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**FOR FURTHER INFORMATION CONTACT:** Katie Overbey, Human Foods Program, Food and Drug Administration, 5001 Campus Dr., College Park, MD 20740, 240-402-7536.

**SUPPLEMENTARY INFORMATION:** Under section 409(b)(5) of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 348(b)(5)), we are giving notice that we have filed a food additive petition (FAP 5M4841), submitted by Monterey Mushrooms, LLC, 260 Westgate Dr., Watsonville, CA 95076. The petition proposes to amend the food additive regulations in § 172.382 (21 CFR 172.382 *Vitamin D<sub>2</sub> mushroom powder*) to provide for production of the additive by exposing sliced or diced edible cultivars of *Agaricus bisporus* to ultraviolet light.

The petitioner has claimed that this action is categorically excluded from the requirement to prepare an environmental assessment or an environmental impact statement under 21 CFR 25.32(k) because the substance is intended to remain in food through ingestion by consumers and is not intended to replace macronutrients in food. In addition, the petitioner has stated that, to their knowledge, no extraordinary circumstances exist. If FDA determines a categorical exclusion applies, neither an environmental assessment nor an environmental impact statement is required. If FDA determines a categorical exclusion does not apply, we will request an environmental assessment and make it available for public inspection.

Dated: December 13, 2024.

**P. Ritu Nalubola,**

*Associate Commissioner for Policy.*

[FR Doc. 2024-30362 Filed 12-23-24; 8:45 am]

**BILLING CODE 4164-01-P**

## DEPARTMENT OF THE TREASURY

### Internal Revenue Service

#### 26 CFR Part 1

[REG-112129-23]

RIN 1545-BQ84

#### Corporate Alternative Minimum Tax Applicable After 2022; Technical Correction

**AGENCY:** Internal Revenue Service (IRS), Treasury.

**ACTION:** Notice of proposed rulemaking; technical correction.

**SUMMARY:** This document contains technical corrections to a notice of proposed rulemaking (REG-112129-23), which was published in the **Federal Register** on Friday, September 13, 2024. REG-112129-23 contains proposed regulations that relate to the application of the corporate alternative minimum tax, which is imposed on the adjusted financial statement income of certain corporations for applicable taxable years beginning after 2022.

**DATES:** Written or electronic comments are still being accepted and must be received by Thursday, January 16, 2025.

**ADDRESSES:** Commenters are strongly encouraged to submit public comments electronically via the Federal eRulemaking Portal at <https://www.regulations.gov> (indicate IRS and REG-112129-23) by following the online instructions for submitting comments. Once submitted to the Federal eRulemaking Portal, comments cannot be edited or withdrawn. The Department of the Treasury (Treasury Department) and the IRS will publish for public availability any comments submitted to the IRS's public docket. Send paper submissions to: CC:PA:01:PR (REG-112129-23), Room 5203, Internal Revenue Service, P.O. Box 7604, Ben Franklin Station, Washington, DC 20044.

**FOR FURTHER INFORMATION CONTACT:** Concerning general corrections (including corrections to proposed §§ 1.56A-1 and 1.59-2), Madeline Padner at (202) 317-7006, and concerning corrections to proposed §§ 1.56A-15 and 1.56A-16, C. Dylan Durham at (202) 317-7005, each of the Office of Associate Chief Counsel (Income Tax and Accounting); concerning corrections to proposed §§ 1.56A-5 and 1.56A-20, Elizabeth Zanet or Brian Barrett, each of the Office of Associate Chief Counsel (Passthroughs and Special Industries) at (202) 317-6850; concerning corrections to proposed §§ 1.56A-18, 1.56A-19, 1.56A-21, 1.56A-23(e) and (f), and 1.1502-56A, Jeremy Aron-Dine or William W. Burhop, each of the Office of Associate Chief Counsel (Corporate) at (202) 317-3181; concerning corrections to proposed § 1.56A-26, Michelle L. Ng at (202) 317-6939, and concerning § 1.59-4, John J. Lee at (202) 317-6934, each of the Office of Associate Chief Counsel (International); and concerning submissions of comments or the public hearing, the Publications and Regulations Section, (202) 317-6901 (not toll-free numbers)

or by email at [publichearings@irs.gov](mailto:publichearings@irs.gov) (preferred).

#### SUPPLEMENTARY INFORMATION:

##### Background

The notice of proposed rulemaking (REG-112129-23) that is the subject of these corrections is under sections 55, 56A, 59, and 1502 of the Internal Revenue Code.

##### Need for Correction

As published, the notice of proposed rulemaking (REG-112129-23) contains errors that need to be corrected.

The Treasury Department and the IRS intended that CAMT basis be used in amortizing or depreciating property not subject to the rules in proposed § 1.56A-15 (AFSI adjustments for section 168 property) and proposed § 1.56A-16 (AFSI adjustments for qualified wireless spectrum property). Therefore, the Treasury Department and IRS correct proposed § 1.56A-1(d)(4) to clarify that to the extent the CAMT basis of an asset is different than its AFS basis, and if income and expense (as well as gain or loss) is recognized for AFSI purposes under the section 56A regulations, then such income or expense (as well as gain or loss) reflected in FSI is redetermined for AFSI purposes by reference to the CAMT basis of the asset.

The Treasury Department and the IRS intended that the simplified method for determining applicable corporation status take into account the adjustments provided to tax-exempt entities in section 56A(c)(12) and proposed § 1.56A-14. Therefore, the Treasury Department and IRS correct proposed § 1.59-2(g)(2) to take into account the adjustments provided to tax-exempt entities by proposed § 1.56A-14.

The Treasury Department and the IRS intended proposed § 1.56A-19(g)(4)(iii) and (g)(5)(iii) to prevent a section 351 transferee that is an applicable corporation from (i) causing a section 351 exchange to be treated as a covered recognition transaction by issuing a de minimis amount of boot to a section 351 transferor that is not an applicable corporation, and thereby (ii) determining the section 351 transferee's CAMT basis in the assets received to be its AFS basis (that is, taking a fair value basis in the assets). Therefore, the Treasury Department and IRS correct proposed § 1.56A-19(g)(4)(iii) and (g)(5)(iii) to clarify that, if the amount of boot issued by the section 351 transferee to a section 351 transferor that is not an applicable corporation is less than ten percent of the fair market value of the assets transferred to the section 351

transferee by that section 351 transferor, the section 351 transferee determines its CAMT basis in the transferred assets under section 362 (that is, the CAMT basis of the assets in the hands of the section 351 transferor), increased by the regular tax gain recognized by the section 351 transferor. Proposed § 1.56A–19(g)(6)(iv) (*Example 4*) is revised to reflect the corrections to proposed § 1.56A–19(g)(5)(iii).

This document also contains corrections for other errors contained in the notice of proposed rulemaking (REG–112129–23) that need to be corrected.

### Correction of Publication

Accordingly, FR Doc. 2024–20089 (REG–112129–23), appearing on page 75062 in the **Federal Register** on Friday, September 13, 2024, is corrected as follows:

1. On page 75063, in the third column, in the first partial paragraph, in the fifth line down from the top of the paragraph, the language “56(c)(3)(A)” is corrected to read “56A(c)(3)(A)”.

2. On page 75065, in the first column, in the second full paragraph, in the fifth line up from the bottom of the paragraph, the language “AFSI Tests” is corrected to read “AFSI tests”.

3. On page 75066, in the second column, in the first paragraph, in the third line down from the top of the paragraph, the language “2024–3 I.R.B.” is corrected to read “2024–3 I.R.B. 406”.

4. On page 75074, in the second column, in the first partial paragraph, in the tenth line up from the bottom of the paragraph, the language “388(g)” is corrected to read “338(g)”.

5. On page 75075, in the first column, in the thirteenth line up from the bottom of the page, the language “asset acquisition” is corrected to read “asset transaction”.

6. On page 75080, in the first column, the third line down from the top of the page is corrected to read “distributive share amount that is disallowed”.

7. On page 75086, in the third column, in the first full paragraph, the eighth line up from the bottom of the paragraph is corrected to read, “ending after December 31, 2019.”.

8. On page 75088, in the third column, in the first partial paragraph, the ninth line down from the top of the paragraph is corrected to read “in method of accounting for depreciation or a tax”.

9. On page 75088, in the third column, in the first full paragraph, in the ninth line up from the bottom of the paragraph, the language, “§ 1.56A–(d)(1)(iii)” is corrected to read, “§ 1.56A–15(d)(1)(iii)”.

10. On page 75089, in the third column, in the first full paragraph, the language, “§ 1.56A–15(e)(7)” is corrected to read, “§ 1.56A–15(e)(8)”.

11. On page 75090, in the second column, in the first full paragraph, the second line up from the bottom of the paragraph is corrected to read “ending on or before December 31.”.

12. On page 75090, in the second column, in the second full paragraph, the second line up from the bottom of the paragraph is corrected to read “ending on or before December 31.”.

13. On page 75091, in the second column, in the first full paragraph, the eighth line up from the bottom of the paragraph is corrected to read “taxable years ending on or before”.

14. On page 75101, in the first column, in the first partial paragraph:

i. The ninth and eighth lines up from the bottom of the paragraph are corrected to read, “causing the deferred sale gain or loss to be accelerated into AFSI in”.

ii. The fifth line up from the bottom of the paragraph is corrected to read “sum of (A) the deferred sale gain or loss that”.

15. On page 75101, in the third column, in the first partial paragraph, the last line of the paragraph is corrected to read “in which the distribution occurs unless the special rule in proposed § 1.56A–20(d)(1)(ii)(E) would apply to the timing of the inclusion.”.

16. On page 75103, in the third column, in the first partial paragraph, the seventh and sixth lines up from the bottom of the paragraph are corrected to read “which an acceleration or partial acceleration event described in § 1.721(c)–4(b) or § 1.721(c)–5(d), respectively, occurred; and (D) the”.

17. On page 75105, in the second column, in the first partial and first full paragraphs, the language “Section 168 Property”, is corrected to read “section 168 property”, everywhere it appears.

18. On page 75113, in the first column, the heading “3. Corporation in Existence for Less Than Three Taxable Years” is corrected to read “3. Corporation in Existence for Less Than Three Taxable Years and Short Taxable Years”.

19. On page 75120, in the first column, in the second partial paragraph, in the twelfth line up from the bottom of the paragraph, the language “section 904” is corrected to read “section 901”.

20. On page 75120, in the third column, the heading “XXX. Proposed §§ 1.1502–2, 1.1502–3, 1.1502–53, and 1.1502–55: Computation of Tax Liability of a Tax Consolidated Group and Computation of Alternative Minimum

*Tax of Consolidated Groups*” is corrected to read “XXX. Proposed §§ 1.1502–2, 1.1502–3, 1.1502–53, and 1.1502–55: Computation of Tax Liability of a Tax Consolidated Group and Computation of Minimum Tax Credits of Consolidated Groups”.

21. On page 75124, in the third column, in the second full paragraph, in the ninth line down from the top of the paragraph, the language “beginning after” is corrected to read “ending after”.

22. On page 75125, in the second column, in the first full paragraph, in the eighteenth line down from the top of the paragraph, the language “beginning after” is corrected to read “ending after”.

23. On page 75125, in the second column, in the first full paragraph, in the twenty-third line down from the top of the paragraph, following the word “holds”, the word “the” is removed.

24. On page 75125, in the third column, in the first paragraph, in the tenth line down from the top of the paragraph, the language “beginning after December 31, 2019.” is corrected to read “ending after December 31, 2019.”.

25. On page 75127, in the first column, in the last partial paragraph, in the fourth line up from the bottom of the page, following the word “applicable”, the language “and also apply all of the rules in proposed §§ 1.56A–4 and 1.56A–6 that apply to transfers (as defined in proposed § 1.56A–4(b)(3)) to any transfers occurring in such taxable years” is added.

26. On page 75127, in the first column, in the last partial paragraph, the second line up from the bottom of the page is corrected to read “and 1.56A–6 that apply to transfers,” and the last line of the page is removed.

27. On page 75127, in the second column, in the first partial paragraph, in the fifth line up from the bottom of the paragraph, following the language “September 13, 2024,” the language “during a taxable year of the taxpayer and each subsequent taxable year until the final regulations are applicable to such transfers,” is added.

28. On page 75127, in the second column, in the first full paragraph, following the word “applicable” in the sixteenth line up from the bottom of the paragraph, the language “and also apply all of the rules described in proposed §§ 1.56A–4 and 1.56A–6 that apply to any transfers occurring in such taxable years” is added.

29. On page 75130, in the second column, under the authority citation for Part 1, in the last paragraph in the column, in the entry for §§ 1.1502–53 and 1.1502–56A, the language

“56A(C)(2)(B)” is removed, and the language “56A(c)(2)(B)” is added in its place.

**§ 1.56A-0 [Corrected]**

30. On page 75135, in the third column, the entry for § 1.56A-20(c)(2)(iv) is corrected to read as follows:

\* \* \* \* \*

§ 1.56A-20 AFSI adjustments to apply certain subchapter K principles.

\* \* \* \* \*

(c) \* \* \*  
(2) \* \* \*

(iv) Inclusion of deferred sale gain upon an acceleration or partial acceleration event described in § 1.721(c)-4(b) or § 1.721(c)-5(d).

\* \* \* \* \*

31. On page 75136, in the second column, the entries for § 1.56A-21(c)(6) introductory text and (c)(6)(i) through (iv) are redesignated as entries for § 1.56A-21(c)(7) introductory text and (c)(7)(i) through (iv), and a new entry for § 1.56A-21(c)(6) is added to read as follows:

\* \* \* \* \*

§ 1.56A-21 AFSI adjustments for troubled companies.

\* \* \* \* \*

(c) \* \* \*

(6) Exclusion from AFSI.

(7) Examples.

(i) Example 1: Bankruptcy emergence in a covered nonrecognition transaction.

(ii) Example 2: Bankruptcy emergence in a covered recognition transaction.

(iii) Example 3: Attribute reduction.

(iv) Example 4: Excluded income from the discharge of indebtedness of insolvent taxpayer.

\* \* \* \* \*

**§ 1.56A-1 [Corrected]**

32. On page 75140, in the second column, in paragraph (c)(4)(ii), the last line of the paragraph is corrected to read “18(c)(3) and (4) and 1.56A-4(c)(4) and (d)(4).”

33. On page 75142, in the first column, in paragraph (d)(4):

i. The paragraph heading is corrected to read, “(4) *Redetermination of FSI*.”

ii. The third line down from the top of the paragraph is corrected to read, “the section 56A regulations, if income, expense, gain or”.

iii. The seventh line up from the bottom of the paragraph is corrected to read, “different from its AFS basis, and if such income, expense,”.

iv. The fourth line up from the bottom of the paragraph is corrected to read, “regulations, then such income, expense, gain or loss”.

**§ 1.56A-5 [Corrected]**

34. On page 75154, in the third column, in paragraph (k)(4)(i), in the sixth and fourth lines up from the bottom of the paragraph, the language “AFS \$50” is corrected to read “AFS \$50x”.

35. On page 75155, in the first column, in paragraph (k)(5)(i):

i. In the fifth line down from the top of the page, the language “AFS \$75” is corrected to read “AFS \$75x”.

ii. In the sixth and eighth lines down from the top of the page, the language “AFS \$50” is corrected to read “AFS \$50x”.

36. On page 75155, in the third column, in paragraph (k)(7), the eighth line up from the bottom of the paragraph is corrected to read, “property owned by PRS1. As a result of”.

**§ 1.56A-15 [Corrected]**

37. On page 75163, in the second column:

i. In paragraph (b)(11)(i), in the third line up from the bottom of the paragraph, the language “beginning after” is corrected to read “ending after”.

ii. In paragraph (b)(11)(ii), the fifth line up from the bottom of the paragraph, the language “beginning after December 31, 2019,” is corrected to read “ending after December 31, 2019,”.

38. On page 75165, in the first column, in paragraph (d)(4), the seventh line up from the bottom of the column is corrected to read, “taxable year were a full 12-month taxable”.

39. On page 75168, in the first column, in paragraph (d)(5)(v)(C), in the thirteenth line up from the bottom of the paragraph, the number “481” is corrected to read, “481(a)”.

40. On page 75168, in the second column, in paragraph (d)(5)(v)(D):

i. The thirteenth line down from the top of the page is corrected to read, “taxable years ending after”.

ii. The twentieth and twenty-first lines down from the top of the page are corrected to read “respect to taxable years ending after December 31, 2019, and before the”.

iii. The ninth and tenth lines up from the bottom of the paragraph are corrected to read, “to taxable years ending after December 31, 2019, and before the tax”.

41. On page 75168, in the third column, in paragraph (d)(5)(vi)(B), in the thirteenth line up from the bottom of the paragraph, the word “be” is removed.

42. On page 75169, in the first column, in paragraph (d)(5)(vi)(C):

i. The eighth line down from the top of the page is corrected to read, “ending after December 31, 2019,”.

ii. The sixteenth line down from the top of the page is corrected to read, “ending after December 31, 2019,”.

iii. The eighth line up from the bottom of the paragraph is corrected to read “years ending after December 31,”.

43. On page 75170, in the first column, in paragraph (d)(5)(ix)(A), the sixth line up from the bottom of the paragraph is corrected to read, “PRS1. As a result of the basis adjustment,”.

44. On page 75170, in the second column, in paragraph (d)(5)(x)(A), the fourth line up from the bottom of the paragraph is corrected to read, “As a result of the basis adjustment, X is”.

45. On page 75173, in the second column, in paragraph (e)(8)(iii)(B), the third line up from the bottom of paragraph is corrected to read, “following the Exchange/40 years) of”.

46. On page 75174, in the first column, in paragraph (e)(8)(iv)(A):

i. In the fifth line up from the bottom of the paragraph, the number “\$50” is corrected to read “\$50x”.

ii. The fourth line up from the bottom of the paragraph is corrected to read “sale of Property A (\$900x”.

iii. In the third line up from the bottom of the paragraph the number “\$850” is corrected to read “\$850x”.

iv. The last line of the paragraph is corrected to read, “expense).”.

47. On page 75176, in the first column, in paragraph (e)(8)(ix)(B), in the sixth line up from the bottom of the page, the word “to” is corrected to read “into”.

48. On page 75176, in the third column, in paragraph (e)(8)(xi)(A), the seventh line up from the bottom of the paragraph is corrected to read “owned by PRS1. As a result of the basis”.

49. On page 75177, in the first column, in paragraph (e)(8)(xi)(C), the second line up from the bottom of the paragraph is corrected to read “§ 1.56A-5(e)(1)(iv) and (e)(4)(ii)(A).”.

**§ 1.56A-16 [Corrected]**

50. On page 75177, in the second column, in paragraph (b)(8)(i), the third line up from the bottom of the paragraph is corrected to read, “to taxable years ending after”.

51. On page 75177, in the second column, in paragraph (b)(8)(ii), the sixth line up from the bottom of the paragraph is corrected to read, “with respect to taxable years ending”.

52. On page 75179, in the first column, in paragraph (e)(2)(ii)(D), the tenth line up from the bottom of the page is corrected to read “adjustments described in paragraphs”.

**§ 1.56A–17 [Corrected]**

53. On page 75180, in the third column, in the first full paragraph, in paragraph (c)(2)(i)(A), the second line up from the bottom of the paragraph is corrected to read “ending on or before December 31.”

54. On page 75180, in the third column, in paragraph (c)(2)(ii)(A), in the second line up from the bottom of the paragraph, the language “beginning on or before” is corrected to read “ending on or before”.

55. On page 75180, in the third column, the paragraph heading for paragraph (c)(3)(ii)(A) is corrected to read, “(ii) *Omissions—(A) Increase to AFSI*.”

56. On page 75181, in the third column, in paragraph (d)(1)(i):

i. In the twenty-fourth line up from the bottom of the paragraph, the language “beginning after December” is corrected to read “ending after December”.

ii. In the sixth line up from the bottom of the paragraph, the language “taxable years beginning” is corrected to read “taxable years ending”.

57. On page 75182, in the third column, paragraph (g) is corrected to read as follows:

\* \* \* \* \*

(g) *Applicability date—(1) In general.* Except as provided in paragraph (g)(2) of this section, this section applies to taxable years ending after September 13, 2024.

(2) *Rule for changes in accounting principle and restatements of a prior year’s AFS.* In the case of rules contained in paragraphs (c) and (d) of this section, those rules are applicable to changes in accounting principle implemented in, and restated AFS issued in, taxable years ending after September 13, 2024.

**§ 1.56A–18 [Corrected]**

58. On page 75182, in the third column, in paragraph (a)(2)(i), in the third line down from the top of the paragraph, the language “shareholders of other” is removed.

59. On page 75183, in the third column, in paragraph (b)(9)(i), in the last line of the column, the word “respectively,” is removed.

60. On page 75184, in the first column, in paragraph (b)(12)(i)(A), in the second line of the paragraph, the language “the corporation” is corrected to read “that party or property”.

61. On page 75184, in the third column, paragraph (b)(19)(xv) is corrected to read “(xv) A transferor corporation; and”.

62. On page 75186, in the second column, the last sentence in paragraph (c)(6) is removed.

63. On page 75187, in the second column, in paragraph (c)(8)(vi)(C), in the second line up from the bottom of the page, the word “transaction” is corrected to read “exchange”.

64. On page 75187, in the third column, in paragraph (c)(8)(vi)(E), in the third line up from the bottom of the paragraph, the word “transaction” is corrected to read “exchange”.

65. On page 75188, in the third column, in paragraph (d)(4)(iv), the second line of the paragraph is corrected to read “recipient’s CAMT basis in the other property”.

66. On page 75189, in the first column, in paragraph (d)(5)(i)(A), the first partial paragraph, the fourth line down from the top of the page is corrected to read “issued stock with a fair market value of \$25x to X (that is, a distribution”.

67. On page 75189, in the third column, in paragraph (d)(5)(iv)(B), the last two lines up from the bottom of the paragraph are corrected to read “section 312 by the amount of AFSI, or \$12.5x.”

68. On page 75190, in the first column, in paragraph (e)(2)(ii), the last three lines of the paragraph are corrected to read “equal to the target corporation’s AFS basis in that property that would obtain if the transaction were treated as an asset sale for AFS purposes.”

69. On page 75190, in the third column, in paragraph (e)(6), the last two lines of the paragraph are corrected to read “AFS basis in that property that would obtain if the transaction were treated as an asset sale for AFS purposes.”

70. On page 75190, in the third column, in paragraph (e)(7)(i), in the tenth line down from the top of the paragraph, the language “a regular tax” is corrected to read “an AFS”.

71. On page 75190, in the third column, in paragraph (e)(7)(ii), the last line of the page is corrected to read “Distributing applies section 336(e) to the”.

72. On page 75191, in the first column, in paragraph (e)(7)(ii), the first partial paragraph, in the fourth line up from the bottom of the paragraph, the number “\$66x” is corrected to read “\$60x”.

73. On page 75191, in the first column, in the first partial paragraph, paragraph (e)(7)(ii), in the last line of the paragraph, the language “regular tax” is corrected to read “AFS”.

74. On page 75193, in the first column, in paragraph (g)(4), the last two lines of the paragraph are corrected to

read “corporation’s AFS basis in that property that would obtain if the transaction were treated as an asset sale for AFS purposes.”

75. On page 75193, in the first column, in paragraph (g)(6)(i)(A), in the second line up from the bottom of the paragraph, the language “and a value of \$30x” is removed.

76. On page 75193, in the second column, in the first partial paragraph, paragraph (g)(6)(ii)(B), in the last line of the paragraph, the language “regular tax” is corrected to read “AFS”.

77. On page 75193, in the second column, in paragraph (g)(6)(iii)(A), in the fourteenth line up from the bottom of the paragraph, the language “regular tax” is corrected to read “AFS”.

78. On page 75193, in the second column, in paragraph (g)(6)(iii)(B), the last two lines of the paragraph are corrected to read “assets is equal to new Target’s AFS basis in those assets, or \$100x.”

**§ 1.56A–19 [Corrected]**

79. On page 75194, in the third column, in paragraph (b)(4)(i), the eighth line up from the bottom of the paragraph is corrected to read “paragraphs (b)(1) and (3) of this”.

80. On page 75195, in the second column, in paragraph (b)(7)(ii):

i. The seventh line down from the top of the paragraph is corrected to read “of Acquiror nonvoting stock.” and the eighth line down from the top of the paragraph is removed.

ii. The thirteenth through tenth lines up from the bottom of the paragraph are corrected to read “determines its AFSI by redetermining any FSI reflected in its AFS resulting from the transaction by reference to its CAMT basis in the Target stock. As a result, X”.

81. On page 75196, in the third column, in the first full paragraph, paragraph (c)(8)(i)(A), in the fourth line up from the bottom of the paragraph, the language “and a value of \$30x” is removed.

82. On page 75198, in the second column, in paragraph (d)(6)(i)(A), the seventeenth line up from the bottom of the paragraph is corrected to read “transactions that qualify for nonrecognition treatment under section”.

83. On page 75198, in the second column, in paragraph (d)(6)(i)(B), the sixth line up from the bottom of the page is corrected to read, “Contribution, or \$0x. Additionally, under paragraph (d)(1)(i)(C) of this section, Distributing adjusts its CAMT earnings resulting from the Controlled Split-Off by applying section 312. Under paragraph”.

84. On page 75198, in the third column, in paragraph (d)(6)(ii)(A), the seventh line up from the bottom of the paragraph is corrected to read "\$200x, and additionally Controlled transfers \$10x cash to".

85. On page 75198, in the third column, in paragraph (d)(6)(iii)(A), the seventh through third lines up from the bottom of the page are corrected to read "\$210x, and additionally Distributing receives \$20x of cash. Distributing distributes only \$15x of the cash received from Controlled to its shareholders."

86. On page 75199, in the first column, in paragraph (d)(6)(iii)(B):

i. In the second through seventh lines down from the top of the paragraph, the language, "Distributing distributed Controlled securities with a fair market value of more than the adjusted basis of the property transferred to Controlled, resulting in gain to Distributing under section 361(b)(3)," is removed and the language "Distributing did not purge all of the boot received from Controlled in the Contribution," is added in its place.

ii. The ninth line down from the top of the paragraph is corrected to read "is a covered recognition transaction. See paragraph (d)(6)(iii)(D) (*Example 3*) of this section."

iii. The last line of the paragraph is corrected to read "\$190x. Under paragraph (d)(5)(i)(A) of this section, the Contribution is a covered recognition transaction to Controlled. Under paragraph (d)(5)(ii)(B) of this section Controlled's CAMT basis in the property received from Distributing is its AFS basis, or \$210x."

87. On page 75199, in the first column, in paragraph (d)(6)(iii)(C), the sixth line down from the top of the paragraph is corrected to read "of this section (*Example 1*). Under paragraph (d)(1)(i)(C) of this section, Distributing adjusts its CAMT earnings resulting from the Controlled Split-Off by applying section 312. Under"

88. On page 75199, in the second column, in paragraph (e)(2)(ii), the fourth and third lines up from the bottom of the paragraph are corrected to read "or security holder. See § 1.56A-18(d) for rules".

89. On page 75201, in the third column, in paragraph (g)(4)(ii), in the third line up from the bottom of the paragraph, the language "CAMT gain" is corrected to read "AFSI".

90. On page 75201, in the third column, the introductory text of paragraph (g)(4)(iii) is corrected to read as follows:

\* \* \* \* \*

(g) \* \* \*

(4) \* \* \*

(iii) *Special CAMT basis limitation rule.* If the requirements of paragraphs (g)(4)(iii)(A) through (C) of this section are satisfied, the section 351 transferee determines its CAMT basis under paragraph (g)(4)(ii) of this section in the property received from a section 351 transferor by applying section 362 using the CAMT basis (in lieu of AFS basis) of that property, increased by the amount of gain recognized to the section 351 transferor on the transfer for regular tax purposes.

\* \* \* \* \*

91. On page 75202, in the first column, the introductory text of paragraph (g)(5)(iii) is corrected to read as follows:

\* \* \* \* \*

(g) \* \* \*

(5) \* \* \*

(iii) *Special CAMT basis limitation rule.* If the requirements of paragraphs (g)(5)(iii)(A) through (C) of this section are satisfied, the section 351 transferee determines its CAMT basis under paragraph (g)(5)(ii) of this section in the property received from a section 351 transferor by applying section 362 using the CAMT basis (in lieu of AFS basis) of that property, increased by the amount of gain recognized to the section 351 transferor on the transfer for regular tax purposes.

\* \* \* \* \*

92. On page 75202, in the second column, in paragraph (g)(6), the last line of the introductory text is corrected to read "of a tax consolidated group. Additionally, X is a section 351 transferor, and Y is a section 351 transferee."

93. On page 75202, in the second column, in paragraph (g)(6)(i):

i. The language "Acquiror" is removed, and the language "X" is added in its place, everywhere it appears.

ii. The language "Target" is removed, and the language "Y" is added in its place everywhere it appears.

94. On page 75202, in the second column, in paragraph (g)(6)(ii)(A):

i. In the third line up from the bottom of the paragraph, the language "Acquiror" is corrected to read "X".

ii. In the second line up from the bottom of the paragraph, the language "Target" is corrected to read "Y".

95. On page 75202, in the second and third columns, paragraph (g)(6)(ii)(B) is corrected to read as follows:

\* \* \* \* \*

(g) \* \* \*

(6) \* \* \*

(ii) \* \* \*

(B) *Analysis.* The Exchange is a covered recognition transaction to each

of X and Y. See paragraph (g)(1)(ii) of this section. Under paragraph (g)(3)(i) of this section, X redetermines its AFSI by computing any gain or loss using its CAMT basis in the assets transferred to Y, or \$50x (\$90x-\$40x). Under paragraph (g)(3)(ii) of this section, X's CAMT basis in the Y stock received is its AFS basis, or \$80x. Under paragraph (g)(3)(iii) of this section, X adjusts its CAMT retained earnings by the amount of AFSI resulting from the Exchange, or \$50x. Because Y transfers only cash and stock to X in the Exchange, under paragraph (g)(5)(i) of this section, Y disregards any FSI resulting from the Exchange and instead determines AFSI using CAMT basis. Under paragraph (g)(5)(ii) of this section, Y determines its CAMT basis using its AFS basis in the property. Paragraph (g)(5)(iii) of this section does not apply. Under paragraph (g)(5)(iv) of this section, Y adjusts its CAMT retained earnings by the amount of AFSI recognized on the Exchange.

\* \* \* \* \*

96. On page 75202, in the third column, in paragraph (g)(6)(iii)(A):

i. In the fourth line up from the bottom of the paragraph, the language "X" is corrected to read "Z".

ii. The language "Target" is corrected to read "Y", everywhere it appears.

97. On page 75202, in the third column, in paragraph (g)(6)(iii)(B):

i. The language "X" is corrected to read "Z" everywhere it appears.

ii. The language "Acquiror" is corrected to read "X" everywhere it appears.

iii. The language "Target" is corrected to read "Y" everywhere it appears.

98. On page 75202, in the third column, in paragraph (g)(6)(iv)(A):

i. In the fourth line up from the bottom of the paragraph, the language "Acquiror" is corrected to read "X".

ii. In the second line up from the bottom of the paragraph, the language "Target" is corrected to read "Y".

99. On page 75202, in the third column, in paragraph (g)(6)(iv)(B):

i. The second line down from the top of the paragraph is corrected to read "transferred by Y to X in the".

ii. In the fifth line down from the top of the paragraph, the language "Target" is corrected to read "Y".

iii. In the sixth line down from the top of the paragraph, the language "Acquiror" is corrected to read "X".

iv. The last five lines of the page are corrected to read "Y's CAMT basis in the assets received from X is determined under section 362, using CAMT basis in lieu of AFS basis, increased by any gain recognized by X for regular tax purposes, or \$45x (\$40x + \$5x)."

100. On page 75203, in the first column, the first two lines of the page are removed.

**§ 1.56A–20 [Corrected]**

101. On page 75203, in the first column, in paragraph (a)(1), in the twelfth and thirteenth lines down from the top of the paragraph, the language “sets forth the scope of this section and” is removed.

102. On page 75203, in the third column, in paragraph (c)(2)(i)(E), the eighth line down from the top of the paragraph is corrected to read “year and thus subject to depreciation or amortization in”.

103. On page 75203, in the third column, the paragraph heading of paragraph (c)(2)(ii) is corrected to read “(ii) *Inclusion of deferred sale gain or loss upon a decrease in contributor’s distributive share percentage—(A) In general.*”.

104. On page 75204, in the first column, in paragraph (c)(2)(ii)(A), the fifth line up from the bottom of the paragraph is corrected to read “(c)(2)(ii) as a result of a decrease in the”.

105. On page 75204, in the second column, the paragraph heading of paragraph (c)(2)(iv) is corrected to read “(iv) *Inclusion of deferred sale gain upon an acceleration or partial acceleration event described in § 1.721(c)–4(b) or § 1.721(c)–5(d).*”.

106. On page 75204, in the third column, in paragraph (c)(3)(ii)(B), the second and third lines of the paragraph are corrected to read “causing the deferred sale gain or loss to be accelerated into AFSI in”.

107. On page 75205, in the second column, in paragraph (d)(1)(ii)(C), in the fourth line down from the top of the page, the word “sale” is corrected to read “distribution”.

108. On page 75205, in the second column, in paragraph (d)(1)(ii)(D), in the second to last line of the paragraph, the word “sale” is corrected to read “distribution”.

109. On page 75205, in the second column, in paragraph (d)(1)(ii)(E), in the fourth line up from the bottom of the paragraph, the word “sale” is corrected to read “distribution”.

110. On page 75206, in the third column, paragraph (g)(2)(i)(C) is corrected to read, “(C) The date on which an acceleration event or partial acceleration event described in § 1.721(c)–4(b) or § 1.721(c)–5(d), respectively, occurred; and”.

111. On page 75207, in the third column, in paragraph (h)(3)(ii)(B), in the second line down from the top of the page, the number “\$437.5” is corrected to read “\$437.5x”.

112. On page 75207, in the third column, in paragraph (h)(5)(ii), in the second and tenth lines up from the bottom of the paragraph, the number “\$5,000” is corrected to read “\$5,000x”.

**§ 1.56A–21 [Corrected]**

113. On page 75209, in the third column, in paragraph (b)(3)(iii):

i. The last line of the introductory text is corrected to read “indebtedness of the CAMT entity that results from—”.

ii. Paragraph (b)(3)(iii)(A) is removed.

iii. Paragraph (b)(3)(iii)(B) is redesignated as new paragraph (b)(3)(iii)(A) and the first line of the newly redesignated paragraph is corrected to read “(A) The satisfaction”.

iv. Paragraph (b)(3)(iii)(C) is redesignated as new paragraph (b)(3)(iii)(B) and the first line of the newly redesignated paragraph is corrected to read “(B) The satisfaction”.

114. On page 75210, in the third column, in the first partial paragraph, paragraph (c)(4)(iv)(A), in the last line of the paragraph, the language “See § 1.56A–1(d)(3).” is removed.

115. On page 75211, in the first column, paragraph (c)(6) is redesignated as paragraph (c)(7) and new paragraph (c)(6) is added to read as follows:

\* \* \* \* \*

(c) \* \* \*

(6) *Exclusion from AFSI.* For purposes of determining the AFSI of a CAMT entity, the CAMT entity disregards the total amount of income reflected in its FSI resulting solely from the discharge of indebtedness of the CAMT entity to the extent that payment of the liability would have given rise to a direct reduction in AFSI.

\* \* \* \* \*

116. On page 75211, in the first column, in newly redesignated paragraph (c)(7), the last line of the introductory text is corrected to read “of a tax consolidated group, and the exclusion in paragraph (c)(6) of this section does not apply.”.

117. On page 75211, in the first column, in newly redesignated paragraph (c)(7)(i)(A), the third line up from the bottom of the paragraph is corrected to read “the discharge of indebtedness. X has no other items of income, gain, deduction, or loss for its 2024 taxable year. Y”.

118. On page 75211, in the second column, in newly redesignated paragraph (c)(7)(ii)(A), in the fourth line down from the top of the paragraph, the language “paragraph (c)(6)(i)(A)” is corrected to read “paragraph (c)(7)(i)(A)”.

119. On page 75211, in the third column, in newly redesignated

paragraph (c)(7)(iv)(A), in the fifth line down from the top of the paragraph, the language “(c)(6)(iii)(A)” is corrected to read “(c)(7)(iii)(A)”.

120. On page 75211, in the third column, in newly redesignated paragraph (c)(7)(iv)(B), the tenth line down from the top of the paragraph is corrected to read “of computing its AFSI. See *id.* X then uses its FSNOL to reduce its AFSI by \$120x. See § 1.56A–23(c). X’s”

121. On page 75211, in the third column, in paragraph (d)(2)(i), the last line on the page is corrected to read “*General rule.* Solely with regard to the”.

122. On page 75212, in the first column, in paragraph (d)(2)(i), the first five lines of the page are corrected to read “emergence from bankruptcy by a CAMT entity, the CAMT entity determines its CAMT consequences resulting from that emergence (and not as the result of a discharge of indebtedness or covered recognition transaction, as provided in paragraphs (d)(2)(ii) and (iii) of this section) by—”.

**§ 1.56A–22 [Corrected]**

123. On page 75214, in the first column, in paragraph (c)(2)(ii), in the eleventh line up from the bottom of the paragraph, the word “section” is removed.

**§ 1.56A–23 [Corrected]**

124. On page 75215, in the third column, paragraph (e)(2)(i) is corrected to read “(i) A transaction described in section 381(a) of the Code; or”.

125. On page 75216, in the first column, in paragraph (e)(3)(i)(B), the last line of the paragraph is corrected to read “section and the exceptions in paragraph (e)(3)(v) of this section.”.

126. On page 75216, in the third column, the paragraph heading of paragraph (e)(4)(i) is corrected to read “(i) *Example 1: Acquisition of Target stock followed by contribution—*”.

127. On page 75216, in the third column, in paragraph (e)(4)(i)(A):

i. In the seventh line up from the bottom of the paragraph, the language “assets” is corrected to read “assets that do not constitute a line of business”.

ii. In the sixth line up from the bottom of the paragraph, the language “(Expansion)” is corrected to read “(Contribution)”.

iii. In the fifth line up from the bottom of the paragraph, the language “Expansion” is corrected to read “Contribution”.

128. On page 75218, in the second column, in paragraph (f)(4)(iii), in the third line up from the bottom of the paragraph, the language “RBIL” is

corrected to read “recognized built-in loss”.

129. On page 75218, in the second column, in paragraph (f)(5)(i);

i. In the eighth line up from the bottom of the paragraph, the language “an unrealized loss” is corrected to read “a built-in loss”.

ii. In the sixth line up from the bottom of the paragraph, the language “an unrealized gain” is corrected to read “a built-in gain”.

#### § 1.56A–26 [Corrected]

130. On page 75221, in the third column, in paragraph (d)(1), the fourth and fifth lines up from the bottom of the paragraph are corrected to read, “CAMT entity must adjust its AFSI with respect to that transaction to reflect”.

#### § 1.59–2 [Corrected]

131. On page 75223, in the third column, in paragraph (c)(2)(ii)(B), in the sixth line down from the top of the paragraph, the language “(c)(2)(i)(C)” is corrected to read “(c)(2)(ii)(C)”.

132. On page 75226, in the first and second columns, paragraph (f)(2)(i) is corrected to read as follows:

\* \* \* \* \*

(f) \* \* \*

(2) \* \* \*

(i) *In general*—(A) *Corporation experiencing ownership change*. For purposes of paragraph (f)(1) of this section, if a corporation experiences a change in ownership during a taxable year that results in the corporation and a person no longer being treated as related under the relevant relationship criteria, then following the change in ownership—

(1) The corporation retains its AFSI for any relevant period prior to the change in ownership to determine whether the corporation meets the average annual AFSI test (as described in paragraph (c) of this section) for the taxable year in which the change in ownership occurs or for any subsequent taxable year; but

(2) The corporation does not include that person’s AFSI in the corporation’s AFSI for any period prior to the change in ownership (notwithstanding that the corporation and the person were treated as related under the relevant relationship criteria during some, or all, of that period) to determine whether the corporation meets the average annual AFSI test for the taxable year in which the change in ownership occurs or for any subsequent taxable year in which the corporation and the person are not treated as related under the relevant relationship criteria.

(B) *Person related to corporation following ownership change*. Following

a corporation’s change in ownership, each person treated as related to the corporation under the relevant relationship criteria determines whether it meets the average annual AFSI test (if applicable) for the taxable year in which the change in ownership occurs or for any subsequent taxable year by separately applying the rules in this paragraph (f). For example, such person does not include the corporation’s AFSI in the person’s AFSI for any relevant period prior to the corporation’s change in ownership if the corporation and the person were never previously related under the relevant relationship criteria. For the avoidance of doubt, such person includes the corporation’s AFSI in its AFSI for any relevant period following the change in ownership during which the parties are related under the relevant relationship criteria, unless paragraph (f)(2)(i)(A) of this section applies.

(C) *Change in ownership*. For purposes of paragraphs (f)(2)(i)(A) and (B) of this section, a corporation experiences a change in ownership during a taxable year of the corporation if—

(1) The corporation is not a test group parent (as defined in paragraph (b)(7) of this section);

(2) The corporation is treated as related to a test group parent under the relevant relationship criteria as of the first day of the taxable year; and

(3) As a result of a transaction (or series of related transactions) the corporation and the test group parent no longer satisfy the relevant relationship criteria as of the last day of the taxable year.

\* \* \* \* \*

133. On page 75227, in the first, second, and third columns, in paragraphs (f)(3)(i)(D) and (E) and (f)(3)(ii)(C), the reference “(b)(6)” is corrected to read, “(b)(7)”, everywhere it appears.

134. On page 75228, in the first column, in paragraph (g)(2)(iii)(B), the second and third lines down from the top of the paragraph are corrected to read, “than the AFSI adjustments in §§ 1.56A–8(b), 1.56A–14, and, solely for purposes of”.

#### § 1.1502–56A [Corrected]

135. On page 75238, in the second column, in paragraph (d)(3)(i):

i. The fifth and sixth lines up from the bottom of the paragraph are corrected to read, “beginning after December 31, 2019. For each share of stock of a”.

ii. The second line up from the bottom of the paragraph is corrected to read “(shareholder member) on the first day of the first taxable year beginning

after December 31, 2019, the CAMT basis of such share equals the sum”.

136. On page 75238, in the second column, in paragraph (d)(3)(ii):

i. In the fifth line up from the bottom of the paragraph, the language “The CAMT basis in a” is corrected to read “For each”.

ii. The last line of the paragraph is corrected to read “consolidated group after the first day of the first taxable year beginning after December 31, 2019, the CAMT basis of such share equals the sum of:”.

137. On page 75238, in the second column, in paragraph (d)(3)(iii)(A), in the fourth line up from the bottom of the page, the word “including” is corrected to read “incorporating”.

138. On page 75239, in the first column, in paragraph (e)(4)(i)(B), the third line up from the bottom of the paragraph is corrected to read “(elimination)”. Accordingly, the P Group’s”.

139. On page 75240, in the third column, in paragraph (f)(6)(ii), the sixth and fifth lines up from the bottom of the paragraph are corrected to read “apportioned to M2 (( $\$20x/(\$20x + \$40x + \$5x) \times \$55x = \$16.9x$ ). See”.

140. On page 75243, in the first column, in paragraph (j)(3)(ii), the second to last and last lines of the paragraph are corrected to read “is apportioned to T (( $\$200x/(\$200x + \$1,000x) \times \$165x = \$27.5x$ ).”.

**Kalle L. Wardlow,**

*Federal Register Liaison, Publications & Regulations Section, Associate Chief Counsel, (Procedure and Administration).*

[FR Doc. 2024–29958 Filed 12–23–24; 8:45 am]

BILLING CODE 4830–01–P

## DEPARTMENT OF THE TREASURY

### Office of the Secretary

#### 31 CFR Part 10

[REG–116610–20]

RIN 1545–BQ12

### Regulations Governing Practice Before the Internal Revenue Service

**AGENCY:** Office of the Secretary, Treasury.

**ACTION:** Notice of proposed rulemaking, notice of public hearing, and withdrawal of notice of proposed rulemaking.

**SUMMARY:** This document contains proposed amendments to the regulations governing practice before the IRS. These regulations propose to eliminate provisions related to