

1 **CHAPTER 815. UNEMPLOYMENT INSURANCE**

2  
3 **ADOPTED RULES WITH PREAMBLE TO BE SUBMITTED TO THE TEXAS**  
4 **REGISTER. THIS DOCUMENT WILL HAVE NO SUBSTANTIVE CHANGES BUT IS**  
5 **SUBJECT TO FORMATTING CHANGES AS REQUIRED BY THE TEXAS REGISTER.**  
6

7 **ON JANUARY 7, 2020, THE TEXAS WORKFORCE COMMISSION ADOPTED THE**  
8 **RULES BELOW WITH PREAMBLE TO BE SUBMITTED TO THE TEXAS REGISTER.**

9  
10 Estimated date of publication in the *Texas Register*: **January 24, 2020**  
11 The rules will take effect: **January 27, 2020**

12  
13 The Texas Workforce Commission (TWC) adopts the following new section to Chapter 815,  
14 relating to Unemployment Insurance, without changes, as published in the October 11, 2019,  
15 issue of the *Texas Register* (44 TexReg 5892):

16  
17 Subchapter C. Tax Provisions, §815.117

18  
19 **PART I. PURPOSE, BACKGROUND, AND AUTHORITY**

20 **PART II. EXPLANATION OF INDIVIDUAL PROVISIONS WITH COMMENTS AND**  
21 **RESPONSES**

22  
23 **PART I. PURPOSE, BACKGROUND, AND AUTHORITY**

24 The purpose of amending the Chapter 815, Unemployment Insurance (UI) rules, is to implement  
25 the requirements of Senate Bill (SB) 2296, passed by the 86th Texas Legislature, Regular  
26 Session (2019), by providing clear guidelines for employers and the Agency regarding the  
27 circumstances in which an employer may designate a Common Paymaster for state  
28 unemployment tax reporting purposes.

29  
30 On June 10, 2019, the Governor signed SB 2296 which amends §201.011(11) of the Texas  
31 Unemployment Compensation Act (TUCA). Effective January 1, 2020, the definition of  
32 "employing unit" includes a Common Paymaster as defined in 26 U.S.C. §3306(p) of the  
33 Federal Unemployment Tax Act (FUTA). Under this section "if two or more related corporations  
34 concurrently employ the same individual and compensate such individual through a Common  
35 Paymaster which is one of such corporations, each such corporation shall be considered to have  
36 paid as remuneration to such individual only the amounts actually disbursed by it to such  
37 individual and shall not be considered to have paid as remuneration to such individual amounts  
38 actually disbursed to such individual by another of such corporations." Under §201.011(11)(B),  
39 related corporations utilizing a Common Paymaster must still adhere to the requirements of  
40 TUCA Chapter 204, Subchapter E.

41  
42 Currently, the Texas Workforce Commission's (Agency) Tax Department requires every  
43 employing unit to individually report wages for each of its employees. However, once SB 2296  
44 becomes effective, certain related corporations will have the ability to designate one of those  
45 corporations as a Common Paymaster with respect to the employees that work concurrently for  
46 the related corporations.

1  
2 Once approved by the Agency, the Common Paymaster will have the option to report the  
3 combined wages of any employee working for the Common Paymaster concurrently employed  
4 with one or more related corporations.  
5

6 SB 2296 requires the Commission to adopt rules necessary to implement this new TUCA  
7 provision. The Commission recognizes that in order to properly implement SB 2296, the  
8 Commission will need to define certain terms and set parameters for eligible related corporations  
9 which have established an allowable Common Paymaster arrangement. These rules will need to  
10 address definitions for Common Paymaster, what constitute related corporations, and concurrent  
11 employment. Also required will be application procedures, TWC method of allocating taxes,  
12 useful examples, and how this new tax arrangement will affect claims for unemployment  
13 benefits.  
14

15 A primary aim of these rules will be to reduce confusion concerning what constitutes an  
16 allowable Common Paymaster structure. For example, under a Common Paymaster arrangement,  
17 an employee must actually perform services concurrently for the Common Paymaster and each  
18 of the related corporations employing the individual for the Common Paymaster to take  
19 advantage of this wage reporting method.  
20

21 This means that a Common Paymaster structure is in no way similar to a Professional Employer  
22 Organization relationship because there is no co-employment relationship and since an  
23 individual must actually perform services for the Common Paymaster. Similarly, because an  
24 individual must perform services for the Common Paymaster, for a group of related corporations  
25 to utilize this arrangement, the Common Paymaster cannot be a purely administrative entity  
26 without employees. Payrolling is still not allowable under a Common Paymaster arrangement.  
27

28 An additional purpose of these rules is to closely align with FUTA, and its corresponding  
29 regulations, so that employers utilizing a Common Paymaster at the federal level can easily  
30 match the same standards at the state level. It should be noted that for administrative purposes  
31 under these adopted rules, a group of related corporations meeting all requirements may only  
32 designate a single Common Paymaster.  
33

34 These rule amendments are adopted pursuant to §201.011(11)(A), whereby the Legislature has  
35 required TWC's three-member Commission (Commission) to exercise rulemaking authority to  
36 administer the provisions of §201.011(11).  
37  
38

## 39 **PART II. EXPLANATION OF INDIVIDUAL PROVISIONS WITH COMMENTS AND** 40 **RESPONSES**

41 (Note: Minor editorial changes are made that do not change the meaning of the rules and,  
42 therefore, are not discussed in the Explanation of Individual Provisions.)  
43

### 44 **SUBCHAPTER C. TAX PROVISIONS**

45 **TWC adopts the following amendment to Subchapter C:**  
46

1 **§815.117. Employing Units: Common Paymaster**

2 New Section 815.117 establishes parameters to be used by the Agency's Tax Department for  
3 instances in which related corporations that concurrently employ the same workers delegate one  
4 of their constituent corporations to serve as a Common Paymaster for employment tax reporting  
5 purposes.  
6

7 New subsection (a) limits the scope of this new rule to implementation of the Common  
8 Paymaster provisions related to the definition of "employing unit" (§201.011(11)), with respect  
9 to proper administration of the TUCA as required by SB 2296, 86th Texas Legislature, Regular  
10 Session.  
11

12 New subsection (b) stipulates the definitions which will apply under §201.011(11). Those are:  
13

14 **Common Paymaster**--A Common Paymaster of a group of two or more related corporations is  
15 the designated entity which disburses remuneration to concurrently employed individuals of the  
16 related corporations and is responsible for keeping books and records for the payroll with respect  
17 to those individuals. The following are also incorporated into this definition:  
18

19 --The Common Paymaster is not required to disburse remuneration to all the employees of those  
20 two or more related corporations. However, this rule does not apply to any remuneration paid to  
21 an employee that is not paid through the Common Paymaster;  
22

23 --A group of related corporations may only have one Common Paymaster for the group. A group  
24 of related corporations may not be subdivided to facilitate multiple Common Paymasters; and  
25

26 --When two or more related corporations concurrently employ the same individual and  
27 compensate that individual through a Common Paymaster, the Common Paymaster being one of  
28 the related corporations for which the individual performs services, each of the corporations is  
29 considered to have paid only the remuneration it actually disburses to that individual, unless the  
30 disbursing corporation fails to remit the taxes due.  
31

32 **Related Corporations**--Two or more corporations are considered related corporations for an  
33 entire calendar quarter if any of the following tests are satisfied at any time during that calendar  
34 quarter:  
35

36 --*Parent-subsidiary controlled group*. The common parent corporation owns stock possessing  
37 more than 50 percent of the total combined voting power of all classes of stock entitled to vote or  
38 more than 50 percent of the total value of shares of all classes of stock of at least one of its  
39 subsidiaries, AND one or more of the corporations, common parent included, owns stock  
40 possessing more than 50 percent of the total combined voting power of all classes of stock  
41 entitled to vote or more than 50 percent of the total value of shares of all classes of stock of each  
42 of the subsidiaries;  
43

44 --*Brother-sister controlled group*. Five or fewer persons who are individuals, estates, or trusts  
45 own more than 50 percent of the total combined voting power of all classes of stock entitled to  
46 vote or more than 50 percent of the total value of all classes of stock of each corporation, taking

1 into account the stock ownership of each person only to the extent such stock ownership is  
2 identical with respect to each such corporation;

3  
4 --*Combined group*. A group of three or more corporations if each corporation is a member of  
5 either a parent-subsidiary controlled group of corporations or a brother-sister controlled group of  
6 corporations; **and** at least one of those corporations is the common parent of a parent-subsidiary  
7 controlled group and also is a member of a brother-sister controlled group;

8  
9 --With respect to stock, when a corporation that does not issue stock is involved, corporations are  
10 related if either 50 percent or more of the members of one corporation's board of directors (or  
11 other governing body) are members of the other corporation's board of directors (or other  
12 governing body); **or** the holders of 50 percent or more of the voting power to select members of  
13 one corporation's board of directors (or other governing body) are concurrently the holders of  
14 more than 50 percent of that power with respect to the other corporation.

15  
16 --With respect to concurrent officers and employees, corporations are related if 50 percent or  
17 more of one corporation's officers are concurrently officers of the other corporation; **or** 30  
18 percent or more of one corporation's employees are concurrently employees of the other  
19 corporation.

20  
21 **Concurrent Employment**--The *simultaneous* existence of an employment relationship between  
22 an individual and two or more corporations. Concurrent employment involves the performance  
23 of services by the individual for the benefit of the employing corporation, not merely for the  
24 benefit of the group of corporations, in exchange for remuneration. The following are also  
25 incorporated into this definition:

26  
27 --The simultaneous existence of an employment relationship with each corporation is a decisive  
28 factor. If it exists, the fact that a particular employee is on leave or otherwise temporarily  
29 inactive is immaterial.

30  
31 --Employment is not concurrent with respect to one of the related corporations if the employee's  
32 employment relationship with that corporation is completely nonexistent during the periods  
33 when the employee is not performing services for that corporation;

34  
35 --An individual who does not perform substantial services for a corporation is presumed not  
36 employed by that corporation; and

37  
38 --A corporation which has no employees performing services for it in Texas cannot be the  
39 Common Paymaster for Texas employees of its related corporations.

40  
41 New subsection (c) provides for procedures for submission of and approval by the Agency of a  
42 Common Paymaster application.

43  
44 --Related corporations which compensate their employees through a Common Paymaster must  
45 file with the Agency the details of their plan on a form prescribed by the Agency. The details  
46 must include the names of the related corporations, the name of the Common Paymaster

1 corporation and the concurrently employed individuals involved. The filing shall include  
2 documentation to substantiate the corporations are related as defined in the rule and that  
3 employees are concurrently employed. An amendment to the plan must be filed whenever there  
4 is a change in the related corporations participating in the plan, a change in the Common  
5 Paymaster or a change in the concurrently employed individuals involved.

6  
7 --Plans and plan amendments submitted under the rule must be filed within the 30-day period  
8 following the end of the calendar quarter in which the plan is in effect. Eligibility of an  
9 employee to be compensated through a Common Paymaster shall be determined on a quarterly  
10 basis.

11  
12 New subsection (d) stipulates how employment taxes required under the TUCA are to be  
13 allocated.

14  
15 --A Common Paymaster making disbursements on behalf of related corporations to concurrently  
16 employed individuals is responsible for taxes, interest and penalties on all wages disbursed by it.

17  
18 --If the Common Paymaster fails to remit taxes, interest and penalties on all wages disbursed by  
19 it as required, the Agency may hold each of the related corporations liable for a proportionate  
20 share of the obligation. "Proportionate share" may be based on sales, property, corporate payroll  
21 or any other reasonable basis that reflects the distribution of services of the pertinent employees  
22 between the related corporations. If there is no reasonable basis for allocating the amount owed,  
23 it shall be divided equally among the related corporations. If a related corporation fails to pay  
24 any amount allocated to it pursuant to this section, the Agency may hold any or all of the other  
25 related corporations liable for the full amount of the unpaid taxes, interest and penalties.

26  
27 --A Common Paymaster is not a successor corporation pursuant to TUCA Chapter 204,  
28 Subchapter E, for concurrent employees unless the related corporation ceases operations and is  
29 acquired in its entirety by the corporation serving as the Common Paymaster.

30  
31 --Wages paid by separate employing units may not be aggregated or combined for purposes of  
32 reporting, except as provided in this rule, unless there is an actual transfer of entity and  
33 experience rating as provided by TUCA Chapter 204, Subchapter E.

34  
35 New subsection (e) describes benefit charging and notice procedures with respect to Common  
36 Paymaster arrangements.

37  
38 --For purposes of charging benefits paid and mailing notices to base year employers, the  
39 Common Paymaster shall be considered the employer for all wages disbursed to individuals by it

1 whether payment was for services performed for the common paymaster or for a related  
2 corporation.

3  
4 --An employer seeking to establish a Common Paymaster arrangement must designate a mailing  
5 address for benefit claim notices with the Agency per §208.003 of the TUCA.

6  
7 Finally, new subsection (f) provides examples for the public to clarify the definitions of  
8 "Common Paymaster," "Related Corporations," and "Concurrent Employment."

9  
10 **Common Paymaster:**

11  
12 --S, T, U, and V are related corporations with 2,000 employees collectively. Forty of these  
13 employees are concurrently employed and perform services for S and at least one other of the  
14 related corporations, during a calendar quarter. The four corporations arrange for S to disburse  
15 remuneration to thirty of these forty employees for their services. Under these facts, S is the  
16 common paymaster of S, T, U, and V with respect to the thirty employees. S is not a common  
17 paymaster with respect to the remaining employees.

18  
19 **Related Corporations:**

20  
21 *Parent-subsidiary controlled group.*

22  
23 --P Corporation owns stock possessing 51 percent of the total combined voting power of all  
24 classes of stock entitled to vote of S Corporation. P is the common parent of a parent-subsidiary  
25 controlled group consisting of member corporations P and S.

26  
27 --Assume the same facts as in subsection (i). Assume further that S owns stock possessing 51  
28 percent of the total value of shares of all classes of stock of X Corporation. P is the common  
29 parent of a parent-subsidiary controlled group consisting of member corporations P, S, and X.  
30 The result would be the same if P, rather than S, owned the X stock.

31  
32 --P Corporation owns 51 percent of the only class of stock of S Corporation and S, in turn, owns  
33 30 percent of the only class of stock of X Corporation. P also owns 51 percent of the only class  
34 of stock of Y Corporation and Y, in turn, owns 30 percent of the only class of stock of X. P is the  
35 common parent of a parent-subsidiary controlled group consisting of member corporations P, S,  
36 X, and Y.

37  
38 *Brother-sister controlled group.*

39  
40 --The outstanding stock of corporations X and Y, which have only one class of stock  
41 outstanding, is owned by the following unrelated individuals: A owns 40% of X and 20% of Y;  
42 B owns 10% of X and 30% of Y; C owns 30% of X and 40% of Y; D owns 20% of X; and E  
43 owns 10% of Y. The result is that Corporations X and Y have 3 common owners - A, B, and C.  
44 D and E are disregarded from the brother-sister test because they don't have ownership in both  
45 companies. A, B, and C have the following Identical Ownership (the lesser of X or Y): A has

1 20% ; B has 10% ; and C has 30% . A, B, and C meet the identical ownership test because their  
2 identical ownership is more than 50 percent of X and Y.

3  
4 *Combined group.*

5  
6 --A, an individual, owns stock possessing 100 percent of the total combined voting power of all  
7 classes of the stock of corporations X and Y. Y, in turn, owns stock possessing 51 percent of the  
8 total combined voting power of all classes of the stock of corporation Z. X, Y, and Z are  
9 members of the same combined group since X, Y, and Z are each members of either a parent-  
10 subsidiary or brother-sister controlled group of corporations AND Y is the common parent of a  
11 parent-subsidiary controlled group of corporations consisting of Y and Z, and also is a member  
12 of a brother-sister controlled group of corporations consisting of X and Y.

13  
14 --Assume the same facts as in subsection (i) and further assume that corporation X owns 51  
15 percent of the total value of shares of all classes of stock of corporation S. X, Y, Z, and S are  
16 members of the same combined group.

17  
18 **Concurrent Employment:**

19  
20 --M, N, and O are related corporations which use N as a common paymaster. Their respective  
21 headquarters are located in three separate cities several hundred miles apart. A is an officer of M,  
22 N, and O who performs substantial services for each corporation. A does not work a set length of  
23 time at each corporate headquarters, and when A leaves one corporate headquarters, it is not  
24 known when A will return, although it is expected that A will return. Under these facts, A is  
25 concurrently employed by the three corporations.

26  
27  
28 **Summary of comments and agency responses.**

29  
30 The public comment period on the proposal began October 11, 2019, and ended November 12,  
31 2019. TWC received one timely comment during this time.

32  
33 **Keith Ribnick, United States Department of Labor:**

34  
35 **Comment: We have reviewed and consulted with the Division of Legislation in the**  
36 **Office of Unemployment Insurance regarding the proposed Texas administrative**  
37 **rule related to the definition of "Common Paymaster" (attached). We did not**  
38 **identify any conformity issues with the proposed rule. If modifications are made to**  
39 **the proposed rule or if we can provide additional assistance, please let us know.**

40  
41 Response: TWC appreciates the review and findings from the US Department of Labor in  
42 accordance with its responsibility under federal law. No changes are necessary in  
43 response to this comment.

44  
45 The Agency hereby certifies that the adoption has been reviewed by legal counsel and found to  
46 be within the Agency's legal authority to adopt.

1  
2 The rules are adopted under Texas Labor Code §201.011(11) and §301.0015 which provide  
3 TWC with the authority to adopt, amend, or repeal such rules as it deems necessary for the  
4 effective administration of unemployment insurance services and activities.  
5  
6 The adopted rules affect Texas Labor Code, Title 4, Subtitle A, Texas Unemployment  
7 Compensation Act.





1 than 50 percent of the total value of shares of all classes of stock of each  
2 of the subsidiaries;

3  
4 (B) Brother-sister controlled group. Five or fewer persons who are  
5 individuals, estates, or trusts own more than 50 percent of the total  
6 combined voting power of all classes of stock entitled to vote or more  
7 than 50 percent of the total value of all classes of stock of each  
8 corporation, taking into account the stock ownership of each person only  
9 to the extent such stock ownership is identical with respect to each such  
10 corporation;

11  
12 (C) Combined group. A group of three or more corporations if:

13  
14 (i) Each such corporation is a member of either a parent-subsiary  
15 controlled group of corporations or a brother-sister controlled group  
16 of corporations; and

17  
18 (ii) At least one of such corporations is the common parent of a parent-  
19 subsidiary controlled group and also is a member of a brother-sister  
20 controlled group;

21  
22 (D) When a corporation that does not issue stock is involved, either:

23  
24 (i) 50 percent or more of the members of one corporation's board of  
25 directors (or other governing body) are members of the other  
26 corporation's board of directors (or other governing body); or

27  
28 (ii) The holders of 50 percent or more of the voting power to select  
29 members of one corporation's board of directors (or other governing  
30 body) are concurrently the holders of more than 50 percent of that  
31 power with respect to the other corporation;

32  
33 (E) 50 percent or more of one corporation's officers are concurrently officers  
34 of the other corporation; or

35  
36 (F) 30 percent or more of one corporation's employees are concurrently  
37 employees of the other corporation.

38  
39 (3) Concurrent Employment--means the simultaneous existence of an employment  
40 relationship between an individual and two or more corporations. Such a  
41 relationship contemplates the performance of services by the individual for the  
42 benefit of the employing corporation, not merely for the benefit of the group of

1 corporations, in exchange for remuneration. The following are also  
2 incorporated into this definition:

3  
4 (A) The simultaneous existence of an employment relationship with each  
5 corporation is a decisive factor. If it exists, the fact that a particular  
6 employee is on leave or otherwise temporarily inactive is immaterial;

7  
8 (B) Employment is not concurrent with respect to one of the related  
9 corporations if the employee's employment relationship with that  
10 corporation is completely nonexistent during the periods when the  
11 employee is not performing services for that corporation;

12  
13 (C) An individual who does not perform substantial services for a corporation  
14 is presumed not employed by that corporation; and

15  
16 (D) A corporation which has no employees performing services for it in  
17 Texas cannot be the Common Paymaster for Texas employees of its  
18 related corporations.

19  
20 (c) Submission and approval of Common Paymaster.

21  
22 (1) Related corporations which compensate their employees through a Common  
23 Paymaster shall file with the Agency the details of their plan on a form  
24 prescribed by the Agency. The details shall include the names of the related  
25 corporations, the name of the Common Paymaster corporation and the  
26 concurrently employed individuals involved. The filing shall include  
27 documentation to substantiate the corporations are related as defined in  
28 subsection (b)(2) of this section and that employees are the concurrently  
29 employed. An amendment to the plan shall be filed whenever there is a change  
30 in the related corporations participating in the plan, a change in the Common  
31 Paymaster or a change in the concurrently employed individuals involved.

32  
33 (2) Plans and plan amendments submitted pursuant to this rule shall be filed within  
34 the 30-day period following the end of the calendar quarter in which the plan is

1 in effect. Eligibility of an employee to be compensated through a Common  
2 Paymaster shall be determined on a quarterly basis.

3  
4 (d) Allocation of employment taxes.

5  
6 (1) A Common Paymaster making disbursements on behalf of related corporations  
7 to employed individuals shall be responsible for taxes, interest and penalties on  
8 all wages disbursed by it.

9  
10 (2) If the Common Paymaster fails to remit taxes, interest and penalties on all  
11 wages disbursed by it as required:

12  
13 (A) the Agency may hold each of the related corporations liable for a  
14 proportionate share of the obligation. Such proportionate share may be  
15 based on sales, property, corporate payroll or any other reasonable basis  
16 that reflects the distribution of services of the pertinent employees  
17 between the related corporations; or

18  
19 (B) if there is no reasonable basis for allocating the amount owed, it shall be  
20 divided equally among the related corporations. If a related corporation  
21 fails to pay any amount allocated to it pursuant to this section, the  
22 Agency may hold any or all of the other related corporations liable for the  
23 full amount of the unpaid taxes, interest and penalties.

24  
25 (3) A Common Paymaster is not a successor corporation pursuant to Texas Labor  
26 Code Chapter 204, Subchapter E, for concurrent employees unless the related  
27 corporation ceases operations and is acquired in its entirety by the paymaster  
28 corporation.

29  
30 (4) Wages paid by separate employing units may not be aggregated or combined  
31 for purposes of reporting, except as provided in this rule, unless there is an  
32 actual transfer of entity and experience rating as provided by Texas Labor  
33 Code Chapter 204, Subchapter E.

34  
35 (e) Benefits.

36  
37 (1) For purposes of charging benefits paid and mailing notices to base year  
38 employers, the Common Paymaster shall be considered the employer for all  
39 wages disbursed to individuals by the Common Paymaster whether payment

1 was for services performed for the Common Paymaster or for a related  
2 corporation.

3  
4 (2) An employer seeking to establish a Common Paymaster arrangement shall  
5 designate a mailing address for benefit claim notices with the Agency per  
6 §208.003 of the Act.

7  
8 (f) Examples.

9  
10 (1) Common Paymaster. S, T, U, and V are related corporations with 2,000  
11 employees collectively. Forty of these employees are concurrently employed  
12 and perform services for S and at least one other of the related corporations,  
13 during a calendar quarter. The four corporations arrange for S to disburse  
14 remuneration to thirty of these forty employees for their services. Under these  
15 facts, S is the Common Paymaster of S, T, U, and V with respect to the thirty  
16 employees. S is not a Common Paymaster with respect to the remaining  
17 employees.

18  
19 (2) Related Corporations:

20  
21 (A) Parent-subsidiary controlled group.

22  
23 (i) P Corporation owns stock possessing 51 percent of the total  
24 combined voting power of all classes of stock entitled to vote of S  
25 Corporation. P is the common parent of a parent-subsidiary  
26 controlled group consisting of member corporations P and S.

27  
28 (ii) Assume the same facts as in clause (i) of this subparagraph. Assume  
29 further that S owns stock possessing 51 percent of the total value of  
30 shares of all classes of stock of X Corporation. P is the common  
31 parent of a parent-subsidiary controlled group consisting of member  
32 corporations P, S, and X. The result would be the same if P, rather  
33 than S, owned the X stock.

34  
35 (iii) P Corporation owns 51 percent of the only class of stock of S  
36 Corporation and S, in turn, owns 30 percent of the only class of  
37 stock of X Corporation. P also owns 51 percent of the only class of  
38 stock of Y Corporation and Y, in turn, owns 30 percent of the only  
39 class of stock of X. P is the common parent of a parent-subsidiary  
40 controlled group consisting of member corporations P, S, X, and Y.

41  
42 (B) Brother-sister controlled group. The outstanding stock of corporations X  
43 and Y, which have only one class of stock outstanding, is owned by the  
44 following unrelated individuals: A owns 40% of X and 20% of Y; B  
45 owns 10% of X and 30% of Y; C owns 30% of X and 40% of Y; D owns  
46 20% of X; and E owns 10% of Y. The result is that Corporations X and Y

1 have 3 common owners - A, B, and C. D and E are disregarded from the  
2 brother-sister test because they don't have ownership in both companies.  
3 A, B, and C have the following Identical Ownership (the lesser of X or  
4 Y): A has 20%; B has 10%; and C has 30%. A, B, and C meet the  
5 identical ownership test because their identical ownership is more than 50  
6 percent of X and Y.

7  
8 (C) Combined group.

9  
10 (i) A, an individual, owns stock possessing 100 percent of the total  
11 combined voting power of all classes of the stock of corporations X  
12 and Y. Y, in turn, owns stock possessing 51 percent of the total  
13 combined voting power of all classes of the stock of corporation Z.  
14 X, Y, and Z are members of the same combined group since X, Y,  
15 and Z are each members of either a parent-subsiary or brother-  
16 sister controlled group of corporations AND Y is the common  
17 parent of a parent-subsiary controlled group of corporations  
18 consisting of Y and Z, and also is a member of a brother-sister  
19 controlled group of corporations consisting of X and Y.

20  
21 (ii) Assume the same facts as in clause (i) of this subparagraph and  
22 further assume that corporation X owns 51 percent of the total value  
23 of shares of all classes of stock of corporation S. X, Y, Z, and S are  
24 members of the same combined group.

25  
26 (3) Concurrent Employment. M, N, and O are related corporations which use N as  
27 a Common Paymaster. Their respective headquarters are located in three  
28 separate cities several hundred miles apart. A is an officer of M, N, and O who  
29 performs substantial services for each corporation. A does not work a set  
30 length of time at each corporate headquarters, and when A leaves one corporate  
31 headquarters, it is not known when A will return, although it is expected that A  
32 will return. Under these facts, A is concurrently employed by the three  
33 corporations.