

**NORTH CAROLINA DEPARTMENT OF INSURANCE
TAX SHARING AGREEMENT CHECKLIST**

Company Name:

Entity Filing the Consolidated Income Tax Return:

Other Affiliated Entity(ies) Participating in Agreement:

Relationships of the Entities by Ownership:

General Provisions:

The following must be addressed in every agreement.
(*Column 1 must be completed by the Company.*)

**Column 1
Agreement
References**

1. Effective date of the agreement.
2. The terms used in the agreement are clearly defined.
3. The names of the parties participating in the tax sharing agreement and their domiciles or locations.
4. That the consolidated income tax return is being filed pursuant to the Internal Revenue Code.
5. The term of the agreement and cancellation circumstances.
6. That termination shall be prospective and shall not relieve the parties of any liabilities for past consolidated filings, redetermination, or similar items.
7. The subsidiary's tax liability shall not exceed the amount that such subsidiary would pay if it filed a separate income tax return.
8. Specifies, in substance, that the agreement will be revenue neutral to the parent holding company and specifies how any difference between the amounts that are collected from subsidiaries and that are paid to the IRS will be allocated, treated, or recouped within the group.
9. The procedure for treatment of net operating losses.
10. The subsidiary will be reimbursed for any net operating losses. Specifies how and when reimbursement will occur – either upon application of such losses when filing the consolidated income tax return -or- when such losses can be applied on the subsidiary's separate income tax return.
11. The subsidiary will be compensated if the group's tax liability is reduced by use of credits generated by the subsidiary, including how and when compensation will occur.

12. A reasonable time for reporting and settlement of tax liability shall be included, with the settlement period not exceeding 30 days after filing.
13. Income taxes due should be remitted to the ultimate taxpayer no earlier than 10 days prior to the filing date, and no later than 30 days after the filing date of the consolidated income tax return.
14. Any payable set up in lieu of actual payments should be established within the same time frame as if actual payments were remitted.
15. Any refund due should be remitted to the party entitled to such refund no later than 30 days following the date that the refund was received.
16. Any payments owed or refunds due as a result of adjustments to a previously-filed tax return (whether by reason of any carryback, an amended return, a claim refund, an IRS audit or otherwise) should be paid by or remitted to the parties no more than 10 days before or 30 days after any such payments are made or refunds received by the ultimate taxpayer.
17. The amount of any adjustments shall include interest actually due to the parties.
18. If estimated taxes are paid on a consolidated basis, the subsidiary should remit its estimated tax payments to the filing parent company no earlier than 10 days prior to the due date of the estimated taxes.
19. A subsidiary's liability shall be reduced by the amount of any estimated taxes paid.
20. If the amount of a subsidiary's total estimated tax payments differs from the amount of its actual liability as determined on a separate return basis, then the difference shall be paid by the subsidiary or refunded to it not more than 30 days after the amount of the difference has been calculated.
21. Compensation of an entity which is an affiliate shall be limited to reimbursement of actual cost, without a profit factor built into cost.
22. Either the subsidiary, the parent, or both shall retain copies of all tax returns, related schedules, workpapers, all material records, and other documents until the expiration of the statute of limitations (including extensions). All documents retained should be available for inspection by a subsidiary or its regulators. This provision shall survive the termination of the agreement.
23. Specifies, in substance, what happens in the event a party to the agreement becomes troubled and is unable to pay its tax liability. Include the obligations of the other parties, if any, to pay the tax liabilities of the troubled party.

24. If applicable, whether the agreement complies with the following IRS requirements:
 - a. A life insurance company cannot join in a consolidated return with nonlife companies unless it has been a member of the group filing the consolidated return for the preceding five (5) taxable years. (IRS Section 1504(c)(2).)
 - b. Losses of nonlife companies cannot be taken into account in determining the income of life insurance companies if the nonlife companies sustaining losses have not been members of the group for at least five (5) taxable years. (IRS Section 1503(3)(2).)
25. If the agreement is assignable, assignment of authority under the agreement is not allowed without the express written approval of each party.
26. If the agreement is assignable, prior notice shall be given to the Commissioner for the assignment of authority under the agreement.
27. Prior approval of the Commissioner shall be obtained for any amendments to the agreement.
28. That it is subject to the laws of North Carolina.