

## Extension of Notice 2012-45 Treatment of Income from Certain Government Bonds for Purposes of the Passive Foreign Investment Company Rules

Notice 2014-31

### SECTION 1. PURPOSE

This notice extends the application of Notice 2012-45, 2012-29 I.R.B. 59 (July 1, 2012), which provides guidance regarding the treatment of certain government bonds for purposes of determining whether a foreign corporation is a passive foreign investment company (PFIC) under section 1297 of the Code, to taxable years of foreign corporations beginning in 2014, 2015, and 2016.

### SECTION 2. BACKGROUND

Recent economic conditions have resulted in a shift in the assets held by some non-U.S. financial institutions. As a result of these conditions, certain non-U.S. financial institutions continue to hold government bonds at higher than historical levels. These increased levels raise an issue concerning the treatment of these financial institutions, and specifically the treatment of government bonds, under the PFIC rules.

### SECTION 3. NOTICE 2012-45

The Department of the Treasury and the Internal Revenue Service published Notice 2012-45, which provides that for certain taxable years and solely for purposes of section 1297, income from “Qualifying Government Bonds” held by an “Active Bank” qualifies for the active banking exception, as those terms are defined in the notice. Notice 2012-45 applies only to taxable years of foreign corporations beginning in 2011, 2012, and 2013.

### SECTION 4. EXTENSION OF NOTICE 2012-45

Notice 2012-45 is extended to apply to taxable years of foreign corporations beginning in 2014, 2015, and 2016 in addition to taxable years of foreign corporations beginning in 2011, 2012, and 2013.

#### SECTION 5. DRAFTING INFORMATION

The principal author of this notice is Melinda E. Harvey of the Office of Associate Chief Counsel (International). For further information regarding this notice contact Melinda E. Harvey at (202) 317-6934 (not a toll-free call).