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## MEMORANDUM

Re: Revised Memo on New Loss Disallowance Guidance

From: Mark H. Kovey  
Lori J. Brown

Date: September 9, 2004

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On August 27, we distributed a memorandum which described in detail the new guidance from the Internal Revenue Service for determining whether a subsidiary stock loss is disallowed and whether subsidiary stock basis is reduced by a member of a consolidated group (Notice 2004-58 and T.D. 9154). As part of the guidance, the IRS issued regulations which allow taxpayers to make new elections or modify old elections under Treas. Reg. § 1.1502-20T.

A change in elections can be made on an amended return for an earlier year if filed before September 15, 2005. At the end of our August 27 memorandum, we mistakenly stated this date as September 15, 2004. The general rule is that any change in elections must be filed by including the statement required with a timely filed original return (including any extensions) for a taxable year that includes any date on or before August 26, 2004, or on an amended return filed before such due date, i.e., no later than September 15, 2005. Treas. Reg. § 1.1502-20T(i)(4) and (6).

We apologize for any inconvenience.