the following computation is necessary:
(A) Taxable income for first 11 months of 2009 = $3,370,000
(B) Taxable income for first 11 months of 2006 ($470,000) divided by total taxable income for 2006 ($490,000) = .9792
(C) Taxable income for first 11 months of 2007 ($940,000) divided by total taxable income for 2007 ($960,000) = .9792
(D) Taxable income for first 11 months of 2008 ($1,880,000) divided by total taxable income for 2008 ($1,920,000) = .9792
(E) Add this paragraph (e), Example (vi)(B), (C), and (D) and divide by 3 = .9792
(F) Divide this paragraph (e), Example (vii)(A) by this paragraph (e), Example (vii)(E) = $3,441,585
(G) Determine the tax on this paragraph (e), Example (vii)(F) = $1,170,139
(H) Taxable income for first 12 months of 2006 ($490,000) divided by total taxable income for 2006 ($480,000) = 1.0000
(I) Taxable income for first 12 months of 2007 ($960,000) divided by total taxable income for 2007 ($960,000) = 1.0000
(J) Taxable income for first 12 months of 2008 ($1,920,000) divided by total taxable income for 2008 ($1,920,000) = 1.0000
(K) Add this paragraph (e), Example (vii)(H), (I), and (J) and divide by 3 = 1.0000
(L) Multiply this paragraph (e), Example (vii)(G) by this paragraph (e), Example (vii)(K) = $1,170,139
(M) 100% of this paragraph (e), Example (vii)(L) = $1,170,139
(N) Amount of all prior required installments for 2009 = $864,450
(O) Amount of adjusted seasonal installment for the fourth installment payment (this paragraph (e), Example (vii)(M) less this paragraph (e), Example (vii)(N)) = $385,689

(viii) Because the total amount of each required estimated tax payment determined under section 6655(e)(3) and paragraph (a) of this section exceeds the amount of each required estimated tax payment determined under section 6655(d) and §1.6655–1(d) and (e), the exception described in section 6655(e) and this section does not apply and the addition to the tax with respect to the underpayment for the June 15, 2009, and September 15, 2009, installments will be imposed unless another exception (for example, see section 6655(e)(2)) applies with respect to these installments.

(f) Effective/applicability date. This section applies to taxable years beginning after September 6, 2007.
[T.D. 9347, 72 FR 44358, Aug. 7, 2007]

§ 1.6655–4 Large corporations.

(a) Large corporation defined. The term large corporation means any corporation (or a predecessor corporation) that had taxable income of at least $1,000,000 for any taxable year during the testing period. For purposes of this section, a predecessor corporation is the distributor or transferee corporation in a transaction to which section 381 (relating to carryovers in certain corporate acquisitions) applies.

(b) Testing period. For purposes of paragraph (a) of this section, the term testing period means the 3 taxable years immediately preceding the taxable year for which estimated tax is being determined (the current taxable year) or, if less, the number of taxable years the taxpayer has been in existence.

(c) Computation of taxable income during testing period.—(1) Short taxable year. In the case of a corporation (or predecessor corporation) that had a short taxable year during the testing period, for purposes of determining whether the $1,000,000 amount referred to in paragraph (a) of this section is equaled or exceeded, the taxable income for the short taxable year is computed by—
(i) Multiplying the taxable income for the short taxable year by 12; and
(ii) Dividing the resulting amount by the number of months in the short taxable year.

(2) Computation of taxable income in taxable year when there occurs a transaction to which section 381 applies. (i)