

respect to C Corp and D Corp, E does not have to file a Form 8621 with respect to C Corp or D Corp because E qualifies for the \$25,000 exception set forth in paragraph (c)(2)(i)(A)(1) of this section.

Example 4. Indirect shareholder's requirement to file. (i) *Facts.* The facts are the same as in *Example 3* of this paragraph (g), except that the value of E's interest in C Corp is \$30,000 and the value of E's proportionate share of C Corp's interest in D Corp is \$3,000.

(ii) *Results.* The results are the same as in *Example 3* of this paragraph (g) with respect to E having no requirement to file a Form 8621 under section 1298(f) and these regulations with respect to A Corp and B Corp. However, under the facts in this *Example 4*, E does not qualify for the \$25,000 exception under paragraph (c)(2)(i)(A)(1) of this section with respect to C Corp because the value of E's interest in C Corp is \$30,000. Accordingly, E must file a Form 8621 under section 1298(f) and these regulations with respect to C Corp. However, E does qualify for the \$5,000 exception under paragraph (c)(2)(i)(A)(2) of this section with respect to D Corp, and thus does not have to file a Form 8621 with respect to D Corp.

Example 5. Application of the domestic partnership exception. (i) *Facts.* Tax Exempt Entity A and Tax Exempt Entity B are both organizations exempt under section 501(a) because they are described in section 501(c). Tax Exempt Entity A and Tax Exempt Entity B own all the interests in Partnership X, a domestic partnership, which, in turn, owns, an interest in Partnership Y, also a domestic partnership. The remaining interests in Partnership Y are owned by F Corp, a foreign corporation owned solely by individuals that are not residents or citizens of the United States. Partnership Y owns an interest in A Corp, which is a PFIC. Any income derived with respect to A Corp would not be taxable to Tax Exempt Entity A or Tax Exempt Entity B under subchapter F of Subtitle A of the Code. Tax Exempt Entity A, Tax Exempt Entity B, Partnership X, and Partnership Y all are calendar year taxpayers.

(ii) *Results.* Under paragraph (c)(1) of this section, Tax Exempt Entity A and Tax Exempt Entity B do not have to file Form 8621 under section 1298(f) and these regulations with respect to A Corp because neither entity would be subject to tax under subchapter F of Subtitle A of the Code with respect to income derived from A Corp. In addition, under paragraph (c)(6) of this section, neither Partnership X nor Partnership Y is required to file Form 8621 under section 1298(f) and these regulations with respect to A Corp because all of the direct and indirect interests in Partnership X and Partnership Y are owned by persons described in paragraph (c)(1) of this section or persons that are not a shareholder of A Corp as defined by § 1.1291-1(b)(7).

(h) *Applicability dates.* (1) Except as provided in paragraph (h)(2) of this section, this section applies to taxable years of shareholders ending on or after December 31, 2013.

(2) Paragraph (c)(9) of this section applies to taxable years of shareholders ending before December 31, 2013.

§ 1.1298-1T [Removed]

■ **Par. 11.** Section 1.1298-1T is removed.

■ **Par. 12.** Section 1.6038-2 is amended by revising paragraphs (j)(3) and (m) to read as follows:

§ 1.6038-2 Information returns required of United States persons with respect to annual accounting periods of certain foreign corporations beginning after December 31, 1962.

* * * * *

(j) * * *

(3) *Statement required.* Any United States person required to furnish information under this section with his return who does not do so by reason of the provisions of paragraph (j)(1) of this section shall file a statement with his income tax return indicating that such requirement has been (or will be) satisfied and identifying the return with which the information was or will be filed and the place of filing.

* * * * *

(m) *Applicability dates.* Except as otherwise provided, this section applies with respect to information for annual accounting periods beginning on or after June 21, 2006. Paragraphs (k)(1) and (5) *Examples 3* and *4* of this section apply June 21, 2006. Paragraph (d) of this section applies to taxable years ending after April 9, 2008. Paragraph (j)(3) of this section applies to returns filed on or after December 31, 2013.

§ 1.6038-2T [Removed]

■ **Par. 13.** Section 1.6038-2T is removed.

■ **Par. 14.** Section 1.6046-1 is amended by revising paragraph (e)(5) and adding paragraph (l)(3) to read as follows:

§ 1.6046-1 Returns as to organizations or reorganizations of foreign corporations and as to acquisitions of their stock.

* * * * *

(e) * * *

(5) *Persons exempted from furnishing items of information.* Any person required to furnish any item of information under paragraph (b) or (c) of this section with respect to a foreign corporation may, if such item of information is furnished by another person having an equal or greater stock interest (measured in terms of either the total combined voting power of all classes of stock of the foreign corporation entitled to vote or the total value of the stock of the foreign corporation) in such foreign corporation, satisfy such requirement by filing a statement with his return on Form 5471 indicating that such requirement has been satisfied and identifying the return in which such item of information was included. This

paragraph (e)(5) does not apply to persons excepted from filing a return by reason of the provisions of paragraph (e)(4) of this section.

* * * * *

(l) * * *

(3) Paragraph (e)(5) of this section applies to returns filed on or after December 31, 2013. See paragraph (e)(5) of § 1.6046-1, as contained in 26 CFR part 1 revised as of April 1, 2012, for returns filed before December 31, 2013.

§ 1.6046-1T [Removed]

■ **Par. 15.** Section 1.6046-1T is removed.

John Dalrymple,
Deputy Commissioner for Services and Enforcement.

Approved: December 13, 2016.

Mark D. Mazur,
Assistant Secretary of the Treasury (Tax Policy).

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DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

[TD 9792]

RIN 1545-BJ48

United States Property Held by Controlled Foreign Corporations in Transactions Involving Partnerships; Rents and Royalties Derived in the Active Conduct of a Trade or Business; Correction

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Final regulations; correction.

SUMMARY: This document contains corrections to the final regulations (TD 9792) that were published in the **Federal Register** on Thursday, November 3, 2016 (81 FR 76497). The final regulations provide rules regarding the treatment as United States property of property held by a controlled foreign corporation (CFC) in connection with certain transactions involving partnerships.

DATES: This correction is effective December 28, 2016 and is applicable on or after November 3, 2016.

FOR FURTHER INFORMATION CONTACT: Rose E. Jenkins, at (202) 317-6934 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

The final regulations (TD 9792) that are the subject of this correction are

under sections 954 and 956 of the Internal Revenue Code.

Need for Correction

As published, the final regulations (TD 9792) contain errors that may prove to be misleading and are in need of clarification.

Correction of Publication

Accordingly, the final regulations (TD 9792), that are the subject of FR Doc. 2016-26425, are corrected as follows:

1. On page 76499, third column, in the preamble, the eighth line from the bottom of the last paragraph, the language “generally is consistent with § 1.956-” is corrected to read “generally is consistent with existing § 1.956-”.

2. On page 76500, first column, in the preamble, the fourth line from the top of the page, the language “that is not included in the final or” is corrected to read “that is not included in the existing final or”.

3. On page 76500, first column, in the preamble, the seventh line in the first full paragraph, the language “§ 1.956-2(a)(3) nor proposed § 1.956-” is corrected to read “existing § 1.956-2(a)(3) nor proposed § 1.956-”.

4. On page 76500, first column, in the preamble, the eighth line in the first full paragraph, the language “4(b) include the limitation. A comment” is corrected to read “4(b) includes the limitation. A comment”.

5. On page 76500, third column, in the preamble, the eleventh line from the top of the first full paragraph, the language is corrected to read “book-up”.

6. On page 76501, first column, in the preamble, the eighth line of the first full paragraph, the language is corrected to read “§ 1.956-4(b)(2)(ii)”.

Martin V. Franks,

Chief, Publications and Regulations Branch, Legal Processing Division, Associate Chief Counsel, (Procedure and Administration).
[FR Doc. 2016-31364 Filed 12-27-16; 8:45 am]

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DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

[TD 9792]

RIN 1545-BJ48

United States Property Held by Controlled Foreign Corporations in Transactions Involving Partnerships; Rents and Royalties Derived in the Active Conduct of a Trade or Business; Correction

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Correcting amendment.

SUMMARY: This document contains corrections to the final regulations (TD 9792) that were published in the **Federal Register** on Thursday, November 3, 2016 (81 FR 76497). The final regulations provide rules regarding the treatment as United States property of property held by a controlled foreign corporation (CFC) in connection with certain transactions involving partnerships.

DATES: This correction is effective December 28, 2016 and is applicable on or after November 3, 2016.

FOR FURTHER INFORMATION CONTACT: Rose E. Jenkins, at (202) 317-6934 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

The final regulations (TD 9792) that are the subject of these corrections are under sections 954 and 956 of the Internal Revenue Code.

Need for Correction

As published, the final regulations (TD 9792) contain errors that may prove to be misleading and are in need of clarification.

List of Subjects in 26 CFR Part 1

Income taxes, Reporting and recordkeeping requirements.

Amendments to the Regulations

Accordingly, 26 CFR part 1 is corrected by making the following correcting amendments:

PART 1—INCOME TAXES

■ **Paragraph 1.** The authority citation for part 1 is amended by deleting the entry for § 1.956-3T to read in part as follows:

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

§ 1.954-2 [Amended]

■ **Par. 2.** Section 1.954-2 is amended by removing paragraph (j).

■ **Par. 3.** Section 1.956-1T is amended by revising the section heading and the paragraph headings for paragraphs (a)(5) and (f) to read as follows:

§ 1.956-1T Shareholder’s pro rata share of the average of the amounts of United States property held by a controlled foreign corporation (temporary).

(a) * * *
(5) *Exclusion for certain recourse obligations.* * * *

(f) *Effective/applicability date.* * * *

■ **Par. 4.** Section 1.956-4 is amended by revising paragraphs (b)(2)(ii), (b)(3) introductory text, and (c)(3)(i) introductory text, and in paragraph (c)(4), *Example 3*, by removing “U.S.C.” each place that it appears and adding in its place, “USP2”.

The revisions read as follows:

§ 1.956-4 Certain rules applicable to partnerships.

(b) * * *
(2) * * *

(ii) *Special allocations.* For purposes of paragraph (b)(1) of this section, if a partnership agreement provides for the allocation of book income (or, where appropriate, book gain) from a subset of the property of the partnership to a partner other than in accordance with the partner’s liquidation value percentage in a particular taxable year (a *special allocation*), then the partner’s attributable share of that property is determined solely by reference to the partner’s special allocation with respect to the property, provided the special allocation will be respected for federal income tax purposes under section 704(b) and the regulations thereunder and does not have a principal purpose of avoiding the purposes of section 956.

(3) *Examples.* The following examples illustrate the rules of this paragraph (b):

(c) * * *
(3) * * *

(i) *General rule.* For purposes of determining a partner’s share of a foreign partnership’s obligation under section 956, if the foreign partnership distributes an amount of money or property to a partner that is related to a controlled foreign corporation within the meaning of section 954(d)(3) and whose obligation would be United States property if held (or if treated as held) by the controlled foreign