TSB-M-08(2)C
Corporation Tax
March 3, 2008

Combined Reporting for General Business Corporations (including Real Estate Investment Trusts and Regulated Investment Companies) and Insurance Corporations

This memorandum supersedes and replaces TSB-M-07(6)C, *Combined Reporting for General Business Corporations*. This memorandum (1) changes what constitutes a substantial intercorporate asset transfer; (2) changes what items are excluded when determining the necessary amounts to determine whether the taxpayer has substantial intercorporate receipts or substantial intercorporate expenditures; (3) adds language to clarify Example 2 of TSB-M-07(6)C; and (4) provides new information relating to combined reporting of real estate investment trusts (REITs), regulated investment companies (RICs), and insurance companies subject to Article 33 of the Tax Law. These changes are effective for tax years beginning on or after January 1, 2007.

The combined reporting rules for general business corporations (including REITs and RICs) subject to the tax imposed by Article 9-A of the Tax Law and insurance corporations subject to the tax imposed by Article 33 of the Tax Law have been changed effective for tax years beginning on or after January 1, 2007. Chapter 60 of the Laws of 2007 amended sections 209.5, 209.7, 211.4, and 1515(f) of the Tax Law. The amendments change the circumstances under which a taxpayer corporation must file a combined report with other related corporations. While the Tax Department is also preparing regulations to address the amendments, this TSB-M outlines the Department's interpretation of the revised statute.

I. The Combined Reporting Rules for Article 9-A Taxpayers

The opening paragraph of section 211.4 of the Tax Law, as amended by Chapter 60, requires an Article 9-A taxpayer to file on a combined basis with related corporations where there are substantial intercorporate transactions among the related corporations. Under the new requirements, where there are substantial intercorporate transactions between the taxpayer and a related corporation or collectively a group of such related corporations, a combined report is required.

Key Terms

Related corporation

Related corporation means (1) any corporation substantially all the capital stock of which is owned or controlled either directly or indirectly by the taxpayer; (2) any corporation which owns or controls directly or indirectly substantially all the capital stock of the taxpayer; and (3) any corporation the capital stock of which is owned or controlled directly or indirectly by interests that own or control directly or indirectly substantially all the capital stock of the taxpayer. For this purpose s*ubstantially all* means ownership or control of 80 percent or more of the stock that entitles the holder thereof to vote for the election of directors and to receive dividends.

Substantial intercorporate transactions

In determining whether *substantial intercorporate transactions* exist, the facts and circumstances of all activities and transactions between related corporations and the taxpayer must be examined, including the following: (a) manufacturing, acquiring goods or property, or performing services for related corporations; (b) selling goods acquired from related corporations; (c) financing sales of related corporations; (d) performing related customer services using common facilities and employees for common customers of related corporations; (e) incurring expenses that benefit, directly or indirectly, one or more related corporations; and (f) transferring assets, including such assets as accounts receivable, patents, or trademarks from one or more related corporations. Therefore, intercorporate receipts, intercorporate expenditures, and intercorporate transfers of assets all constitute intercorporate transactions.

When examining intercorporate receipts or intercorporate expenditures to determine whether substantial intercorporate transactions exist, dividends are not considered in any measure of intercorporate receipts, total receipts, intercorporate expenditures, or total expenditures. However, when examining intercorporate asset transfers to determine if substantial intercorporate transactions exist, dividends received will be considered in the measuring of gross income for purposes of the 20% gross income test described in the section of this TSB-M titled *Substantial intercorporate asset transfers*. Loans and interest on loans between related corporations are considered in determining if there are substantial intercorporate transactions. However, if a loan constitutes subsidiary capital pursuant to section 208.4 of the Tax Law, the interest paid and received on the loan does not constitute an intercorporate transaction.

Substantial intercorporate receipts

The substantial intercorporate transactions requirement will be satisfied when, during the taxable year, 50% or more of a corporation's receipts included in the computation of entire net income (excluding nonrecurring items) are from one or more related corporations. However, if a corporation's receipts (excluding nonrecurring items) from one or more related corporations are between 45% and 55%, the multi-year test, below, applies.

Substantial intercorporate expenditures

The substantial intercorporate transactions requirement will be met when, during the taxable year, 50% or more of a corporation's expenditures included in the computation of entire net income, including for inventory (but excluding nonrecurring items), are from one or more related corporations. However, if a corporation's expenditures, including for inventory (but excluding nonrecurring items), from one or more related corporations are between 45% and 55%, the multi-year test, below, applies.

Expenditures incurred by a corporation that directly or indirectly benefit a related corporation can constitute substantial intercorporate transactions. For example, when a related corporation is incurring expenditures that benefit another related corporation and the amount of those expenditures represent 50% or more of the expenditures of the first corporation or are equal to 50% or more of the direct and indirect expenditures of the beneficiary corporation, the substantial intercorporate transactions requirement is satisfied.

Multi-year test

When, in a particular tax year, a corporation's intercorporate receipts during the taxable year are between 45% and 55%, the substantial intercorporate transactions requirement will be met where 50% or more of a corporation's total receipts included in the computation of entire net income (excluding nonrecurring items) during the taxable year and the prior two taxable years in aggregate are from one or more related corporations. When, in a particular tax year, a corporation's intercorporate expenditures during the taxable year are between 45% and 55%, the substantial intercorporate transactions requirement will be met where 50% or more of a corporation's total expenditures included in the computation of entire net income (excluding nonrecurring items) during the taxable year and the prior two taxable years in aggregate are from one or more related corporations. If one or more of the corporations involved in the intercorporate transactions did not exist for the two prior tax years, then the 50% test is to be computed using the months the corporations did exist.

Substantial intercorporate asset transfers

A transfer of assets to a related corporation (including through incorporation) will satisfy the substantial intercorporate transactions requirement where 20% or more of the transferee’s gross income, including any dividends received, is derived directly from the transferred assets and the corporations are engaged in a unitary business. Only those assets that are transferred to the transferee in exchange for stock or paid-in capital of the transferee are taken into account for purposes of the substantial intercorporate asset transfer test. If a corporation transfers cash to another corporation in exchange for stock or paid-in capital, the transaction is not considered an asset transfer for purposes of the substantial intercorporate asset transfer test. The test applies to assets transferred on or after January 1, 2007. The actual or stated value of the asset transferred compared to the value of the transferor’s or the transferee’s total assets is not used to determine if the substantial intercorporate asset transfer test has been met.

To determine whether the taxpayer has met the substantial intercorporate asset transfer test, divide the portion of gross income, including any dividends received, for the taxable year that is derived directly from the transferred asset or assets by the transferee’s gross income, including any dividends received, for the taxable year. In the taxable year of the transfer and for the taxable years subsequent to that taxable year, where 20% or more of the transferee's gross income is from the transferred asset or assets, the substantial intercorporate transactions requirement will be deemed satisfied.

The substantial intercorporate asset transfer test must be applied for each taxable year of an asset's depreciation or amortization recovery period (Internal Revenue Code (IRC) sections 167, 168(c), or 197(a)); whether or not the actual period of depreciation or amortization is reduced or disallowed by any provision in the IRC. For example, a patent having an amortization period of 15 years is included in the test for 15 years following its transfer. If, under the provisions of the IRC, the transferee is only allowed to use the remainder of the transferor's amortization or depreciation period for the asset transferred, then the test must be applied for each taxable year of that period. An asset that is not depreciated or amortized, such as accounts receivable, would be included in the test for the length of time the asset is reflected on the transferee's books and records.

For purposes of this test, *gross income* means gross income as defined in IRC section 61(a).

If the gross income computed by the taxpayer for purposes of the substantial intercorporate asset transfer test determined above does not properly reflect the gross income of the taxpayer because certain items of income or expense have a distortionary effect on gross income, the Tax Department may adjust the gross income to accurately reflect the proper amount.

Gross income is derived directly from a transferred asset if the asset, as actually used by the transferee, directly produces income. Examples of transferred assets that, depending on how they are employed by the transferee, may directly produce income include intangibles (such as patents, copyrights, and trademarks), real property, and accounts receivable. Gross income from transferred assets that generate income only when used in combination with other assets is not derived directly from the assets. In addition, income earned from income produced by a transferred asset is not considered to be derived directly from the transferred asset. However, gain from the sale of any transferred asset is considered income derived directly from that asset. The following examples illustrate when gross income is or is not derived directly from a transferred asset:

- If a corporation transfers a lathe to another corporation, income from selling products made by the lathe that is only one machine among many on a production line used to make the product is not considered to be income derived directly from the lathe. The answer is the same even if all of the equipment used to make the product were transferred to the transferee. However, if the transferee sells the equipment, any gain on such sale is considered derived directly from the transferred asset.

- Rental income derived from a transferred asset is considered income derived directly from a transferred asset. However, if the rental income is deposited in a bank account, interest earned on the bank account is not income derived directly from the asset.

- If a corporation transfers a patent that is then used by the transferee in a production process, income from the sale of the item produced by that process is not gross income derived directly from the patent. However, if the transferee sells the patent, the gain on the sale is gross income derived directly from the patent.

If the asset transferred is an ownership interest in another entity, the income distributed to the transferee by such entity is income derived directly from the transferred asset.

If more than one asset is transferred to a related corporation, the gross income test will be computed using the combined gross income from all transferred assets.

The determination of whether a series of transactions constitutes an asset transfer in exchange for stock or paid-in capital is based upon the facts and circumstances of the transactions. The form of the transactions will not be respected if it lacks economic substance or if the taxpayer intended a series of actions to be part of a single integrated transaction. For example, if Corporation A transfers cash to Corporation B in exchange for Corporation B’s stock with the intention thereafter of selling a patent to Corporation B for cash, the series of transactions may be treated as one transaction where Corporation A transferred a patent to Corporation B in exchange for B’s stock.

Other considerations with regard to substantial intercorporate transactions

In determining whether the substantial intercorporate transactions requirement has been met, the Tax Department will consider the materiality of the transactions and whether the transactions have economic substance, including the extent to which the motivation of the taxpayer in undertaking the transactions was to affect the membership of the combined group.

Similar transactions must be treated in a consistent manner from tax year to tax year.

Service functions are not considered in determining whether there are substantial intercorporate transactions when the service functions are incidental to the business of the corporation providing such service. Service functions include, but are not limited to, accounting, legal, and personnel services.

10-Step Analysis

Use the following steps to determine whether a combined report is required and, if so, which corporations are in the combined group:

1. Every taxpayer must identify all of the corporations to which it is related. When one or more of the related corporations are taxpayers, identify all of the corporations related to these taxpayers. Do this until all related corporations have been identified. If a taxpayer has no related corporations, it must file on a separate basis. This constitutes the Step 1 group of related corporations.

2. Identify all of the related corporations that have substantial intercorporate transactions with any taxpayer identified in Step 1. These related corporations and the taxpayers constitute the Step 2 tentative combined group.

3. Add to the Step 2 tentative combined group every related corporation that has substantial intercorporate transactions with any corporation identified in Step 2. This constitutes the Step 3 tentative combined group.

4. Add to the Step 3 tentative combined group every related corporation that has substantial intercorporate transactions with any corporation identified in Step 3. Repeat this process until it adds no more corporations to the group. This constitutes the Step 4 tentative combined group.

5. Identify each related corporation not in the Step 4 tentative combined group that has substantial intercorporate transactions with another related corporation not in the Step 4 tentative combined group. Compare all such groups and combine into one group those with common members ("unattached related group"). There may be more than one unattached related group.

6. If there are substantial intercorporate transactions between any one corporation in an unattached related group and the Step 4 tentative combined group, then all corporations in that unattached related group are included in the combined group. Do this for each unattached related group. As unattached related groups are included in the combined group, do this analysis between the expanded group and each unattached related group. The resulting group is the Step 6 tentative combined group.

7. If there are substantial intercorporate transactions between any one corporation in the Step 6 tentative combined group and an unattached related group, then all corporations in the unattached related group are included in the combined group. Do this for each unattached related group. As unattached related groups are included in the combined group, do this analysis between the expanded group and each unattached related group. The resulting group is the Step 7 tentative combined group.

8. Add to the Step 7 tentative combined group each related corporation that has substantial intercorporate transactions with the Step 7 tentative combined group.

9. Repeat the processes set forth in Steps 4, 6, 7, and 8 until no more corporations can be added to the tentative combined group.

10. Eliminate from the tentative combined group those corporations that are formed under the laws of another country (alien corporations), that are taxable pursuant to a different article of the Tax Law (or would be taxable under a different Article if subject to tax), and corporations that compute their business allocation percentage using a statutory method that is different from the taxpayer's (for example, aviation corporations and railroad and trucking corporations compute their business allocation percentage using a different statutory method than manufacturing corporations). Also eliminate any REIT or RIC included in the tentative combined group, unless that REIT or RIC is required to file a combined report under section 209.5 or 209.7 of the Tax Law with a taxpayer that is required to be included in the tentative combined group. If two or more like corporations are eliminated, it is possible that they will constitute a combined group if they have substantial intercorporate transactions. For example, one group could consist of trucking corporations and another group could consist of manufacturing corporations. However, the law provides that alien corporations are not to be included in a combined group.

In addition, the Tax Department may require or permit the taxpayer to file a combined report with one or more related corporations even where substantial intercorporate transactions are absent if a combined report is necessary to properly reflect the taxpayer's Article 9-A tax liability because of intercompany transactions or some agreement, understanding, arrangement, or transaction. (See Tax Law section 211.4(a)(4))

When a combined report will include more than one taxpayer, the corporations included in the group must designate which of the taxpayers is to be "the taxpayer" for the purposes of computing and assessing the tax. The taxpayer so designated is often referred to as the parent corporation, even though it may not be the parent of the other related corporations included in the combined report. When a related corporation does not have the same tax year as the parent, the related corporation's activities for its taxable year that ends during the parent's taxable year are used for purposes of reporting and filing as part of a combined report.

Examples of the 10-step analysis. The following are examples of the 10-step analysis for purposes of the opening paragraph of section 211.4(a) as set forth above.

<u>Basic facts for all examples (unless modified):</u> A owns all of B, C, D, E, F, G, H, L, M, N, O, P, Q, and R. All of the corporations are calendar-year taxpayers for federal income tax purposes. B and C are taxable under Article 9-A of the Tax Law and the other corporations would be taxable under Article 9-A if they had nexus with New York. All of the corporations use (or would use, if subject to tax) the standard business allocation percentage. None of the corporations is an alien corporation.

Example 1: 90% of B's receipts are from D. Therefore, there are substantial intercorporate transactions between B and D. B and D are a tentative combined group and must file a combined report.

Example 2: B's receipts are: 22% from A, 20% from C, 30% from D, 10% from E, and the rest are from unrelated entities. 40% of C's expenses are to B. There are no other transactions between the corporations. B and C file on a separate basis because there are no substantial intercorporate transactions between them and no substantial intercorporate transactions between B or C and any corporation in any tentative combined group or any unattached related group.

Example 3: 90% of B's receipts are from D and 100% of D's receipts are from E. D is an alien corporation. There are substantial intercorporate transactions between B and D and between D and E. B, D, and E are a tentative combined group. However, since D is an alien corporation, it cannot be included in a combined report (see Step 10). Therefore, B and E file a combined report.

Example 4: A is the only taxpayer, and 50% of A's receipts are from B, with another 4% from E. 30% of E's expenditures are to A and 20% to D. C has no transactions with anyone in the group. 50% of D's receipts are from A. 50% of F's receipts are from A. 100% of H's receipts are from F. 100% of R's receipts are from H. 20% of B's receipts are from L, 20% from M, and 20% from N. 100% of L's receipts are from M. 100% of M's receipts are from N. 40% of O's receipts are from R and 30% are from D. 60% of P's receipts are from O. 80% of L's expenditures are to Q. All of these corporations are in the Step 1 group of related corporations because they meet the stock ownership test.

The Step 2 tentative combined group consists of A, B, D, and F. As a result of Step 3, H is added to the tentative combined group. As a result of Step 4, R is added to the tentative combined group.

As described in Step 5, L, M, N, and Q is an unattached related group and O and P is an unattached related group.

Corporations O and P are added to the tentative group pursuant to Step 6 because 70% of O's receipts are from R and D. The Step 6 tentative combined group is A, B, D, F, H, R, O, and P.

The corporations in the unattached unrelated group of L, M, N, and Q are all added to the tentative combined group pursuant to Step 7 because B has substantial intercorporate transactions with the unattached related group of L, M, N, and Q. The Step 7 tentative combined group is A, B, D, F, H, R, O, P, L, M, N, and Q.

Pursuant to Step 8, E is added to the Step 7 tentative combined group because 30% of its expenditures are from A and 20% are from D. The Step 9 tentative combined group is the same as the Step 8 tentative combined group.

Since no corporations will be excluded from the Step 9 tentative combined group pursuant to Step 10, the group of corporations that must file a combined report are A, B, D, F, H, R, O, P, L, M, N, Q, and E.

Example 5: Same facts as Example 4 except that A, B, D, and F have filed on a combined basis for several years. In the current year, A realizes that it would reduce its New York State tax liability if it included C in the combined report. A creates K by contributing $10,000 of cash to it in exchange for all of K's stock. (In the alternative, A lends $10,000 to K, an existing dormant corporation). K enters into a contract with C to provide it with all of its office supplies (pens, paper, paper clips, etc.). K buys all of its office supplies from A and then sells them at a slight mark-up to C. In addition, K has a very small amount of interest income from a bank account.

The creation of K (or, in the alternative, making K an active corporation) and the transactions of A with K and K with C are not substantial intercorporate transactions because they lack economic substance.

Example 6: A is a bakery in New York and E is a bakery in Florida. Each year, A sells E a few pieces of equipment but the transactions are not substantial from either A's or E's point of view. In a particular year, A realizes it would reduce its New York State tax liability if it included E in a combined report with it. A creates K by contributing $10,000 to it in exchange for all of K's stock. A sells the equipment to K and K sells the equipment to E.

The creation of K and the transactions of A with K and K with E are not substantial intercorporate transactions because they lack economic substance.

Example 7: A's only activity is to receive dividends from its wholly owned subsidiaries. B sells stocks, C sells municipal bonds, and D sells corporate bonds. B, C and D each have their own employees. However, the employees of one corporation are authorized to and do sell extensively the securities sold by the other corporations. 80% of the receipts of B, 70% of the receipts of C, and 60% of the receipts of D are generated by sales made by the common pool of employees of B, C, and D. All three corporations carry on their activities at or using common facilities. Because there are substantial intercorporate transactions among B, C, and D, they are a combined group and must file a combined report. A is not included in the combined group because it has no substantial intercorporate transactions with a related corporation.

II. The Combined Reporting Rules for Real Estate Investment Trusts (REITs) and Regulated Investment Companies (RICs)

Based on the amendments to sections 209.5 and 209.7 of the Tax Law by Chapters 60, 93, and 94 of the Laws of 2007, REITs and RICs may be required or permitted to make a report on a combined basis.

Section 209.5 of the Tax Law has been amended to require a REIT whose capital stock is substantially owned or controlled, directly or indirectly, by one or more corporations that are not REITs but are taxable under Article 9-A (or corporations that are included in a combined report with a corporation that is subject to tax under Article 9-A) to make a report on a combined basis with those corporations. However, a combined report will not be required if all the other corporations are also REITs. Additionally, a REIT is not required to be included in a combined report under Article 9-A if over fifty percent of the capital stock of the REIT is owned directly or indirectly by a bank holding company as defined in section 1462(f) of the Tax Law or a banking corporation subject to tax under section 1451 of the Tax Law.

Section 209.7 of the Tax Law has been amended to require a RIC whose capital stock is substantially owned or controlled, directly or indirectly, by one or more corporations that are not RICs but are taxable under Article 9-A (or corporations that are included in a combined report with a corporation that is subject to tax under Article 9-A) to make a report on a combined basis with those corporations. However, a combined report will not be required if all the other corporations are also RICs. Additionally, a RIC is not required to be included in a combined report under Article 9-A if over fifty percent of the capital stock of the RIC is owned directly or indirectly by a bank holding company as defined in section 1462(f) of the Tax Law or a banking corporation subject to tax under section 1451 of the Tax Law.

A REIT or RIC required to be included in a combined report under section 209.5 or 209.7, respectively, must add to federal taxable income the deduction allowed to REITs under section 857(b)(2) (as modified by section 858) of the IRC and allowed to RICs under section 852(b)(2) (as modified by section 855) of the IRC in computing entire net income. In addition, if a REIT or RIC is required to be included in a combined report under section 209.5 or 209.7, respectively, combined business and investment capital includes the business and investment capital of all corporations, **including** any REIT or RIC included in the combined report.

Corporations that compute their business allocation percentage using a statutory method that is different from a REIT or RIC (for example, aviation, railroad, and trucking corporations) may not be included in a combined report with a REIT or RIC.

A REIT or RIC is included in the 10-step analysis contained in Part I of this TSB-M for purposes of determining which corporations are required to be included in a combined report under section 211.4 of the Tax Law. A REIT or RIC that is included in the tentative combined group is eliminated at step 10 unless that REIT or RIC is required to file a combined report pursuant to section 209.5 or 209.7 of the Tax Law with a taxpayer that is required to be included in the tentative combined group.

III. The Combined Reporting Rules for Article 33 Taxpayers

Chapter 60 of the Laws of 2007 amended section 1515 of the Tax Law to require certain taxpayers that are subject to tax under Article 33 (Franchise Tax on Insurance Corporations) to file on a combined basis with related corporations where there are substantial intercorporate transactions among the related corporations. For a combined report to be required, it is necessary that there be substantial intercorporate transactions between the taxpayer and a related corporation or, collectively, a group of such related corporations.

Key Terms

Substantial intercorporate transactions

In determining whether substantial intercorporate transactions exist, the facts and circumstances of all activities and transactions between related corporations and the taxpayer must be examined, including the following: (a) manufacturing, acquiring goods or property, or performing services for related corporations; (b) selling goods acquired from related corporations; (c) financing sales of related corporations; (d) performing related customer services using common facilities and employees for common customers of related corporations; (e) selling policies or contracts of insurance for related corporations; (f) reinsuring risks for related corporations; (g) collecting premiums or other consideration for any policy or contract of insurance for related corporations; (h) incurring expenses that benefit, directly or indirectly, one or more related corporations; and (i) transferring assets, including such assets as accounts receivable, patents, or trademarks from one or more related corporations. Therefore, intercorporate receipts, intercorporate expenditures, and intercorporate transfers of assets all constitute intercorporate transactions.

Dividends are not considered in determining if there are substantial intercorporate transactions. However, when examining intercorporate asset transfers to determine if substantial intercorporate transactions exist, dividends received will be considered in the measuring of gross income for purposes of the 20% gross income test described in the section of this TSB-M titled *Substantial intercorporate asset transfers*. Loans and interest on loans between related corporations are considered in determining if there are substantial intercorporate transactions. However, if the loan constitutes subsidiary capital pursuant to Tax Law section 1500(h), the interest paid and received on the loan does not constitute an intercorporate transaction.

Related corporation, substantial intercorporate receipts, substantial intercorporate expenditures, multi-year test, and substantial intercorporate asset transfers

The terms *related corporation*, *substantial intercorporate receipts*, *substantial intercorporate expenditures*, and *multi-year test* have the same meaning as they do for Article 9-A taxpayers.

The term *substantial intercorporate asset transfers* has the same meaning as it does for Article 9-A taxpayers; however, *gross income* means life insurance gross income as defined by IRC section 803.

Other considerations with regard to substantial intercorporate transactions

In determining whether the substantial intercorporate transactions requirement has been met, the Tax Department will consider the materiality of the transactions and whether the transactions have economic substance, including the extent to which the motivation of the taxpayer in undertaking the transactions was to affect the membership of the combined group.

Similar transactions must be treated in a consistent manner from tax year to tax year.

Service functions are not considered in determining whether there are substantial intercorporate transactions when the service functions are incidental to the business of the corporation providing such service. Service functions include, but are not limited to, accounting, legal, and personnel services.

10-Step Analysis

To determine those corporations to be included in a combined return, Article 33 taxpayers should use the 10-step analysis described in Part I of this TSB-M. In addition, at the end of the 10-step analysis, any corporations that are subject to the tax imposed by section 1502-a of the Tax Law (non-life insurance corporations) or section 1502-b of the Tax Law (captive insurance corporations) must be eliminated since they are not required or permitted to file on a combined basis.

In addition, the Tax Department may require or permit the taxpayer to file a combined return with one or more related corporations even where substantial intercorporate transactions are absent if a combined return is necessary to properly reflect the taxpayer's Article 33 tax liability because of intercompany transactions or some agreement, understanding, arrangement, or transaction. (See Tax Law section 1515(f)(3))

NOTE: A TSB-M is an informational statement of existing department policies or of changes to the law, regulations, or policies. It is accurate on the date issued. Subsequent changes in the law or regulations, judicial decisions, Tax Appeals Tribunal decisions, or changes in department policies could affect the validity of the information presented in a TSB-M.