

## Corporate Tax Losses

### Introduction

2008 has proven to be a very challenging year for many companies. In addition to consumers slowing their spending, and valuations of investments and inventories plummeting, corporations in many industries are seeing their bankers increase fees and rates, while reducing their access to term lines of credits and term loans.

These combined pressures will result in large numbers of companies experiencing operating losses for their current fiscal years. While losses are never a good thing, there are a number of significant benefits to be derived from a tax perspective. With proper planning, these tax benefits can be rapidly turned into cash flow for these cash-strapped businesses.

### Accelerating Refunds of Estimated Tax Payments

Corporate taxpayers who have made estimated tax payments earlier in the year when they were projecting current-year profits, do not need to wait until they file their fiscal 2008 tax return to obtain their refund of overpaid estimated taxes. By simply filing IRS Form 4466 (Corporate Application for Quick Refund of Overpayment of Estimated Taxes) with the Feds immediately following the tax year-end, the overpaid estimated payments will generally be refunded early in 2009.

The taxpayer is not required to have a net operating loss (NOL) in the current year, they simply need to show that they have sufficiently overpaid their estimates. The IRS is required to act on the refund request within 45 days of filing and the taxpayer can still extend their time for filing, their actual corporate tax return, up to eight and one-half months year-end.

In order to qualify for this expedited refund process, the corporation must:

- File Form 4466 no later than the 15th day of the third month following the fiscal year end, and

- Have overpaid their current estimated tax by 10 percent or more of their currently estimated tax liability for the year (minimum refund must exceed \$500).

The determination of whether the taxpayer is overpaid by at least 10 percent is made by the taxpayer based on the facts known at the time the Form 4466 is filed. If the final tax return shows a net liability in excess of the amount projected when filing Form 4466, penalties may apply. Therefore a detailed tax projection should be determined as soon as possible after year-end.

If a taxpayer files on a consolidated basis with other affiliates, the Form 4466 must be filed by the common parent if the parent company deposited the estimated tax payments during the year. However, if the affiliated members paid their estimates separately, Form 4466 must be filed by one or more of the entities that made the overpayments. Regardless of how the consolidated group made their overpayments, the determination of whether a 10 percent or more overpayment was made, is made on a consolidated basis.

Source: [www.cpa2biz.com](http://www.cpa2biz.com)

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