

considered gain or loss from the sale or exchange of property that has the same character as the property to which the option relates would have in the hands of the taxpayer. Although a partnership interest is generally considered a capital asset, section 751(a) may apply to recharacterize a portion of a partner's gain on the sale or exchange of a partnership interest as ordinary. A number of commenters on the noncompensatory partnership option proposed regulations questioned whether section 751 applies to the lapse, repurchase, sale, exchange, or other termination of a noncompensatory option.

The Treasury Department and the IRS continue to study this issue and request comments on (1) if section 751(a) applies to the lapse, repurchase, sale, or exchange of a noncompensatory option, (a) how the option holder's share of income or loss from section 751 property would be determined under § 1.751-1(a)(2), and (b) how a partner in the issuing partnership that transfers its partnership interest while the option is outstanding would determine its share of income or loss from section 751 property under § 1.751-1(a)(2) (that is, should it be reduced by the amount of income or loss from section 751 property attributable to the option holder); and (2) if section 751(a) does not apply to the lapse, repurchase, sale, or exchange of a noncompensatory option, what measures, if any, should be taken to ensure that ordinary income is not permanently eliminated.

Effective/Applicability Date

To coordinate the proposed regulations with the final noncompensatory partnership option regulations, the proposed regulations are proposed to have the same effective date as the final noncompensatory partnership option regulations. Therefore, the proposed regulations are proposed to apply to options issued on or after February 5, 2013.

Special Analyses

It has been determined that this notice of proposed rulemaking is not a significant regulatory action as defined in Executive Order 12866, as supplemented by Executive Order 13563. 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 this regulation, and because the regulation does not impose a collection of information requirement on small entities, the Regulatory Flexibility Act (5 U.S.C. chapter 6) does not apply.

Pursuant to section 7805(f) of the Code, this regulation has been submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on its impact on small business.

Comments and Requests for Public Hearing

Before these proposed regulations are adopted as final regulations, consideration will be given to any written (a signed original and eight (8) copies) or electronic comments that are submitted timely to the IRS. The Treasury Department and the IRS request comments on all aspects of the proposed rules. All comments are available at www.regulations.gov or upon request. A public hearing may be scheduled if requested in writing by any person that timely submits written comments. If a public hearing is scheduled, notice of the date, time, and place for the public hearing will be published in the **Federal Register**.

Drafting Information

The principal authors of these proposed regulations are Benjamin Weaver of the Office of Associate Chief Counsel (Passthroughs and Special Industries) and Shawn Tetelman of the Office of Associate Chief Counsel (Financial Institutions and Products). However, other personnel from the IRS and Treasury Department participated in their development.

List of Subjects in 26 CFR Part 1

Income taxes, Reporting and recordkeeping requirements.

Proposed Amendments to the Regulations

Accordingly, 26 CFR part 1 is proposed to be amended as follows:

PART 1—INCOME TAXES

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

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

■ **Par. 2.** Section 1.761-3 is amended by adding paragraph (c)(1)(iv) to read as follows:

§ 1.761-3 Certain option holders treated as partners.

* * * * *

(c) * * *

(1) * * *

(iv) An event described in paragraphs (c)(1)(iv)(A), (B), or (C) of this section, provided the event is pursuant to a plan in existence at the time of the issuance or modification of the noncompensatory option that has as a principal purpose

the substantial reduction of the present value of the aggregate Federal tax liabilities of the partners and the noncompensatory option holder (under paragraph (a)(1)(ii) of this section):

(A) Issuance, transfer, or modification of an interest in, or liquidation of, the issuing partnership;

(B) Issuance, transfer, or modification of an interest in any look-through entity (as defined in paragraph (b)(1) of this section) that directly, or indirectly through one or more look-through entities, owns the noncompensatory option;

(C) Issuance, transfer, or modification of an interest in any look-through entity that directly, or indirectly through one or more look-through entities, owns an interest in the issuing partnership.

* * * * *

■ **Par. 3.** Section 1.1234-3 is amended by adding a sentence at the end of paragraph (b)(2) to read as follows:

§ 1.1234-3 Special rules for the treatment of grantors of certain options granted after September 1, 1976.

* * * * *

(b) * * *

(2) * * * For purposes of the preceding sentence, for options granted on or after February 5, 2013, the term *securities* includes partnership interests.

* * * * *

Steven T. Miller,

Deputy Commissioner for Services and Enforcement.

[FR Doc. 2013-02260 Filed 2-4-13; 8:45 am]

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DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 301

[REG-141066-09]

RIN 1545-BL08

Awards for Information Relating To Detecting Underpayments of Tax or Violations of the Internal Revenue Laws; Correction

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Correction to notice of proposed rulemaking.

SUMMARY: This document contains corrections to a notice of proposed rulemaking (REG-141066-09) that was published in the **Federal Register** on Tuesday, December 18, 2012 (77 FR 74798). The proposed regulations provide comprehensive guidance for the award program authorized under the

Internal Revenue Code section 7623, as amended. The regulations provide guidance on submitting information regarding underpayments of tax or violations of the internal revenue laws and filing claims for award, as well as on the administrative proceedings applicable to claims for award under section 7623.

FOR FURTHER INFORMATION CONTACT: Meghan M. Howard at (202) 622-7950 (not a toll free number).

SUPPLEMENTARY INFORMATION:

Background

The notice of proposed rulemaking (REG-141066-09) that is the subject of these corrections is under Section 7623 of the Internal Revenue Code.

Need for Correction

As published, the notice of proposed rulemaking (REG-141066-09) contains errors that may prove to be misleading and are in need of clarification.

Correction of Publication

Accordingly, the notice of proposed rulemaking (REG-141066-09), that was the subject of FR Doc. 2012-30512, is corrected as follows:

1. On page 74798, in the preamble, column 3, under the caption **FOR FURTHER INFORMATION**, line 1 from the top of the column, the language “Oluwafunmilavaio Taylor, at (202) 622-” is corrected to read “Oluwafunmilayo Taylor, at (202) 622-”.

§ 301.7623-1 [Corrected]

■ 2. On page 74804, column 3, § 301.7623-1(a), line 3, the language “by law, the IRS’s Whistleblower Office” is corrected to read “by law, the Whistleblower Office”.

§ 301.7623-2 [Corrected]

■ 3. On page 74806, column 1, § 301.7623-2(a)(2), line 5, the language “a portion of an IRS civil or criminal” is corrected to read “a portion of an Internal Revenue Service (IRS) civil or criminal”.

■ 4. On page 74806, column 1, § 301.7623-2(b)(1), line 4, the language “Internal Revenue (IRS) *proceeds based*” is corrected to read “IRS *proceeds based*”.

§ 301.7623-3 [Corrected]

■ 5. On page 74808, column 2, § 301.7623-3(a) second column, line 17, the language “Internal Revenue Service (IRS) may,” is corrected to read “Internal Revenue Service (IRS) may rely on the claimant’s description of the amount owed by the taxpayers(s). The IRS may,”

■ 6. On page 74808, column 3, § 301.7623-3(c)(1), line 10, the language “file.” is corrected to read “file. The whistleblower administrative proceeding described in paragraphs (c)(1) through (6) of this section begins on the date the Whistleblower Office sends the preliminary award recommendation letter. The preliminary award recommendation is not a determination letter within the meaning of paragraph (c)(6) of this section and cannot be appealed to Tax Court under section 7623(b)(4) and paragraph (d) of this section. The preliminary award recommendation will notify the individual that the IRS cannot determine or pay any award until there is a final determination of tax, as defined in § 301.7623-4(d)(2).”

■ 7. On page 74808, column 3, § 301.7623-3(c)(2)(iv), lines 1 through 18, the language “A confidentiality agreement. The whistleblower administrative proceeding described in paragraphs (c)(1) through (6) of this section begins on the date the Whistleblower Office sends the preliminary award recommendation letter. The preliminary award recommendation is not a determination letter within the meaning of paragraph (c)(6) of this section and cannot be appealed to Tax Court under section 7623(b)(4) and paragraph (d) of this section. The preliminary award recommendation will notify the individual that the IRS cannot determine or pay any award until there is a final determination of tax, as defined in § 301.7623-4(d)(2).” is corrected to read “A confidentiality agreement.”.

§ 301.7623-4 [Corrected]

■ 8. On page 74810, column 2, instructional paragraph 5, is corrected to read “**Par. 6.** Section 301.7623-4 is added to read as follows:”.

LaNita VanDyke,

Chief, Publications and Regulations Branch, Legal Processing Division, Associate Chief Counsel, (Procedure and Administration).

[FR Doc. 2013-02416 Filed 2-4-13; 8:45 am]

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DEPARTMENT OF HOMELAND SECURITY

Coast Guard

33 CFR Part 165

[Docket Number USCG-2012-1001]

RIN 1625-AA00

Safety Zones; Annual Firework Displays Within the Captain of the Port, Puget Sound Area of Responsibility, WA

AGENCY: Coast Guard, DHS.

ACTION: Notice of proposed rulemaking.

SUMMARY: The Coast Guard proposes to add three new fireworks events and to correct the location of five existing events to ensure public safety during annual firework displays at various locations in the Captain of the Port (COTP), Puget Sound Area of Responsibility (AOR). When these safety zones are activated and subject to enforcement, this rule would limit the movement of vessels within the established firework display areas. These additions and corrections are necessary to prevent injury and to protect life and property of the maritime public from hazards associated with firework displays.

DATES: Comments and related material must be received by the Coast Guard on or before April 8, 2013.

ADDRESSES: You may submit comments identified by docket number USCG-2012-1001 using any one of the following methods:

(1) *Federal eRulemaking Portal:* <http://www.regulations.gov>.

(2) *Fax:* 202-493-2251.

(3) *Mail or Delivery:* Docket Management Facility (M-30), U.S. Department of Transportation, West Building Ground Floor, Room W12-140, 1200 New Jersey Avenue SE., Washington, DC 20590-0001. Deliveries accepted between 9 a.m. and 5 p.m., Monday through Friday, except federal holidays. The telephone number is 202-366-9329.

See the “Public Participation and Request for Comments” portion of the **SUPPLEMENTARY INFORMATION** section below for further instructions on submitting comments. To avoid duplication, please use only one of these three methods.

FOR FURTHER INFORMATION CONTACT: If you have questions on this proposed rule, call or email ENS Nathaniel P. Clinger, Coast Guard Sector Puget Sound, Waterways Management Division, U.S. Coast Guard; telephone (206) 217-6045, email