

paragraph (e)(3)(ii)(B) of this section. Since K's cumulative uncollectible amount for the three-year test period (\$300,000) is less than 110% of its safe harbor uncollectible amount (\$295,000 × 110% = \$324,500), under paragraph (e)(3)(ii)(B) of this section, K may continue to use its alternative nonaccrual-experience method, subject to the three-year self-test requirement.

Example 12. Subsequent worthlessness of year-end receivable. The facts are the same as in *Example 4*, except that one of the accounts receivable outstanding at the end of 2002 was for \$8,000, and in 2003, under section 166, the entire amount of this receivable becomes wholly worthless. Because F does not accrue as income \$1,573 of this account receivable (\$8,000 × .1967) under the nonaccrual-experience method in 2002, under paragraph (d)(2) of this section F may not deduct this portion of the account receivable as a bad debt deduction under section 166 in 2003. F may deduct the remaining balance of the receivable in 2003 as a bad debt deduction under section 166 (\$8,000 – \$1,574 = \$6,426).

Example 13. Subsequent collection of year-end receivable. The facts are the same as in *Example 4*. In 2007, F collects in full an account receivable of \$1,700 that was outstanding at the end of 2006. Under paragraph (d)(5) of this section, F must recognize additional gross income in 2007 equal to the portion of this receivable that F excluded from gross income in the prior taxable year (\$1,700 × .1967 = \$334). That amount (\$334) is a recovery under paragraph (d)(5) of this section.

(h) *Effective date.* This section is applicable for taxable years ending on or after August 31, 2006.

§ 1.448-2T [Removed]

■ **Par. 3.** Section 1.448-2T is removed.

PART 602—OMB CONTROL NUMBERS UNDER THE PAPERWORK REDUCTION ACT

■ **Par. 4.** The authority citation for part 602 continues to read as follows:

Authority: 26 U.S.C. 7805.

■ **Par. 5.** In § 602.101, paragraph (b) is amended by adding an entry in numerical order to the table to read as follows:

§ 602.101 OMB Control numbers.

* * * * *

(b) * * *

CFR part or section where identified and described	Current OMB control No.
* * * * *	
1.448-2	1545-1855
* * * * *	

Steven T. Miller,
Acting Deputy Commissioner for Services and Enforcement.

Approved: August 30, 2006.

Eric Solomon,
Acting Deputy Assistant Secretary of the Treasury (Tax Policy).

[FR Doc. 06-7446 Filed 8-31-06; 1:53 pm]

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DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 301

[TD 9284]

RIN 1545-BC72

Collection After Assessment

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Final regulations.

SUMMARY: This document contains final regulations relating to the collection of tax liabilities after assessment. The regulations reflect changes to the law made by the Internal Revenue Service Restructuring and Reform Act of 1998. These regulations affect persons determining how long the Internal Revenue Service has to collect taxes that have been properly assessed.

DATES: *Effective Date:* These regulations are September 6, 2006.

FOR FURTHER INFORMATION CONTACT: Debra A. Kohn, (202) 622-7985 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

This document contains amendments to the Procedure and Administration Regulations (26 CFR part 301) under section 6502 of the Internal Revenue Code (Code). The regulations reflect the amendment of the Code by section 3461 of the Internal Revenue Service Restructuring and Reform Act of 1998 (RRA 1998), Public Law 105-206 (112 Stat. 685, 764).

On March 4, 2005, a notice of proposed rulemaking (REG-148701-03) relating to collection after assessment was published in the **Federal Register** (70 FR 10572). No public hearing was requested or held. Written and electronic comments responding to the notice of proposed rulemaking were received. After consideration of all the comments, the proposed regulations are adopted as amended by this Treasury decision. The revisions are discussed in this preamble.

Collection of Tax Liabilities After Assessment Under Section 6502

Pursuant to section 6502 of the Code, the IRS generally has 10 years from the date of assessment to collect a timely assessed tax liability. Prior to January 1, 2000, the effective date of section 3461 of RRA 1998, section 6502 permitted the IRS to enter into agreements with the taxpayer to extend the period of limitations on collection at any time prior to the expiration of the period provided in section 6502. Prior to the enactment of RRA 1998, the IRS used these collection extension agreements, or waivers, in various circumstances to protect its ability to collect a tax liability beyond the original 10-year period of limitations on collection. For example, the IRS historically conditioned consideration of an offer in compromise upon the execution of a collection extension agreement or waiver.

In addition, the Code contains several provisions that operate to toll the period of limitations on collection upon the occurrence of certain events. For example, section 6331(k) operates in part to suspend the period of limitations on collection for the period of time during which an offer in compromise is pending, for 30 days after rejection, and while a timely filed appeal is pending. Similarly, section 6503(h) operates to suspend the period of limitations on collection for the period of time during which the IRS is prohibited from collecting a tax due to a bankruptcy proceeding, and for 6 months thereafter. These statutory suspension provisions toll the period of limitations on collection even if the period of limitations on collection previously has been extended pursuant to an executed collection extension agreement. See *Klingshirm v. United States (In re Klingshirm)*, 147 F.3d 526 (6th Cir. 1998).

Section 3461 of RRA 1998 amended section 6502 of the Code to limit the ability of the IRS to enter into agreements extending the period of limitations on collection. Section 3461 of RRA 1998 also included an off-Code provision governing the continued effect of collection extension agreements executed on or before December 31, 1999.

Summary of Comments and Explanation of Provisions

The final regulations incorporate the amendments made by section 3461 of RRA 1998. The regulations provide that the IRS may enter into an agreement to extend the period of limitations on collection if an extension agreement is executed: (1) At the time an installment

agreement is entered into; or (2) prior to release of a levy pursuant to section 6343, if the release occurs after the expiration of the original period of limitations on collection.

One set of comments received in response to the notice of proposed rulemaking recommended that the final regulations: (1) Deem void all waivers signed prior to January 1, 2000, in conjunction with installment agreements that did not provide for payment in full of the underlying tax liability by the extended collection statute expiration date; and (2) provide that all taxpayers who have made payments since December 31, 2002, on such installment agreements are entitled to a refund of such payments. Because such provisions are beyond the scope of the underlying statute, they are not included in the final regulations.

Another set of comments received in response to the notice of proposed rulemaking concerned an inconsistency between the language of section 3461(c)(2) and a proposed alternative date of expiration for extension agreements made on or before December 31, 1999.

The notice of proposed rulemaking provided that extension agreements executed on or before December 31, 1999, other than those executed in connection with installment agreements, expire on the later of: (1) December 31, 2002, or if earlier, the date on which the extension agreement expired by its terms; or (2) the end of the original 10-year statutory period. The comments reflect that the language of the proposed regulations is inconsistent with the language of the statute. Few cases exist in which waivers executed on or before December 31, 1999, are still open under the statutory framework. Thus, there is no longer a need to address this provision in final regulations.

To the extent that the notice of proposed rulemaking differs from the final regulations, it is withdrawn as of the effective date of the final regulations.

Special Analyses

It has been determined that this Treasury decision is not a significant regulatory action as defined in Executive Order 12866. Therefore, a regulatory assessment is not required. It also has been determined that section 553(b) of the Administrative Procedure Act (5 U.S.C. chapter 5) does not apply to these regulations, and because these regulations do not impose a collection of information on small entities, the Regulatory Flexibility Act (5 U.S.C. chapter 6) does not apply. Pursuant to

section 7805(f) of the Code, the notice of proposed rulemaking preceding this regulation was submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on its impact on small business.

Drafting Information

The principal author of these regulations is Debra A. Kohn of the Office of the Associate Chief Counsel (Procedure and Administration), Collection, Bankruptcy & Summonses Division.

List of Subjects in 26 CFR Part 301

Employment taxes, Estate taxes, Excise taxes, Gift taxes, Income taxes, Penalties, Reporting and recordkeeping requirements.

Adoption of Amendments to the Regulations

■ Accordingly, 26 CFR part 301 is amended as follows:

PART 301—PROCEDURE AND ADMINISTRATION

■ **Paragraph 1.** The authority citation for part 301 continues to read in part as follows:

Authority: 26 U.S.C. 7805 * * *

■ **Par. 2.** Section 301.6502-1 is revised to read as follows:

§ 301.6502-1 Collection after assessment.

(a) *General rule.* In any case in which a tax has been assessed within the applicable statutory period of limitations on assessment, a proceeding in court to collect the tax may be commenced, or a levy to collect the tax may be made, within 10 years after the date of assessment.

(b) *Agreement to extend the period of limitations on collection.* The Secretary may enter into an agreement with a taxpayer to extend the period of limitations on collection in the following circumstances:

(1) *Extension agreement entered into in connection with an installment agreement.* If the Secretary and the taxpayer enter into an installment agreement for the tax liability prior to the expiration of the period of limitations on collection, the Secretary and the taxpayer, at the time the installment agreement is entered into, may enter into a written agreement to extend the period of limitations on collection to a date certain. A written extension agreement entered into under this paragraph shall extend the period of limitations on collection until the 89th day after the date agreed upon in the written agreement.

(2) *Extension agreement entered into in connection with the release of a levy under section 6343.* If the Secretary has levied on any part of the taxpayer's property prior to the expiration of the period of limitations on collection and the levy is subsequently released pursuant to section 6343 after the expiration of the period of limitations on collection, the Secretary and the taxpayer, prior to the release of the levy, may enter into a written agreement to extend the period of limitations on collection to a date certain. A written extension agreement entered into under this paragraph shall extend the period of limitations on collection until the date agreed upon in the extension agreement.

(c) *Proceeding in court for the collection of the tax.* If a proceeding in court for the collection of a tax is begun within the period provided in paragraph (a) of this section (or within any extended period as provided in paragraph (b) of this section), the period during which the tax may be collected by levy is extended until the liability for the tax or a judgment against the taxpayer arising from the liability is satisfied or becomes unenforceable.

(d) *Effect of statutory suspensions of the period of limitations on collection if executed collection extension agreement is in effect.* (1) Any statutory suspension of the period of limitations on collection tolls the running of the period of limitations on collection, as extended pursuant to an executed extension agreement under paragraph (b) of this section, for the amount of time set forth in the relevant statute.

(2) The following example illustrates the principle set forth in this paragraph (d):

Example. In June of 2003, the Internal Revenue Service (IRS) enters into an installment agreement with the taxpayer to provide for periodic payments of the taxpayer's timely assessed tax liabilities. At the time the installment agreement is entered into, the taxpayer and the IRS execute a written agreement to extend the period of limitations on collection. The extension agreement executed in connection with the installment agreement operates to extend the period of limitations on collection to the date agreed upon in the extension agreement, plus 89 days. Subsequently, and prior to the expiration of the extended period of limitations on collection, the taxpayer files a bankruptcy petition under chapter 7 of the Bankruptcy Code and receives a discharge from bankruptcy a few months later. Assuming the tax is not discharged in the bankruptcy, section 6503(h) of the Internal Revenue Code operates to suspend the running of the previously extended period of limitations on collection for the period of time the IRS is prohibited from collecting due to the bankruptcy proceeding, and for 6 months thereafter. The new expiration date

for the IRS to collect the tax is the date agreed upon in the previously executed extension agreement, plus 89 days, plus the period during which the IRS is prohibited from collecting due to the bankruptcy proceeding, plus 6 months.

(e) *Date when levy is considered made.* The date on which a levy on property or rights to property is considered made is the date on which the notice of seizure required under section 6335(a) is given.

(f) *Effective date.* This section is applicable on September 6, 2006.

Mark E. Matthews,

Deputy Commissioner for Services and Enforcement.

Approved: August 22, 2006.

Eric Solomon,

Acting Deputy Assistant Secretary of the Treasury (Tax Policy).

[FR Doc. E6-14610 Filed 9-5-06; 8:45 am]

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DEPARTMENT OF JUSTICE

Office of Justice Programs

28 CFR Part 94

[Docket No.: OJP (OJP)—1368]

RIN 1121-AA63

International Terrorism Victim Expense Reimbursement Program

AGENCY: Office of Justice Programs, Justice.

ACTION: Final rule.

SUMMARY: The Office of Justice Programs (“OJP”) is finalizing the following regulation with minor modifications as a result of comments concerning the original notice of proposed rulemaking published at 70 FR 49518–49525, on August 24, 2005. This regulation implements provisions of the Victims of Crime Act of 1984 (the “VOCA”) (42 U.S.C. 10601 *et seq.*), which authorize the Director of the Office for Victims of Crime (“OVC”), a component of OJP, to establish an International Terrorism Victim Expense Reimbursement Program (hereinafter referred to as the “ITVERP”) to reimburse eligible “direct” victims of acts of international terrorism that occur outside the United States for “expenses associated with that victimization.”

DATES: This final rule is effective October 6, 2006.

FOR FURTHER INFORMATION CONTACT: Barbara Walker, Senior Policy Analyst, Office for Victims of Crime, Office of Justice Programs, U.S. Department of Justice, 810 Seventh Street, NW.,

Washington, DC 20531; by telephone, at: 1-800-363-0441; or by e-mail, at: ITVERP@usdoj.gov.

SUPPLEMENTARY INFORMATION: As authorized by the VOCA, OVC generally provides Federal financial assistance to states for the purpose of compensating and assisting victims of crime, provides funds for training and technical assistance services for victims of Federal crime, and provides funding and services for victims of terrorism and mass violence. This program is funded by fines, fees, penalty assessments, and bond forfeitures paid by federal offenders, as well as gifts from private individuals, deposited into the Crime Victims Fund in the U.S. Treasury.

On August 24, 2005, at 70 FR 49518, OJP published a proposed rule to implement the provisions of the (ITVERP). All comments concerning this rule were to be received by October 22, 2005. As a result of that publication, OVC received sixteen public comments. Eight of the comments came from individuals who had been victims of acts of international terrorism that occurred abroad. Two came from national victim assistance organizations, one of which represents the VOCA-funded victim assistance organizations in the fifty-six relevant jurisdictions. Three comments were from individual state victim compensation boards, one was from a Federal agency, one was from a professional trade organization, and one was from an interested individual. Other than a few syntactical or grammatical changes of a technical, non-substantive nature, after careful review of all comments, OVC has made only two minor modifications, clarifying the definition of “victim” in § 94.12(u)(2) (reworded to clarify which persons may be considered victims) and expanding the definition of “collateral source” in 94.12(c)(2).

OVC offers the following issue analysis to provide additional details on the purpose and operation of the ITVERP.

Twelve individuals or representatives of groups submitted comments regarding the scope of coverage of the program. These comments generally asked for the coverage of the program to be expanded in various ways. As detailed below, OVC thoughtfully considered each of these comments.

As noted in the Notice of Proposed Rulemaking, OVC recognizes that little or no support may be given by other countries to American nationals who are victims of acts of international terrorism events that occur abroad and that state programs differ in how they treat residents who are victimized abroad.

Moreover, victims of acts of international terrorism that occur outside the United States face unique obstacles in securing assistance and support. Against this background of variation in compensation levels, the authorizing statute indicates that the major purpose of the ITVERP is to reimburse “victims of acts of international terrorism that occur outside the United States for *expenses* associated with that victimization” (42 U.S.C. 10603c(b) (emphasis added)). Thus, the program—by statute—is intended to ensure a basic level of support for immediate and out-of-pocket expenses associated with such victimization.

OVC also wishes to note that the ITVERP will cover a broader range of expenses than the types of emergency expenses that have been provided to date through the existing discretionary program operated by the FBI in conjunction with the Department of State and OVC. Some emergency claims that were previously denied may thus fall within the ITVERP’s scope. Therefore, victims who have received prior emergency assistance may wish to review their prior payments in relation to the limits established by this program, and submit such additional claims to the ITVERP, if warranted.

Additional Categories and Increased Limits

Eight of the comments requested an expansion of the categories of reimbursable expenses, and one requested an increase of the limits of the existing categories. Requests for specific types of expenses are discussed below, but, as noted above, the goal of the program—by statute—is to provide a basic level of support for American nationals who are victims of acts of international terrorism that occur outside the United States. OVC encourages victims to avail themselves of additional sources of compensation, which may include reimbursements either from other sources above the ITVERP limitations or for categories of expenses not covered by the ITVERP. Closely adhering to the statutory mandate of reimbursement for expenses provides greater stability to the program. By keeping the ITVERP focused on direct, out-of-pocket expenses, consistent with the statutory authorization, OVC can ensure that funding will be available for all victims in the dreadful event that another act of international terrorism should occur overseas involving a large number of eligible victims.