

III. Summary of Section 1034(c) Obligations

The CFPB is providing this summary section to assist large banks and credit unions in complying with section 1034(c). This section is intended to serve as a simplified summary and a reference tool, and large banks and credit unions should refer to the legal analysis above for further detail and information.

As discussed above, when a bank or credit union with over \$10 billion in assets receives a request for information from a consumer relating to the consumer's account for a consumer financial product or service, section 1034(c) requires the bank or credit union to respond with information in its possession or control. The large bank or credit union must respond to the request in a timely manner; whether a response is timely may depend on the complexity of the request or difficulty of responding. Responses to consumer information requests must also be complete and accurate. Large banks and credit unions may respond to requests using any means or channels they choose.

Consumers need information regarding their accounts to manage their finances, and the Advisory Opinion describes examples of account information that must be provided upon request. Consumers can request information such as account balances, transaction history, interest rates, scheduled auto-payments, fees, or balances necessary to pay off a loan, and may also request supporting written documents such as copies or images of checks or original signed contracts. The obligation to respond does not include information that does not concern the individual consumer's account, such as internal operating procedures or policies, or the company's financial performance, marketing strategy, or training program for its employees. The obligation also does not apply to information that falls within the four enumerated exceptions in section 1034(c), including confidential information or information collected to prevent fraud or money laundering.

Section 1034(c) does not bar large banks and credit unions from imposing reasonable impediments on consumer information requests, such as reasonable identity verification and data security measures. But large banks and credit unions may not impose conditions that unreasonably impede consumers' information requests. The practice of charging fees to respond to an information request would generally unreasonably impede consumers'

exercise of their rights under section 1034(c), and thus violate the provision. Regardless of how a large bank or credit union labels or categorizes a fee on its fee schedule or other documents, section 1034(c) does not permit unreasonable impediments to a request for information about a consumer's account. That would likely include charging fees (1) to respond to consumer inquiries regarding their deposit account balance; (2) to respond to consumer inquiries seeking the amount necessary to pay a loan balance; (3) to respond to a request for a specific type of supporting document, such as a check image or an original account agreement; and (4) for time spent on consumer inquiries seeking information and supporting documents regarding an account. Depending on the circumstances, other kinds of conditions or obstacles may also violate section 1034(c), such as forcing consumers to endure excessive wait times, requiring consumers to submit the same request multiple times, requiring consumers to interact with a chatbot that does not adequately respond to requests, or directing consumers to obtain information from a third party.

As a matter of prosecutorial discretion, the CFPB does not intend to seek monetary relief for potential violations of section 1034(c) that occur prior to February 1, 2024.

IV. Regulatory Matters

The CFPB has concluded that the Advisory Opinion is an interpretive rule in part and a general statement of policy in part. Insofar as the Advisory Opinion constitutes an interpretive rule, it is issued under the CFPB's authority to interpret the Consumer Financial Protection Act, including under section 1022(b)(1) of the Consumer Financial Protection Act, which authorizes guidance as may be necessary or appropriate to enable the CFPB to administer and carry out the purposes and objectives of Federal consumer financial laws.³⁵

Insofar as the Advisory Opinion constitutes a general statement of policy, it provides background information about applicable law and articulates considerations relevant to the CFPB's exercise of its authorities. It does not confer any rights of any kind.

Pursuant to the Congressional Review Act,³⁶ the CFPB will submit a report containing this Advisory Opinion and other required information to the United States Senate, the United States House of Representatives, and the Comptroller

General of the United States prior to the rule's published effective date. The Office of Information and Regulatory Affairs has designated this interpretive rule as not a "major rule" as defined by 5 U.S.C. 804(2).

The CFPB has determined that this Advisory Opinion also does not impose any new or revise any existing recordkeeping, reporting, or disclosure requirements on covered entities or members of the public that would be collections of information requiring approval by the Office of Management and Budget under the Paperwork Reduction Act of 1995.³⁷

Rohit Chopra,

Director, Consumer Financial Protection Bureau.

[FR Doc. 2023-22774 Filed 10-13-23; 8:45 am]

BILLING CODE 4810-AM-P

DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 39

[Docket No. FAA-2023-1998; Project Identifier MCAI-2023-01045-R; Amendment 39-22572; AD 2023-20-51]

RIN 2120-AA64

Airworthiness Directives; Airbus Helicopters

AGENCY: Federal Aviation Administration (FAA), DOT.

ACTION: Final rule; request for comments.

SUMMARY: The FAA is adopting a new airworthiness directive (AD) for Airbus Helicopters Model AS332C, AS332C1, AS332L, AS332L1, AS332L2, and SA330J helicopters. This AD was prompted by a report of three newly supplied main rotor swashplate bushing retaining plates with oversized internal diameters. This AD requires accomplishing a one-time inspection to measure the internal diameter of affected bushing retaining plates and depending on the results, accomplishing an additional inspection, replacing non-conforming bushing retaining plates, or accomplishing additional corrective action, as specified in a European Union Aviation Safety Agency (EASA) AD, which is incorporated by reference. The FAA previously sent this AD as an emergency AD to all known U.S. owners and operators of these helicopters. The FAA is issuing this AD to address the unsafe condition on these products.

³⁵ 12 U.S.C. 5512(b)(1).

³⁶ 5 U.S.C. 801 *et seq.*

³⁷ 44 U.S.C. 3501-3521.

DATES: This AD is effective October 31, 2023. Emergency AD 2023–20–51, issued on October 2, 2023, which contained the requirements of this amendment, was effective with actual notice.

The Director of the Federal Register approved the incorporation by reference of a certain publication listed in this AD as of October 31, 2023.

The FAA must receive comments on this AD by November 30, 2023.

ADDRESSES: You may send comments, using the procedures found in 14 CFR 11.43 and 11.45, by any of the following methods:

- *Federal eRulemaking Portal:* Go to *regulations.gov*. Follow the instructions for submitting comments.

- *Fax:* (202) 493–2251.

- *Mail:* U.S. Department of Transportation, Docket Operations, M–30, West Building Ground Floor, Room W12–140, 1200 New Jersey Avenue SE, Washington, DC 20590.

- *Hand Delivery:* Deliver to Mail address above between 9 a.m. and 5 p.m., Monday through Friday, except Federal holidays.

AD Docket: You may examine the AD docket at *regulations.gov* under Docket No. FAA–2023–1998; or in person at Docket Operations between 9 a.m. and 5 p.m., Monday through Friday, except Federal holidays. The AD docket contains this final rule, any comments received, and other information. The address for Docket Operations is listed above.

Material Incorporated by Reference:

- For EASA material identified in this final rule, contact EASA, Konrad-Adenauer-Ufer 3, 50668 Cologne, Germany; telephone +49 221 8999 000; email *ADs@easa.europa.eu*; internet *easa.europa.eu*. You may find the EASA material on the EASA website at *ad.easa.europa.eu*.

- You may view this material at the FAA, Office of the Regional Counsel, Southwest Region, 10101 Hillwood Pkwy., Room 6N–321, Fort Worth, TX 76177. For information on the availability of this material at the FAA, call (817) 222–5110. It is also available at *regulations.gov* under Docket No. FAA–2023–1998.

Other Related Service Information:

For Airbus Helicopters service information identified in this final rule, contact Airbus Helicopters, 2701 North Forum Drive, Grand Prairie, TX 75052; phone (972) 641–0000 or (800) 232–0323; fax (972) 641–3775; or at *airbus.com/en/products-services/helicopters/hcare-services/airbusworld*. You may also view this service information at the FAA contact

information under *Material Incorporated by Reference* above.

FOR FURTHER INFORMATION CONTACT: Dan McCully, Aviation Safety Engineer, FAA, 1600 Stewart Avenue, Suite 410, Westbury, NY 11590; phone (404) 474–5548; email *william.mccully@faa.gov*.

SUPPLEMENTARY INFORMATION:

Comments Invited

The FAA invites you to send any written data, views, or arguments about this final rule. Send your comments to an address listed under **ADDRESSES**. Include “Docket No. FAA–2023–1998; Project Identifier MCAI–2023–01045–R” at the beginning of your comments. The most helpful comments reference a specific portion of the final rule, explain the reason for any recommended change, and include supporting data. The FAA will consider all comments received by the closing date and may amend this final rule because of those comments.

Except for Confidential Business Information (CBI) as described in the following paragraph, and other information as described in 14 CFR 11.35, the FAA will post all comments received, without change, to *regulations.gov*, including any personal information you provide. The agency will also post a report summarizing each substantive verbal contact received about this final rule.

Confidential Business Information

CBI is commercial or financial information that is both customarily and actually treated as private by its owner. Under the Freedom of Information Act (FOIA) (5 U.S.C. 552), CBI is exempt from public disclosure. If your comments responsive to this AD contain commercial or financial information that is customarily treated as private, that you actually treat as private, and that is relevant or responsive to this AD, it is important that you clearly designate the submitted comments as CBI. Please mark each page of your submission containing CBI as “PROPIN.” The FAA will treat such marked submissions as confidential under the FOIA, and they will not be placed in the public docket of this AD. Submissions containing CBI should be sent to Dan McCully, Aviation Safety Engineer, FAA, 1600 Stewart Avenue, Suite 410, Westbury, NY 11590; phone (404) 474–5548; email *william.mccully@faa.gov*. Any commentary that the FAA receives that is not specifically designated as CBI will be placed in the public docket for this rulemaking.

Background

The FAA issued Emergency AD 2023–20–51, dated October 2, 2023 (the emergency AD), to address an unsafe condition on Airbus Helicopters Model AS332C, AS332C1, AS332L, AS332L1, AS332L2, and SA330J helicopters. The FAA sent the emergency AD to all known U.S. owners and operators of these helicopters. The emergency AD requires accomplishing a one-time inspection to measure the internal diameter of affected bushing retaining plates and depending on the results, inspecting the scissor attachment ball joint seating or replacing non-conforming bushing retaining plates. Depending on the results of the scissor attachment ball joint seating inspection, the emergency AD requires accomplishing repair in accordance with a method approved by the FAA, EASA, or Airbus Helicopters’ EASA Design Organization Approval (DOA). Lastly, the emergency AD prohibits installing an affected bushing retaining plate unless it has passed its required inspection.

The emergency AD was prompted by EASA Emergency AD 2023–0174–E, dated October 2, 2023 (EASA AD 2023–0174–E), issued by EASA, which is the Technical Agent for the Member States of the European Union, to correct an unsafe condition on Airbus Helicopters Model SA 330 J, AS 332 C, AS 332 C1, AS 332 L, AS 332 L1, and AS 332 L2 helicopters. EASA AD 2023–0174–E states that during an overhaul of a main rotor assembly, three newly supplied main rotor swashplate retaining bushes were identified as out of tolerance with a diameter of 39 mm (1.535 in.) instead of 31 mm (1.22 in.). EASA AD 2023–0174–E also states that affected retaining bushes may be installed on main rotor rotating and non-rotating swashplates.

You may examine EASA AD 2023–0174–E in the AD docket at *regulations.gov* under Docket No. FAA–2023–1998.

The FAA is issuing this AD to detect out of tolerance main rotor swashplate bushing retaining plates. This condition, if not addressed, could result in damage to the main rotor assembly and subsequent loss of control of the helicopter.

Related Service Information Under 1 CFR Part 51

The FAA reviewed EASA AD 2023–0174–E, which requires a one-time inspection to measure the internal diameter of affected retaining bushes and depending on the results, inspecting the scissor attachment ball joint seating or replacing non-

conforming retaining bushes. Depending on the results of the scissor attachment ball joint seating inspection, EASA AD 2023–0174–E requires contacting AH [Airbus Helicopters] for approved repair instructions and accomplishing those instructions accordingly. Lastly, EASA AD 2023–0174–E prohibits installing an affected retaining bush unless it has passed its required inspection. Additionally, EASA AD 2023–0174–E refers to a “bushing retaining plate” as a “retaining bush.”

This material is reasonably available because the interested parties have access to it through their normal course of business or by the means identified in the **ADDRESSES** section.

Other Related Service Information

The FAA also reviewed Airbus Helicopters Emergency Alert Service Bulletins AS332–62–00–0001 and SA330–65–00–0003, each Revision 1 and dated September 29, 2023. This service information specifies procedures for measuring the internal diameter of the bush retainings on the rotating and non-rotating swashplates and, if at least one internal diameter of the three bush retainings is more than 33 mm (1.3 in.), contacting Airbus Helicopters, removing and discarding each out of tolerance bush retaining, and checking the ball joint seating on the support. If the ball joint is not properly seated on the support, this service information specifies contacting Airbus Helicopters to get a repair solution. Lastly, this service information specifies procedures for installing new bush retainings. Additionally, Airbus Helicopters refers to a “bushing retaining plate” as either a “bush retaining,” “stop ring,” “retaining bush,” or “locking ring” in its service information.

FAA’s Determination

These helicopters have been approved by the aviation authority of the European Union and are approved for operation in the United States. Pursuant to the FAA’s bilateral agreement with the European Union, EASA, its technical representative, has notified the FAA of the unsafe condition described in its emergency AD. The FAA is issuing this AD after evaluating all pertinent information and determining that the unsafe condition exists and is likely to exist or develop on other helicopters of these same type designs.

Requirements of This AD

This AD requires accomplishing the actions specified in EASA AD 2023–0174–E, described previously, as incorporated by reference, except for

any differences identified as exceptions in the regulatory text of this AD and except as discussed under “Differences Between This AD and the EASA Emergency AD.”

Explanation of Required Compliance Information

In the FAA’s ongoing efforts to improve the efficiency of the AD process, the FAA developed a process to use some civil aviation authority (CAA) ADs as the primary source of information for compliance with requirements for corresponding FAA ADs. The FAA has been coordinating this process with manufacturers and CAAs. As a result, EASA AD 2023–0174–E is incorporated by reference in this FAA final rule. This AD, therefore, requires compliance with EASA AD 2023–0174–E in its entirety through that incorporation, except for any differences identified as exceptions in the regulatory text of this AD. Using common terms that are the same as the heading of a particular section in EASA AD 2023–0174–E does not mean that operators need comply only with that section. For example, where the AD requirement refers to “all required actions and compliance times,” compliance with this AD requirement is not limited to the section titled “Required Action(s) and Compliance Time(s)” in EASA AD 2023–0174–E. Service information referenced in EASA AD 2023–0174–E for compliance will be available at *regulations.gov* under Docket No. FAA–2023–1998 after this final rule is published.

Differences Between This AD and the EASA Emergency AD

The service information referenced in EASA AD 2023–0174–E specifies contacting Airbus Helicopters to get a repair solution and EASA AD 2023–0174–E requires contacting AH [Airbus Helicopters] for approved repair instructions and accomplishing those instructions accordingly if a scissor attachment ball joint is not properly seated, whereas this AD requires repair done in accordance with a method approved by the FAA, EASA, or Airbus Helicopters’ EASA DOA.

Justification for Immediate Adoption and Determination of the Effective Date

Section 553(b)(3)(B) of the Administrative Procedure Act (APA) (5 U.S.C. 551 *et seq.*) authorizes agencies to dispense with notice and comment procedures for rules when the agency, for “good cause,” finds that those procedures are “impracticable, unnecessary, or contrary to the public interest.” Under this section, an agency,

upon finding good cause, may issue a final rule without providing notice and seeking comment prior to issuance. Further, section 553(d) of the APA authorizes agencies to make rules effective in less than thirty days, upon a finding of good cause.

An unsafe condition exists that required the immediate adoption of Emergency AD 2023–20–51, issued on October 2, 2023, to all known U.S. owners and operators of these helicopters. The FAA found that the risk to the flying public justified waiving notice and comment prior to adoption of this rule because the affected components are part of an assembly that is critical to the control of a helicopter. As the FAA has no information pertaining to the quantity of non-conforming components that may currently exist in the U.S. fleet or how quickly the condition may propagate to failure, the actions required by this AD must be accomplished within two days. These conditions still exist, therefore, notice and opportunity for prior public comment are impracticable and contrary to the public interest pursuant to 5 U.S.C. 553(b)(3)(B).

In addition, the FAA finds that good cause exists pursuant to 5 U.S.C. 553(d) for making this amendment effective in less than 30 days, for the same reasons the FAA found good cause to forego notice and comment.

Regulatory Flexibility Act

The requirements of the Regulatory Flexibility Act (RFA) do not apply when an agency finds good cause pursuant to 5 U.S.C. 553 to adopt a rule without prior notice and comment. Because the FAA has determined that it has good cause to adopt this rule without prior notice and comment, RFA analysis is not required.

Costs of Compliance

The FAA estimates that this AD affects 14 helicopters of U.S. Registry. Labor rates are estimated at \$85 per work-hour. Based on these numbers, the FAA estimates the following costs to comply with this AD.

Inspecting the bushing retaining plates takes about 0.5 work-hour for an estimated cost of \$43 per helicopter and up to \$602 for the U.S. fleet. If required, replacing a non-conforming bushing retaining plate takes about 6 work-hours and parts cost about \$600 for an estimated cost of \$1,110 per replacement.

If required, inspecting the scissor attachment ball joint seating takes about 3 work-hours and costs about \$255 per helicopter. The corrective action that may be needed as a result of that

inspection could vary significantly from helicopter to helicopter. The FAA has no data to determine the costs to accomplish the corrective action or the number of helicopters that may require corrective action.

Authority for This Rulemaking

Title 49 of the United States Code specifies the FAA's authority to issue rules on aviation safety. Subtitle I, section 106, describes the authority of the FAA Administrator. Subtitle VII: Aviation Programs, describes in more detail the scope of the Agency's authority.

The FAA is issuing this rulemaking under the authority described in Subtitle VII, Part A, Subpart III, Section 44701: General requirements. Under that section, Congress charges the FAA with promoting safe flight of civil aircraft in air commerce by prescribing regulations for practices, methods, and procedures the Administrator finds necessary for safety in air commerce. This regulation is within the scope of that authority because it addresses an unsafe condition that is likely to exist or develop on products identified in this rulemaking action.

Regulatory Findings

This AD will not have federalism implications under Executive Order 13132. This AD will not have a substantial direct effect on the States, on the relationship between the national Government and the States, or on the distribution of power and responsibilities among the various levels of government.

For the reasons discussed, I certify that this AD:

(1) Is not a "significant regulatory action" under Executive Order 12866, and

(2) Will not affect intrastate aviation in Alaska.

List of Subjects in 14 CFR Part 39

Air transportation, Aircraft, Aviation safety, Incorporation by reference, Safety.

The Amendment

Accordingly, under the authority delegated to me by the Administrator, the FAA amends 14 CFR part 39 as follows:

PART 39—AIRWORTHINESS DIRECTIVES

■ 1. The authority citation for part 39 continues to read as follows:

Authority: 49 U.S.C. 106(g), 40113, 44701.

§ 39.13 [Amended]

■ 2. The FAA amends § 39.13 by adding the following new airworthiness directive:

2023–20–51 Airbus Helicopters:

Amendment 39–22572; Docket No. FAA–2023–1998; Project Identifier MCAI–2023–01045–R.

(a) Effective Date

The FAA issued Emergency Airworthiness Directive (AD) 2023–20–51 on October 2, 2023, directly to affected owners and operators. As a result of such actual notice, that emergency AD was effective for those owners and operators on the date it was provided. This AD contains the same requirements as that emergency AD and, for those who did not receive actual notice, is effective on October 31, 2023.

(b) Affected ADs

None.

(c) Applicability

This AD applies to Airbus Helicopters Model AS332C, AS332C1, AS332L, AS332L1, AS332L2, and SA330J helicopters, certificated in any category.

(d) Subject

Joint Aircraft System Component (JASC) Code: 6230, Main Rotor Mast/Swashplate.

(e) Unsafe Condition

This AD was prompted by a report of three newly supplied main rotor swashplate bushing retaining plates with oversized internal diameters. The FAA is issuing this AD to detect out of tolerance main rotor swashplate bushing retaining plates. The unsafe condition, if not addressed, could result in damage to the main rotor assembly and subsequent loss of control of the helicopter.

Note 1 to paragraph (e): European Union Aviation Safety Agency (EASA) Emergency AD 2023–0174–E, dated October 2, 2023 (EASA AD 2023–0174–E), refers to a "bushing retaining plate" as a "retaining bush." The service information referenced in EASA AD 2023–0174–E refers to a "bushing retaining plate" as either a "bush retaining," "stop ring," "retaining bush," or "locking ring."

(f) Compliance

Comply with this AD within the compliance times specified, unless already done.

(g) Requirements

Except as specified in paragraphs (h) and (i) of this AD: Comply with all required actions and compliance times specified in, and in accordance with, EASA AD 2023–0174–E.

(h) Exceptions to EASA AD 2023–0174–E

(1) Where EASA AD 2023–0174–E refers to its effective date, this AD requires using the effective date of this AD.

(2) Where paragraph (1) of EASA AD 2023–0174–E states, "before next flight," for this AD, replace that text with, "within two calendar days."

(3) Where paragraph (2) of EASA AD 2023–0174–E specifies inspecting the scissor attachment ball joint seating without a compliance time, this AD requires that action before further flight.

(4) Where the service information referenced in EASA AD 2023–0174–E specifies discarding parts, this AD requires removing those parts from service.

(5) Where the service information referenced in EASA AD 2023–0174–E specifies contacting Airbus Helicopters if at least one internal diameter of the three bushing retaining plates is more than 33 mm (1.3 in), this AD does not require that action.

(6) Where the service information referenced in EASA AD 2023–0174–E specifies contacting Airbus Helicopters to get a repair solution and paragraph (4) of EASA AD 2023–0174–E requires contacting AH [Airbus Helicopters] for approved repair instructions and accomplishing those instructions accordingly if a scissor attachment ball joint is not properly seated, this AD requires repair done in accordance with a method approved by the Manager, International Validation Branch, FAA; or EASA; or Airbus Helicopters' EASA Design Organization Approval (DOA). If approved by the DOA, the approval must include the DOA-authorized signature.

(7) This AD does not adopt the "Remarks" section of EASA AD 2023–0174–E.

(i) No Reporting Requirement

Although the service information referenced in EASA AD 2023–0174–E specifies to submit certain information to the manufacturer, this AD does not include that requirement.

(j) Special Flight Permit

Special flight permits are prohibited.

(k) Alternative Methods of Compliance (AMOCs)

(1) The Manager, International Validation Branch, FAA, has the authority to approve AMOCs for this AD, if requested using the procedures found in 14 CFR 39.19. In accordance with 14 CFR 39.19, send your request to your principal inspector or local Flight Standards District Office, as appropriate. If sending information directly to the manager of the International Validation Branch, send it to the attention of the person identified in paragraph (1) of this AD. Information may be emailed to: 9-AVS-AIR-730-AMOC@faa.gov.

(2) Before using any approved AMOC, notify your appropriate principal inspector, or lacking a principal inspector, the manager of the local flight standards district office/certificate holding district office.

(l) Related Information

For more information about this AD, contact Dan McCully, Aviation Safety Engineer, FAA, 1600 Stewart Avenue, Suite 410, Westbury, NY 11590; phone (404) 474–5548; email william.mccully@faa.gov.

(m) Material Incorporated by Reference

(1) The Director of the Federal Register approved the incorporation by reference of the service information listed in this

paragraph under 5 U.S.C. 552(a) and 1 CFR part 51.

(2) You must use this service information as applicable to do the actions required by this AD, unless this AD specifies otherwise.

(i) European Union Aviation Safety Agency (EASA) Emergency AD 2023-0174-E, dated October 2, 2023.

(ii) [Reserved]

(3) For EASA AD 2023-0174-E, contact EASA, Konrad-Adenauer-Ufer 3, 50668 Cologne, Germany; telephone +49 221 8999 000; email ADs@easa.europa.eu; internet easa.europa.eu. You may find the EASA material on the EASA website at ad.easa.europa.eu.

(4) You may view this service information at the FAA, Office of the Regional Counsel, Southwest Region, 10101 Hillwood Pkwy., Room 6N-321, Fort Worth, TX 76177. For information on the availability of this material at the FAA, call (817) 222-5110.

(5) You may view this material that is incorporated by reference at the National Archives and Records Administration (NARA). For information on the availability of this material at NARA, email fr.inspection@nara.gov, or go to: www.archives.gov/federal-register/cfr/ibr-locations.html.

Issued on October 11, 2023.

Victor Wicklund,

Deputy Director, Compliance & Airworthiness Division, Aircraft Certification Service.

[FR Doc. 2023-22856 Filed 10-12-23; 4:15 pm]

BILLING CODE 4910-13-P

DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Parts 1 and 53

[TD 9981]

RIN 1545-BJ53

Requirements for Type I and Type III Supporting Organizations

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Final regulations.

SUMMARY: This document contains final regulations providing guidance on the prohibition on certain gifts or contributions to Type I and Type III supporting organizations from persons who control a supported organization and on certain other requirements for Type III supporting organizations. The regulations reflect changes to the law made by the Pension Protection Act of 2006. The regulations affect certain Type I and Type III supporting organizations and their supported organizations.

DATES:

Effective date: These regulations are effective on October 16, 2023.

Applicability date: For dates of applicability, see § 1.509(a)-4(I).

FOR FURTHER INFORMATION CONTACT: Michael Gruccio at (202) 317-4541 or Don Spellmann at (202) 317-4086.

SUPPLEMENTARY INFORMATION:

Background

I. Overview

This document amends the Income Tax Regulations (26 CFR part 1) by adding final regulations under section 509(a) of the Internal Revenue Code (Code). These final regulations amend § 1.509(a)-4 to provide guidance on amendments to the Code enacted by section 1241 of the Pension Protection Act of 2006 (PPA), Public Law 109-280, 120 Stat. 780 (August 17, 2006).

An organization described in section 501(c)(3) of the Code is classified as either a private foundation or a public charity. To be classified as a public charity, an organization must be described in section 509(a)(1), (2), or (3). Organizations described in section 509(a)(3) are known as “supporting organizations.” Supporting organizations achieve their public charity status by providing support to one or more organizations described in section 509(a)(1) or (2), which, in this context, are referred to as “supported organizations.”

To be described in section 509(a)(3), an organization must satisfy (1) an organizational test, (2) an operational test, (3) a relationship test, and (4) a disqualified person control test. The organizational and operational tests require that a supporting organization be organized, and at all times thereafter operated, exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more supported organizations. The relationship test requires a supporting organization to establish one of three types of relationships with one or more supported organizations. A supporting organization that is operated, supervised, or controlled by one or more supported organizations is known as a “Type I” supporting organization. The relationship of a Type I supporting organization with its supported organization(s) is comparable to that of a corporate parent-subsidiary relationship. A supporting organization that is supervised or controlled in connection with one or more supported organizations is known as a “Type II” supporting organization. The relationship of a Type II supporting organization with its supported organization(s) involves common supervision or control by the persons supervising or controlling both the

supporting organization and the supported organization(s). A supporting organization that is operated in connection with one or more supported organizations is known as a “Type III” supporting organization and is discussed further in the remainder of this preamble. Finally, the disqualified person control test requires that a supporting organization not be controlled directly or indirectly by certain disqualified persons.

Sections 1241 through 1243 of the PPA revised the requirements for supporting organizations. These final regulations under § 1.509(a)-4 address section 1241’s five changes to the requirements an organization must satisfy to qualify as a Type III supporting organization.

II. PPA Changes to Type III Supporting Organizations

The PPA made the following five changes to the requirements an organization must satisfy to qualify as a Type III supporting organization:

(1) Section 1241(c) of the PPA removed the ability of a charitable trust to rely on the special rule under § 1.509(a)-4(i)(2)(iii) as then in effect, which allowed a trust to satisfy the attentiveness requirement of the integral part test for non-functionally integrated Type III supporting organizations if the supported organization was a beneficiary of the trust and state law allowed the beneficiary to enforce the trust and compel an accounting of the trust;

(2) Section 1241(d) of the PPA directed the Secretary of the Treasury or her delegate (Secretary) to promulgate regulations under section 509 that establish a new distribution requirement for Type III supporting organizations that are not “functionally integrated” (a non-functionally integrated (NFI) Type III supporting organization) to ensure that a “significant amount” is paid to supported organizations; for this purpose, the term “functionally integrated” means a Type III supporting organization that is not required under regulations to make payments to supported organizations, because the supporting organization engages in activities that relate to performing the functions of, or carrying out the purposes of, its supported organization(s);

(3) Section 1241(b) of the PPA required a Type III supporting organization to provide annually to each of its supported organizations the information required by the Department of the Treasury (Treasury Department) and the IRS (referred to in § 1.509(a)-4(i)(2) as the notification requirement)