

HIGHLIGHTS OF THIS ISSUE

These synopses are intended only as aids to the reader in identifying the subject matter covered. They may not be relied upon as authoritative interpretations.

INCOME TAX

Rev. Rul. 2013-15, page 47.

Federal rates; adjusted federal rates; adjusted federal long-term rate and the long-term exempt rate. For purposes of sections 382, 642, 1274, 1288, and other sections of the Code, tables set forth the rates for July 2013.

Rev. Proc. 2013-32, page 55.

This revenue procedure restricts the scope of letter rulings that address issues with respect to transactions under sections 332, 351, 355, and 1036, and reorganizations within the meaning of section 368 of the Code. Pursuant to this revenue procedure, the Service will no longer rule on whether a transaction qualifies for nonrecognition treatment under section 332, 351, 355, or 1036, or on whether a transaction constitutes a reorganization within the meaning of section 368, or on the various tax consequences resulting from the application of those Code sections. The Service will, however, rule on significant issues (defined in this revenue procedure) presented in transactions described in those Code sections. Rev. Procs. 2013-1 and 2013-3 are amplified and modified. Rev. Procs. 81-60, 83-59, 86-42, 90-52, and 96-30 are modified. Rev. Proc. 2003-48 is obsolete in part and superseded in part. The Rev. Proc. 2009-25 pilot program is discontinued.

EXCISE TAX

T.D. 9621, page 49.

These final regulations provide guidance on the excise tax imposed on sales of indoor tanning services.

Finding Lists begin on page ii.



The IRS Mission

Provide America's taxpayers top-quality service by helping them understand and meet their tax responsibilities and en-

force the law with integrity and fairness to all.

Introduction

The Internal Revenue Bulletin is the authoritative instrument of the Commissioner of Internal Revenue for announcing official rulings and procedures of the Internal Revenue Service and for publishing Treasury Decisions, Executive Orders, Tax Conventions, legislation, court decisions, and other items of general interest. It is published weekly.

It is the policy of the Service to publish in the Bulletin all substantive rulings necessary to promote a uniform application of the tax laws, including all rulings that supersede, revoke, modify, or amend any of those previously published in the Bulletin. All published rulings apply retroactively unless otherwise indicated. Procedures relating solely to matters of internal management are not published; however, statements of internal practices and procedures that affect the rights and duties of taxpayers are published.

Revenue rulings represent the conclusions of the Service on the application of the law to the pivotal facts stated in the revenue ruling. In those based on positions taken in rulings to taxpayers or technical advice to Service field offices, identifying details and information of a confidential nature are deleted to prevent unwarranted invasions of privacy and to comply with statutory requirements.

Rulings and procedures reported in the Bulletin do not have the force and effect of Treasury Department Regulations, but they may be used as precedents. Unpublished rulings will not be relied on, used, or cited as precedents by Service personnel in the disposition of other cases. In applying published rulings and procedures, the effect of subsequent legislation, regulations, court decisions, rulings, and procedures must be considered,

and Service personnel and others concerned are cautioned against reaching the same conclusions in other cases unless the facts and circumstances are substantially the same.

The Bulletin is divided into four parts as follows:

Part I.—1986 Code.

This part includes rulings and decisions based on provisions of the Internal Revenue Code of 1986.

Part II.—Treaties and Tax Legislation.

This part is divided into two subparts as follows: Subpart A, Tax Conventions and Other Related Items, and Subpart B, Legislation and Related Committee Reports.

Part III.—Administrative, Procedural, and Miscellaneous.

To the extent practicable, pertinent cross references to these subjects are contained in the other Parts and Subparts. Also included in this part are Bank Secrecy Act Administrative Rulings. Bank Secrecy Act Administrative Rulings are issued by the Department of the Treasury's Office of the Assistant Secretary (Enforcement).

Part IV.—Items of General Interest.

This part includes notices of proposed rulemakings, disbarment and suspension lists, and announcements.

The last Bulletin for each month includes a cumulative index for the matters published during the preceding months. These monthly indexes are cumulated on a semiannual basis, and are published in the last Bulletin of each semiannual period.

The contents of this publication are not copyrighted and may be reprinted freely. A citation of the Internal Revenue Bulletin as the source would be appropriate.

Part I. Rulings and Decisions Under the Internal Revenue Code of 1986

Section 42.—Low-Income Housing Credit

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of July 2013. See Rev. Rul. 2013-15, page 47.

Section 280G.—Golden Parachute Payments

Federal short-term, mid-term, and long-term rates are set forth for the month of July 2013. See Rev. Rul. 2013-15, page 47.

Section 382.—Limitation on Net Operating Loss Carryforwards and Certain Built-In Losses Following Ownership Change

The adjusted applicable federal long-term rate is set forth for the month of July 2013. See Rev. Rul. 2013-15, page 47.

Section 412.—Minimum Funding Standards

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of July 2013. See Rev. Rul. 2013-15, page 47.

Section 467.—Certain Payments for the Use of Property or Services

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of July 2013. See Rev. Rul. 2013-15, page 47.

Section 468.—Special Rules for Mining and Solid Waste Reclamation and Closing Costs

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of July 2013. See Rev. Rul. 2013-15, page 47.

Section 482.—Allocation of Income and Deductions Among Taxpayers

Federal short-term, mid-term, and long-term rates are set forth for the month of July 2013. See Rev. Rul. 2013-15, page 47.

Section 483.—Interest on Certain Deferred Payments

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of July 2013. See Rev. Rul. 2013-15, page 47.

Section 642.—Special Rules for Credits and Deductions

Federal short-term, mid-term, and long-term rates are set forth for the month of July 2013. See Rev. Rul. 2013-15, page 47.

Section 807.—Rules for Certain Reserves

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of July 2013. See Rev. Rul. 2013-15, page 47.

Section 846.—Discounted Unpaid Losses Defined

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of July 2013. See Rev. Rul. 2013-15, page 47.

Section 1274.—Determination of Issue Price in the Case of Certain Debt Instruments Issued for Property

(Also Sections 42, 280G, 382, 412, 467, 468, 482, 483, 642, 807, 846, 1288, 7520, 7872.)

Federal rates; adjusted federal rates; adjusted federal long-term rate and the long-term exempt rate. For purposes of sections

382, 642, 1274, 1288, and other sections of the Code, tables set forth the rates for July 2013.

Rev. Rul. 2013-15

This revenue ruling provides various prescribed rates for federal income tax purposes for July 2013 (the current month). Table 1 contains the short-term, mid-term, and long-term applicable federal rates (AFR) for the current month for purposes of section 1274(d) of the Internal Revenue Code. Table 2 contains the short-term, mid-term, and long-term adjusted applicable federal rates (adjusted AFR) for the current month for purposes of section 1288(b). Table 3 sets forth the adjusted federal long-term rate and the long-term tax-exempt rate described in section 382(f). Table 4 contains the appropriate percentages for determining the low-income housing credit described in section 42(b)(1) for buildings placed in service during the current month. However, under section 42(b)(2), the applicable percentage for non-federally subsidized new buildings placed in service after July 30, 2008, with respect to housing credit dollar amount allocations made before January 1, 2014, shall not be less than 9%. Table 5 contains the federal rate for determining the present value of an annuity, an interest for life or for a term of years, or a remainder or a reversionary interest for purposes of section 7520. Finally, Table 6 contains the blended annual rate for 2013 for purposes of section 7872.

REV. RUL. 2013-15 TABLE 1
Applicable Federal Rates (AFR) for July 2013

	<i>Period for Compounding</i>			
	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
<i>Short-term</i>				
AFR	.23%	.23%	.23%	.23%
110% AFR	.25%	.25%	.25%	.25%
120% AFR	.28%	.28%	.28%	.28%
130% AFR	.30%	.30%	.30%	.30%
<i>Mid-term</i>				
AFR	1.22%	1.22%	1.22%	1.22%
110% AFR	1.34%	1.34%	1.34%	1.34%
120% AFR	1.47%	1.46%	1.46%	1.46%
130% AFR	1.60%	1.59%	1.59%	1.58%
150% AFR	1.84%	1.83%	1.83%	1.82%
175% AFR	2.15%	2.14%	2.13%	2.13%
<i>Long-term</i>				
AFR	2.80%	2.78%	2.77%	2.76%
110% AFR	3.08%	3.06%	3.05%	3.04%
120% AFR	3.37%	3.34%	3.33%	3.32%
130% AFR	3.64%	3.61%	3.59%	3.58%

REV. RUL. 2013-15 TABLE 2
Adjusted AFR for July 2013

	<i>Period for Compounding</i>			
	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
Short-term adjusted AFR	.23%	.23%	.23%	.23%
Mid-term adjusted AFR	1.21%	1.21%	1.21%	1.21%
Long-term adjusted AFR	2.80%	2.78%	2.77%	2.76%

REV. RUL. 2013-15 TABLE 3
Rates Under Section 382 for July 2013

Adjusted federal long-term rate for the current month	2.80%
Long-term tax-exempt rate for ownership changes during the current month (the highest of the adjusted federal long-term rates for the current month and the prior two months.)	2.80%

REV. RUL. 2013-15 TABLE 4
Appropriate Percentages Under Section 42(b)(1) for July 2013

Note: Under section 42(b)(2), the applicable percentage for non-federally subsidized new buildings placed in service after July 30, 2008, with respect to housing credit dollar amount allocations made before January 1, 2014, shall not be less than 9%.

Appropriate percentage for the 70% present value low-income housing credit	7.46%
Appropriate percentage for the 30% present value low-income housing credit	3.20%

REV. RUL. 2013-15 TABLE 5
Rate Under Section 7520 for July 2013

Applicable federal rate for determining the present value of an annuity, an interest for life or a term of years, or a remainder or reversionary interest 1.4%

REV. RUL. 2013-15 TABLE 6
Blended Annual Rate for 2013

Section 7872(e)(2) blended annual rate for 2013 .22%

Section 1288.—Treatment of Original Issue Discount on Tax-Exempt Obligations

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of July 2013. See Rev. Rul. 2013-15, page 47.

Section 5000B.—Imposition of a Tax on Indoor Tanning Services

TD 9621

DEPARTMENT OF THE
TREASURY
Internal Revenue Service
26 CFR Parts 40, 49, and 602

Indoor Tanning Services; Excise Taxes

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Final regulations and removal of temporary regulations.

SUMMARY: This document contains final regulations on the indoor tanning services excise tax imposed by the Patient Protection and Affordable Care Act. These final regulations affect persons that use, provide, or pay for indoor tanning services.

DATES: *Effective Date:* These regulations are effective on June 11, 2013.

Applicability Date: For dates of applicability, see §§40.0-1(d), 40.6302(c)-1(f), and 49.5000B-1(h).

FOR FURTHER INFORMATION CONTACT: Michael H. Beker or

Natalie A. Payne, at (202) 622-3130 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Paperwork Reduction Act

The collection of information contained in these final regulations has been reviewed and approved by the Office of Management and Budget under control number 1545-2177. The collection of information in these final regulations is in §49.5000B-1. The information is required to be maintained by the provider of indoor tanning services to accurately calculate the tax on indoor tanning services when those services are offered with other goods and services.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection of information displays a valid control number.

Books or records relating to a collection of information must be retained as long as their contents may become material in the administration of any internal revenue law. Generally, tax returns and tax return information are confidential, as required by 26 U.S.C. 6103.

Background

This document amends the Excise Tax Procedural Regulations (26 CFR part 40) and the Facilities and Services Excise Tax Regulations (26 CFR part 49) under section 5000B of the Internal Revenue Code (Code). Section 5000B was added to the Code by section 10907 of the Patient Protection and Affordable Care Act, Public Law 111-148 (124 Stat. 119 (2010)), to impose an excise tax on indoor tanning services. On June 15, 2010, temporary regulations relating to this topic and a

notice of proposed rulemaking cross-referencing the temporary regulations were published in the **Federal Register** (TD 9486, 75 FR 33683; REG-112841-10, 75 FR 33740) (2010 regulations). Written and electronic comments were received and a public hearing was held on October 11, 2011. All comments were considered and are available for public inspection at <http://www.regulations.gov>. After considering the written comments and comments made at the public hearing, the proposed regulations are adopted as final regulations by this Treasury decision and the corresponding temporary regulations are removed.

Public comments on the 2010 regulations identified two issues that the IRS and the Treasury Department will study further and on which the IRS and the Treasury Department request additional comments. Those issues, the treatment of bundled services and undesignated payment cards, are discussed later in this preamble. Comments on those issues should be submitted in writing by October 9, 2013, and can be mailed to the Office of Associate Chief Counsel (Passthroughs and Special Industries), Re: REG-112841-10, CC:PSI:B7, Room 5314, 1111 Constitution Avenue NW., Washington, DC 20224. All comments received will be available for public inspection at <http://www.regulations.gov> (IRS REG-112841-10).

Summary of Comments

Qualified Physical Fitness Facilities. Commenters questioned the exception for Qualified Physical Fitness Facilities (QPFs) in the 2010 regulations.

The 2010 regulations exempt from the tax any membership fee paid to a QPFF that includes access to indoor tanning services. In a QPFF, taking into consideration

all of the facts and circumstances, the predominant business or activity of the facility is to serve as a physical fitness facility. The 2010 regulations limit the definition of a QPFF to a business that does not charge separately for indoor tanning services, offer such services to the general public, or offer different membership fee rates based on access to indoor tanning services.

Commenters stated that an exception for QPFFs does not appear in section 5000B and suggested that there is no compelling reason to differentiate these facilities from other indoor tanning service facilities. Commenters argued that while other providers of bundled services must use a complicated method of determining the amount attributable to indoor tanning services (as described in §49.5000B-1T(d)(3) of the 2010 regulations), QPFFs are exempt from the tax even though they provide the same indoor tanning services. Thus, these commenters suggested, the exception for QPFFs creates an unfair competitive advantage for some providers of indoor tanning services over others, and should not be included in the final regulations.

The final regulations do not adopt this suggestion. Access to indoor tanning services is incidental to a QPFF's predominant business or activity. Customers of a QPFF typically pay a monthly fee in exchange for access to all equipment in the QPFF, including any indoor tanning equipment. Requiring a QPFF to allocate its customers' monthly membership fees among tanning and non-tanning services under such an arrangement would be burdensome and difficult to administer. In contrast, non-QPFF providers of bundled goods and services typically offer indoor tanning services to customers as part of the purchase of a package of specific goods or services. This generally allows the provider to determine the portion of the purchase price that relates to the use of indoor tanning services by the customer and allocate the appropriate portion of the purchase price to those services.

Free indoor tanning services; bonus points. Commenters requested guidance on the application of the tax to free indoor tanning services and indoor tanning services that are sold at reduced rates.

The final regulations provide that the section 5000B tax only applies if an amount is paid for indoor tanning services.

If services are provided at a reduced rate, the tax applies to the amount actually paid for the services. See Rev. Rul. 84-12 (1984-1 CB 211) and the rulings cited therein. Also consistent with Rev. Rul. 84-12, the final regulations do not apply the tax to indoor tanning services that are obtained by redemption of "bonus points" through a loyalty program or similar program. In the case of promotions that entitle a customer to a "free" tan with the purchase of a certain number of tans, the amount paid for the purchased tans reflects a reduced price for all of the tans rather than a package of tans at full price coupled with a "free" purchased tan. Thus, the tax is imposed on the purchase of the package of tans rather than on the redemption of the additional tan.

Bundled goods and services. If a provider (other than a QPFF) sells bundled services in which access to indoor tanning services (in a specified or unlimited amount) over a period of time is bundled with other goods and services, the 2010 regulations set out a formula to determine the amount reasonably attributable to indoor tanning services.

Commenters noted that there are no commercially available point-of-sale software programs that automatically calculate the tax on the sale of indoor tanning services that are bundled with other goods and services. Thus, providers must manually calculate the tax on these types of sales, a process that the commenters said is time consuming, expensive, and prone to error.

The final regulations do not change the rules for bundled goods and services. The statute imposes the tax on indoor tanning services; if those services are bundled with other goods and services, the provider must determine the amount of the payment for the bundled goods and services that is reasonably attributable to indoor tanning services. The 2010 regulations set forth a reasonable method for making this determination, which is retained with minor clarifications in the final regulations. However, the final regulations also authorize the Treasury Department and the IRS to issue future guidance to provide additional options for making this determination. The Treasury Department and the IRS request comments on other reasonable methods for determining the amount of a payment for bundled goods

and services that is reasonably attributable to indoor tanning services.

Undesignated payment cards. The 2010 regulations define an *undesignated payment card* as a gift certificate, gift card, or similar item that can be redeemed for goods or services that may, but do not necessarily, include indoor tanning services. Under the 2010 regulations, the tax is not imposed on the purchase of these cards; rather, the tax is imposed only when the card is redeemed specifically to pay for indoor tanning service.

Commenters noted that, in practice, a provider can collect the tax only when the card is bought and not when the card is redeemed for indoor tanning service. Thus, the commenters suggested that the tax be imposed on the purchase of an undesignated payment card. Providers could either estimate how much of the card will be used for indoor tanning service in the future or collect tax on the entire purchase price.

The final regulations do not adopt this suggestion. However, the Treasury Department and the IRS welcome comments on this issue. The final regulations authorize the Treasury Department and the IRS to issue future guidance to provide additional options for administering the tax with respect to undesignated payment cards.

Form 720. The temporary regulations require the tax to be reported and paid quarterly on Form 720, *Quarterly Federal Excise Tax Return*. Commenters suggested that Form 720 is too complex or burdensome for the average provider to complete and file. These commenters request that the IRS issue a special tax return form specifically and exclusively for reporting the section 5000B tax.

The final regulations do not adopt this suggestion. Form 720 is the standard form used to report many excise taxes, including the other types of excise taxes collected from a customer upon the purchase of services, such as the taxes on communications services and transportation of persons and property by air. In addition, the Treasury Department and the IRS believe that creating a new form would add unnecessary complexity. For more information about reporting requirements, see §40.6011(a)-1(a).

Additional Clarification of 2010 Regulations

Membership and enrollment fees. The final regulations clarify that the tax is imposed on amounts paid for prepaid monthly membership and enrollment fees to a provider of indoor tanning services, other than a QPFF, even if a member does not use any indoor tanning services during the period to which the fee relates.

Some providers offer monthly membership programs through which customers receive a number of tanning sessions at a lower cost than would be charged for each session individually. Some of these providers charge customers an enrollment fee when the customers join a membership program. Typically, the customer pays the enrollment fee before paying the first monthly membership charge.

Some providers also impose fees on their customers to allow the customer to skip one or more months of membership dues without being charged an enrollment fee when the customer restarts the monthly membership. Amounts paid to a provider that temporarily suspend a periodic membership program are amounts paid for indoor tanning services. Because payment of these fees allows the customer to receive indoor tanning services at reduced prices, the final regulations clarify that these fees are subject to the section 5000B tax as amounts paid for indoor tanning services.

Availability of IRS Documents

The IRS revenue ruling cited in this preamble is published in the Internal Revenue Cumulative Bulletin and is available from the Superintendent of Documents, P.O. Box 371954, Pittsburgh PA, 15250-7954.

Special Analyses

It has been determined that this Treasury decision is not a significant regulatory action as defined in Executive Order 12866, as supplemented by Executive Order 13563. Therefore, a regulatory assessment is not required. It also has been determined that section 553(b) of the Administrative Procedure Act (5 U.S.C. chapter 5) does not apply to these regulations. It is hereby certified that these regulations will not have a significant economic impact on a substantial number of small entities. This certification is based on the

fact that these regulations are designed to accommodate the recordkeeping methods currently used by small entities that provide indoor tanning services. The regulations merely implement the tax imposed by section 5000B of the Code, and section 6001 of the Code already requires taxpayers to keep books and records sufficient to show whether or not they are liable for tax. The information necessary to prepare these records is readily available to providers, and this recordkeeping will take little additional time to complete. Accordingly, a Regulatory Flexibility Analysis under the Regulatory Flexibility Act (5 U.S.C. chapter 6) is not required. Pursuant to section 7805(f) of the Code, the notice of proposed rulemaking that preceded these regulations was submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on its impact on small business, and no comments were received.

Drafting Information

The principal author of these regulations is Michael H. Beker, Office of the Associate Chief Counsel (Passthroughs and Special Industries). However, other personnel from the IRS and the Treasury Department participated in their development.

* * * * *

Adoption of Amendments to the Regulations

Accordingly, 26 CFR parts 40, 49, and 602 are amended as follows:

PART 40—EXCISE TAX PROCEDURAL REGULATIONS

Paragraph 1. The authority citation for part 40 continues to read in part as follows:
Authority: 26 U.S.C. 7805. * * *

Par. 2. Section 40.0-1 is amended as follows:

1. Paragraph (a), second sentence, is amended by removing the language “and 39” and adding “39, and 49” in its place.

2. Paragraph (a), third sentence, is amended by removing the language “and chapter 39 to taxes imposed on registration-required obligations” and adding “chapter 39 to taxes imposed on registration-required obligations; and chapter 49 to taxes imposed on indoor tanning services” in its place.

3. Paragraph (d) is revised.
 4. Paragraphs (e) and (f) are removed.
- The revision reads as follows:

§40.0-1 Introduction.

* * * * *

(d) *Effective/applicability date.* This part applies to returns that relate to periods beginning after March 31, 2013. For rules that apply before that date, see 26 CFR part 40 (revised as of April 1, 2013).

§40.0-1T [Removed]

Par. 3. Section 40.0-1T is removed.

Par. 4. Section 40.6302(c)-1 is amended as follows:

1. Paragraph (a)(1) is amended by removing the language “by statute, by §40.6302(c)-1T(g),” and adding “by statute” in its place.

2. Paragraph (e)(1)(iii) is amended by removing the language “chemicals); and” and adding “chemicals);” in its place.

3. Paragraph (e)(1)(iv) is amended by removing the language “plans).” and adding “plans); and” in its place.

4. Paragraph (e)(1)(v) is added.

5. Paragraph (f) is revised.

6. Paragraph (g) is removed.

The addition and revision read as follows:

§40.6302(c)-1 Deposits.

* * * * *

(e) * * *

(1) * * *

(v) Section 5000B (relating to indoor tanning services).

* * * * *

(f) *Effective/applicability date.* This section applies to deposits and payments made after March 31, 2013. For rules that apply before that date, see 26 CFR part 40 (revised as of April 1, 2013).

§40.6302(c)-1T [Removed]

Par. 5. Section 40.6302(c)-1T is removed.

PART 49—FACILITIES AND SERVICES EXCISE TAX

Par. 6. The authority citation for part 49 continues to read in part as follows:

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

Par. 7. Section 49.0–1 is revised to read as follows:

§49.0–1 *Introduction.*

The regulations in this part 49 are designated “Facilities and Services Excise Tax Regulations.” The regulations relate to the taxes on communications and transportation by air imposed by chapter 33 of the Internal Revenue Code and the taxes on indoor tanning services imposed by section 5000B. See part 40 of this chapter for regulations relating to returns, payments, and deposits of these taxes.

§49.0–3T [Removed]

Par. 8. Section 49.0–3T is removed.

Par. 9. Subpart G is revised to read as follows:

Subpart G—Indoor Tanning Services

§49.5000B–1 *Indoor tanning services.*

(a) *Overview.* This section provides rules for the tax imposed by section 5000B on any indoor tanning service.

(b) *Imposition of tax—(1) General rule.* Tax is imposed by section 5000B at the time of payment for any indoor tanning service.

(2) *Undesignated payment cards—In general.* Payment for indoor tanning services is made when an undesignated payment card is redeemed, in whole or in part, to pay for indoor tanning services (and not when a payment is made to purchase the undesignated payment card).

(c) *Definitions—(1) The term indoor tanning service* means a service employing any electronic product designed to incorporate one or more ultraviolet lamps and intended for the irradiation of an individual by ultraviolet radiation, with wavelengths in air between 200 and 400 nanometers, to induce skin tanning. The term does not include phototherapy service performed by, and on the premises of, a licensed medical professional (such as a dermatologist, psychologist, or registered nurse).

(2) The term *other goods and services* includes, but is not limited to, protective eyewear, footwear, towels, and tanning lotions; manicures, pedicures, and other cosmetic or spa treatments; and access to sport or exercise facilities.

(3) The term *phototherapy service* means a service that exposes an individual to specific wavelengths of light for the treatment of—

(i) Dermatological conditions (such as acne, psoriasis, and eczema);

(ii) Sleep disorders;

(iii) Seasonal affective disorder or other psychiatric disorder;

(iv) Neonatal jaundice;

(v) Wound healing; or

(vi) Other medical condition determined by a licensed medical professional to be treatable by exposing the individual to specific wavelengths of light.

(4) The term *provider* means a person that provides an indoor tanning service as defined in paragraph (c)(1) of this section.

(5) The term *qualified physical fitness facility* means a facility—

(i) In which the predominant business or activity is providing equipment and services to its members for purposes of exercise and physical fitness (determined by taking into consideration all of the facts and circumstances, such as the cost of the equipment, variety of services offered, actual usage of services by customers, revenue generated by different services, and how the entity holds itself out to the public through advertising or other means);

(ii) In which providing indoor tanning services is not a substantial part of the business or activity; and

(iii) That does not sell indoor tanning services for a fee to the public or otherwise offer different pricing options to its members based in whole or in part on access to indoor tanning services.

(6) The term *undesignated payment card* means a gift certificate, gift card, or similar item that can be redeemed for goods or services that may, but do not necessarily, include indoor tanning services.

(d) *Application of tax—(1) Tax on total amount paid for indoor tanning services—(i) In general.* The tax is imposed on the total amount paid for indoor tanning services, including any amount paid by insurance. The total amount paid is presumed to include the tax if the tax is not separately stated.

(ii) *Free services and reduced rates.* The tax does not apply to indoor tanning services that are provided free of charge. Indoor tanning services are provided free of charge if no one pays anything of value to the provider of the service for the indoor

tanning service. Thus, for example, tax is not imposed on the redemption of a promotional coupon for indoor tanning services if the coupon is provided at no cost and at no obligation to purchase anything. If indoor tanning services are provided at a reduced rate, the tax applies to the amount actually paid for the services.

(iii) *Bonus points.* The redemption of benefits such as “bonus points” under a loyalty program or similar program or promotion is not a payment for indoor tanning services. Thus, for example, in a promotion that entitles a customer to a “free” tan with the purchase of four tans, tax is not imposed on the redemption of the fifth tan because the amount paid for the four tans included a reduced price for the fifth tan.

(iv) *Other fees.* Fees for starting, joining, registering, enrolling, and similar fees paid to a provider to join a monthly (or other periodic) membership program that provides indoor tanning services are amounts paid for indoor tanning services. Similarly, amounts paid to a provider that temporarily suspend a periodic membership program are amounts paid for indoor tanning services.

(2) *Charges for other goods and services; tanning services separately stated.* If a payment covers charges for indoor tanning services as well as other goods and services, the charges for other goods and services may be excluded in computing the tax payable on the amount paid, if the charges—

(i) Are separable (regardless of the manner of invoicing the charges);

(ii) Do not exceed the fair market value of such other goods and services; and

(iii) Are shown in the exact amounts in the provider’s records pertaining to the indoor tanning services charge.

(3) *Charges for other goods and services; tanning services bundled.* This paragraph (d)(3) applies if paragraph (d)(2) of this section does not apply. If a provider offers indoor tanning services (whether of a specified or unlimited amount, including “free” or reduced-rate indoor tanning services) bundled with other goods and services, the payment for the bundled services includes an amount paid for indoor tanning services. The tax applies to that portion of the amount paid to the provider that is reasonably attributable to indoor tanning services. The

amount reasonably attributable to indoor tanning services may be determined by—

(i) Applying to the total amount paid a ratio determined by comparing—

(A) The provider's charge for indoor tanning services not in bundled services or, if the provider only charges for indoor tanning services as part of bundled services, the fair market value of similar indoor tanning services (based on the amount charged by comparable providers in the same geographic area); to

(B) The charge determined in paragraph (d)(3)(i)(A) of this section plus the provider's charge for the other goods and services in the bundled services or, if the provider only charges for other goods and services as part of bundled services, the fair market value of similar goods and services (based on the amount charged by comparable providers in the same geographic area); or

(ii) Any other method allowed in guidance published in the Internal Revenue Bulletin.

(4) *Exemption; qualified physical fitness facilities.* No portion of a payment to a qualified physical fitness facility (within the meaning of paragraph (c)(5) of this section) that includes access to indoor tanning services is treated as a payment for indoor tanning services.

(e) *Person liable for the tax—(1) General rule.* The person who pays for the indoor tanning service is deemed to be the person on whom the service is performed for purposes of collecting the tax. Thus, the person paying for the indoor tanning service is liable for the tax at the time of payment.

(2) *Undesignated payment cards—(i) In general.* In the case of a payment made with an undesignated payment card (as defined in paragraph (c)(6) of this section), the person who redeems the card, in whole or in part, to pay specifically for indoor tanning services is the person who pays for the indoor tanning services. Thus, the person who redeems an undesignated payment card, in whole or in part, to pay specifically for indoor tanning services is liable for the tax at the time such payment is made (as described in paragraph (b)(2) of this section).

(ii) *Alternative treatment.* The Treasury Department and IRS may provide additional options for the treatment of undesignated

payment cards in guidance published in the Internal Revenue Bulletin.

(3) *Tax not collected at time of payment.* If the person paying for the indoor tanning services does not pay the tax to the person receiving the payment for the services at the time of payment for the services, the person receiving the payment is liable for the tax.

(f) *Persons receiving payment must collect tax.* Every person receiving a payment for indoor tanning services on which a tax is imposed under this section must collect the amount of the tax from the person making that payment.

(g) *Examples.* The following examples illustrate the application of section 5000B and this section.

Example 1: Imposition of tax; general rule. (i) P is a nail salon that also provides indoor tanning service incidental to its primary business of providing nail salon services. P advertises a price of \$15.00 (exclusive of the tax imposed by section 5000B) for one 10-minute indoor tanning service. During a period when the tax is 10 percent of the amount paid, P calculates the section 5000B tax on \$15.00 as provided by paragraph (d)(1) of this section. Thus, the tax is \$1.50 ($\$15.00 \times 10\%$). The person paying for the service is liable for the tax when that person pays for the services. If P does not collect the tax from the person at the time of the payment for the services, P is liable for the tax.

(ii) The facts are the same as in paragraph (i) of this example except that P's advertised price of \$15.00 includes the tanning tax. In this case, the tax is \$1.36 ($\$15.00 \times 10\%/110\%$) under the second sentence of paragraph (d)(1) of this section.

Example 2: Charges for other goods and services; tanning services separately stated. P provides indoor tanning services and other goods and services. On July 1, 2013, A, an individual, pays P for one 10-minute indoor tanning service and one pair of protective eyewear. P charges \$15.00 for the 10-minute indoor tanning service and \$2.00 for a pair of protective eyewear. The \$2.00 charge for the protective eyewear does not exceed its fair market value. The invoice from P is \$17.00 (exclusive of the tax imposed by section 5000B) and separately states the cost of the protective eyewear. Because the cost of the protective eyewear is separately stated, P calculates the section 5000B tax on \$15.00 as provided by paragraph (d)(2) of this section. A is liable for the tax when A pays for the services. If P does not collect the tax from A at the time A pays for the services, P is liable for the tax.

Example 3: Charges for other goods and services; tanning services bundled. P provides indoor tanning services and other goods and services and offers bundled services. On July 1, 2013, A, an individual, buys bundled service from P that includes 10 swimming lessons, the use of towels while on P's premises, one pair of protective eyewear, and 2 "free" 10-minute indoor tanning services. P charges \$252.00 (exclusive of the tax imposed by section 5000B) for the bundled services. If these services are purchased separately, P charges (exclusive of the tax

imposed by section 5000B) \$25.00 per swimming lesson, \$15.00 for a 10-minute indoor tanning service, \$2.00 for the protective eyewear, and does not charge for the use of towels while on P's premises. As determined under paragraph (d)(3) of this section, the section 5000B tax applies to the amount reasonably attributable to the indoor tanning service, which is \$26.81 ($(\$30.00/\$282.00) \times \252.00).

Example 4: Person liable for the tax. On July 1, 2013, A buys bundled services (described in Example 3) from P as a gift for B. Under paragraph (e)(1) of this section, A is deemed to be the person on whom the indoor tanning services are performed for purposes of collecting the tax. Therefore, under paragraph (b)(1) of this section, A is liable for the tax when A pays for the services. The tax will be computed under the rules of paragraph (d)(3) of this section. If A does not pay the tax at the time A pays for the services, P is liable for the tax.

Example 5: Undesignated payment cards. (i) P operates a spa that provides a variety of cosmetic goods and services, including indoor tanning services. On July 1, 2013, A buys a gift certificate in the amount of \$100.00 from P as a gift for B. The gift certificate may be redeemed by B for B's choice among several services offered by P, including indoor tanning services. On July 15, 2013, B partially redeems the gift certificate to pay for one 10-minute indoor tanning service.

(ii) Under paragraph (b)(2) of this section, a payment for indoor tanning services is made, and the tax under section 5000B is imposed, on July 15, 2013, when B partially redeems the gift certificate to pay for one indoor tanning service. Under paragraph (e)(2) of this section, B is the person who pays for the indoor tanning services. Therefore, B is liable for the tax, computed under the rules of paragraph (d) of this section, and pays the tax by permitting P to debit the amount of the tax from the balance of the gift certificate or by paying the amount of the tax to P in cash. If B does not pay the tax at the time B partially redeems the gift certificate to pay for the indoor tanning services, P is liable for the tax.

Example 6: Charges for other goods and services; tanning services bundled; amount attributable to tanning services. On July 1, 2013, A pays \$1,000.00 (exclusive of the tax imposed by section 5000B) to spa P for the right to use the following equipment and services during the month of July: up to four massages or facials, unlimited use of a sauna, steam room, showers, and towel service, and unlimited indoor tanning services. If the services are purchased separately, P charges (exclusive of the tax imposed by section 5000B) \$150.00 for unlimited indoor tanning services during the month of July, and \$900.00 for the other equipment and services during the month of July, not including indoor tanning services. Under paragraph (b) of this section, A has made a payment for indoor tanning services and the tax will be computed under the rules of paragraph (d)(3) of this section. As determined under paragraph (d)(3) of this section, the section 5000B tax applies to the amount reasonably attributable to the indoor tanning services, which is \$142.86 ($(\$150.00/\$1050.00) \times \1000.00). If A does not pay the tax at the time A pays for the bundled services, P is liable for the tax.

Example 7: Payments to qualified physical fitness facilities. P operates a full-service gym facility that offers fitness classes, multiple exercise machines

(such as treadmills, stationary bicycles, weight training machines, and free weights), and has as its predominant business providing these facilities, equipment, and services to members for purposes of exercise and physical fitness. P provides its members with access to indoor tanning services, comprised of two tanning beds that meet the definition of indoor tanning services under paragraph (c)(1) of this section. P generally charges its members a fee for monthly usage of its facilities, equipment, and services, but also offers short-term or free trial memberships and allows non-members to purchase individual or a series of exercise classes. P does not charge any fee for the indoor tanning services, does not offer indoor tanning services separately from its other services, and has no membership tier or category that differs from others based on access to the indoor tanning services. P holds itself out to the public through advertising and marketing as providing equipment and services to improve physical fitness. On July 1, 2013, A pays a membership fee to P in return for use of P's facility

during the month of July. Under paragraph (d)(4) of this section, no portion of A's membership fee payment is treated as a payment made for indoor tanning services, because A is a qualified physical fitness facility under paragraph (c)(5) of this section. Therefore, no liability for tax arises under section 5000B.

(h) *Effective/applicability date.* This section applies to amounts paid on or after June 10, 2013. For rules that apply before that date, see 26 CFR part 49 (revised as of April 1, 2013).

PART 602—OMB CONTROL NUMBERS UNDER THE PAPERWORK REDUCTION ACT

Par. 10. The authority citation for part 602 continues to read as follows:

Authority: 26 U.S.C. 7805.

Par. 11. In §602.101, paragraph (b) is amended by removing the entry for §1.5000B-1 and adding an entry for 49.5000B-1 in numerical order to the table to read as follows:

§602.101 OMB Control numbers.

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

CFR part or section where Identified and described	Current OMB control No.
* * * * *	
49.5000B-1	1545-2177
* * * * *	

Beth Tucker,
Acting Deputy Commissioner for Services and Enforcement.

(Filed by the Office of the Federal Register on June 10, 2013, 8:45 a.m., and published in the issue of the Federal Register for June 11, 2013, 78 FR 34874)

Section 7872.—Treatment of Loans With Below-Market Interest Rates

Approved May 31, 2013

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

Section 7520.—Valuation Tables

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of July 2013. See Rev. Rul. 2013-15, page 47.

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of July 2013. See Rev. Rul. 2013-15, page 47.

Part III. Administrative, Procedural, and Miscellaneous

26 CFR 601.201: Rulings and determination letters
(Also: Part I, §§ 332, 351, 355, 368, and 1036)

Rev. Proc. 2013-32

SECTION 1. PURPOSE

To conserve Internal Revenue Service (Service) resources, this revenue procedure restricts the scope of letter rulings that address issues with respect to transactions under sections 332, 351, 355, and 1036, and reorganizations within the meaning of section 368 of the Internal Revenue Code (Code).

SECTION 2. CHANGES

.01 Section 5.01 of this revenue procedure modifies and amplifies section 6.03, section 6.11, Appendix C, and Appendix E of Rev. Proc. 2013-1, 2013-1 I.R.B. 1 (explaining procedures for requesting letter rulings generally), and section 5.02 of this revenue procedure modifies and amplifies sections 3.01(41), 4.02(2), and 4.02(9) of Rev. Proc. 2013-3, 2013-1 I.R.B. 113 (listing areas of the Code under the jurisdiction of the Associate Chief Counsel (Corporate) on which the Service will not issue letter rulings), by modifying the scope of, and procedures for requesting, letter rulings issued by the Service under section 332, 351, 355, 368, or 1036, and certain related Code sections. As explained in section 4.01 of this revenue procedure, the Service will no longer rule on whether a transaction qualifies for nonrecognition treatment under section 332, 351, 355, or 1036, or on whether a transaction constitutes a reorganization within the meaning of section 368. The Service will instead rule only on significant issues (described in section 4.02 of this revenue procedure) under section 332, 351, 355, 368, or 1036. In addition, as explained in section 4.03 of this revenue procedure, the Service will rule only on significant issues under related Code sections that address the tax consequences (such as nonrecognition and basis) that result from the application of section 332, 351, 355, 368, or 1036. Finally, section 5.01 of this revenue procedure discontinues the pilot program announced in Rev. Proc. 2009-25, 2009-24 I.R.B.1088, for letter

rulings on certain issues arising in the context of a section 355 distribution.

.02 Section 5.03 of this revenue procedure modifies the following revenue procedures, which describe some of the information and representations to be submitted with a letter ruling request for rulings on transactions described in section 332, 351, 355, or 368, by providing that such information and representations should be included in letter ruling requests with respect to one or more significant issues under such Code sections only to the extent that they relate to the significant issues: Rev. Proc. 81-60, 1981-2 C.B. 680 (section 368(a)(1)(E)); Rev. Proc. 83-59, 1983-2 C.B. 575 (section 351); Rev. Proc. 86-42, 1986-2 C.B. 722 (section 368(a)(1)(A), (B), (C), (D) (acquisitive reorganizations), and (F)); Rev. Proc. 90-52, 1990-2 C.B. 626 (section 332); and Rev. Proc. 96-30, 1996-1 C.B. 696, amplified and modified by Rev. Proc. 2003-48, 2003-2 C.B. 86 (section 355).

.03 Additionally, section 5.04 of this revenue procedure supersedes section 4.06 of Rev. Proc. 2003-48, 2003-2 C.B. 86 (relating to supplemental letter rulings) and obsoletes all other sections of Rev. Proc. 2003-48 (relating to procedures for requesting letter rulings under section 355).

SECTION 3. BACKGROUND

.01 Letter Rulings, In General

Ordinarily, the Service will not issue a letter ruling on only part of an integrated transaction. If, however, part of an integrated transaction falls under an area of the Code, including those under the jurisdiction of the Associate Chief Counsel (Corporate), on which the Service will not issue letter rulings (“no-rule issue” or “no-rule area”), the Service may issue a letter ruling on other parts of the transaction. Section 6.03 of Rev. Proc. 2013-1, 2013-1 I.R.B. 15, and section 4.02(2) of Rev. Proc. 2013-3, 2013-1 I.R.B. 122. If it is impossible for the Service to determine the tax consequences of a larger transaction without resolving a no-rule issue then the taxpayer must state in its ruling request to its best knowledge and belief the tax consequences of the no-rule issue. The Service’s letter ruling will state

that the Service did not consider, and no opinion is expressed upon, the no-rule issue. In appropriate cases, notwithstanding the taxpayer’s representation, the Service may decline to issue a letter ruling on such larger transactions due to the relevance of the no-rule issue. Section 2.03 of Rev. Proc. 2013-3, 2013-1 I.R.B. 114.

In addition, the Service ordinarily will not issue letter rulings with respect to an issue that is clearly and adequately addressed by statute, regulations, decision of a court, or authority published in the Internal Revenue Bulletin (*i.e.*, comfort rulings). However, the Service may in its discretion decide to issue a letter ruling on such an issue if the Service is otherwise issuing a letter ruling to the taxpayer on another issue arising in the same transaction. Section 6.11 of Rev. Proc. 2013-1, 2013-1 I.R.B. 17, and section 4.02(9) of Rev. Proc. 2013-3, 2013-1 I.R.B. 123.

.02 Certain Letter Rulings under the Jurisdiction of the Associate Chief Counsel (Corporate)

Prior to the effective date of this revenue procedure, the Service would not issue a letter ruling on whether a transaction qualified for nonrecognition treatment under section 332, 351 (except for certain transfers undertaken before section 355 distributions), or 1036, or whether a transaction constituted a reorganization within the meaning of section 368(a)(1)(A) (including a transaction that qualified under section 368(a)(1)(A) by reason of section 368(a)(2)(D) or section 368(a)(2)(E)), section 368(a)(1)(B), section 368(a)(1)(C), section 368(a)(1)(E), or section 368(a)(1)(F), or the tax consequences (such as nonrecognition and basis) that resulted from the application of such Code sections, unless the Service determined that there was a significant issue. If the Service determined that there was a significant issue, and to the extent the transaction was not described in another no-rule area, the Service would rule on the entire transaction and not just the significant issue. Section 3.01(41) of Rev. Proc. 2013-3, 2013-1 I.R.B. 116.

In Rev. Proc. 2009-25, 2009-24 I.R.B. 1088, the Service announced a pilot program for letter rulings on issues arising in the context of section 355 distributions. Under this program, a taxpayer could re-

quest a letter ruling on part of a larger transaction or on a particular issue under a Code section that a transaction presented. The Service, in turn, would issue a letter ruling on the particular issue raised in the letter ruling request and not on any other issue (including, in some cases, qualification of the distribution under section 355) or on any other aspect of the transaction.

Prior to the effective date of this revenue procedure, a taxpayer requesting a letter ruling on the qualification of a transaction under section 332, 351, 355, or 1036, or whether a transaction constituted a reorganization within the meaning of section 368, was required to provide information and representations described in other applicable revenue procedures (*i.e.*, Rev. Proc. 81-60, 1981-2 C.B. 680; Rev. Proc. 83-59, 1983-2 C.B. 575; Rev. Proc. 86-42, 1986-2 C.B. 722; Rev. Proc. 90-52, 1990-2 C.B. 626; Rev. Proc. 96-30, 1996-1 C.B. 696; and Rev. Proc. 2003-48, 2003-2 C.B. 86, as applicable) as well as other information and representations that were requested as part of the Associate Chief Counsel (Corporate)'s ruling policy.

SECTION 4. EXPLANATION OF NEW PROCEDURES

.01 New Procedures for Certain Letter Rulings under the Jurisdiction of the Associate Chief Counsel (Corporate)

(1) The Service will no longer rule on whether a transaction qualifies for non-recognition treatment under section 332, 351, 355, or 1036, or on whether a transaction constitutes a reorganization within the meaning of section 368 (collectively, the "Nonrecognition Provisions"), regardless of whether the transaction presents a significant issue and regardless of whether the transaction is an integral part of a larger transaction that involves other issues upon which the Service will rule.

The Service will rule, however, on one or more issues under the Nonrecognition Provisions to the extent that such issue or issues are significant. For example, the Service will issue a letter ruling addressing significant issues presented by the application of sections 1.368-1(d) and 1.368-2(k) of the Income Tax Regulations.

(2) This revenue procedure does not limit the number of significant issues that may be the subject of a single letter ruling.

The Service reserves the right to rule on any other issue in, or part of, the transaction (including ruling adversely) if the Service believes that it is in the best interests of tax administration. *Cf.* section 2.01 of Rev. Proc 2013-3, 2013-1 I.R.B. 113.

(3) For purposes of this revenue procedure, a significant issue is an issue of law the resolution of which is not essentially free from doubt and that is germane to determining the tax consequences of the transaction. An issue the resolution of which is not essentially free from doubt under one Code section may nevertheless not be germane to determining the tax consequences of the transaction if, for instance, another Code section provides the same consequences as the first Code section. For example, the Service may decline to rule on an issue under section 368 with respect to an upstream merger of a wholly owned subsidiary into its shareholder if qualification of the transaction under section 332 is essentially free from doubt and it is essentially free from doubt that the tax consequences of section 332 qualification would be the same as the tax consequences that would result if the transaction constituted a reorganization within the meaning of section 368. In such an overlap case, the taxpayer must explain why the issue is germane to determining its tax consequences.

(4) In addition, the Service will only rule on the tax consequences (such as non-recognition and basis) that result from the application of the Nonrecognition Provisions to the extent that a significant issue is presented under the related Code section that addresses such tax consequences. For example, a section 351 exchange that does not present any significant issues under section 351 may present a significant issue regarding the application of section 358 to the transferor in the exchange. In such a case, the Service will rule only on the significant issue under section 358.

(5) Before submitting a letter ruling request on a significant issue under this revenue procedure, a taxpayer is encouraged to call the Office of Associate Chief Counsel (Corporate) at (202) 622-7700 to discuss whether the Service will entertain such a letter ruling request. Letter ruling requests submitted under this revenue procedure must comply with the requirements set forth in section 6.03 of Rev. Proc. 2013-1, 2013-1 I.R.B. 15, as modified

by this revenue procedure, as well as Rev. Proc. 2013-1, in general. All pertinent no-rule policies described in Rev. Proc. 2013-3, 2013-1 I.R.B. 113, governing the Service's letter ruling practice will govern requests for letter rulings made pursuant to this revenue procedure. *See*, for example, section 3.01(43) of Rev. Proc. 2013-3, 2013-1 I.R.B. 116 (no-rule policy regarding business purpose and device issues under section 355 and section 355(e) plan issues).

In preparing a letter ruling request under this revenue procedure, taxpayers should continue to consult other applicable revenue procedures (*e.g.*, Rev. Proc. 81-60, 1981-2 C.B. 680; Rev. Proc. 83-59, 1983-2 C.B. 575; Rev. Proc. 86-42, 1986-2 C.B. 722; Rev. Proc. 90-52, 1990-2 C.B. 626; and Rev. Proc. 96-30, 1996-1 C.B. 696) and include in the letter ruling request the information and representations described in such revenue procedures (as appropriate) only to the extent that they relate to the significant issues.

.02 Supplemental Letter Rulings

The Associate Chief Counsel (Corporate) will apply the same no-rule policy described above to supplemental letter ruling requests. A change of circumstances arising after a transaction has been completed ordinarily will not present a significant issue with respect to the transaction. In addition, an issue of fact (as opposed to an issue of law) does not present a significant issue. Before submitting a supplemental letter ruling request, a taxpayer is encouraged to call the Office of Associate Chief Counsel (Corporate) at (202) 622-7700 to discuss whether the Service will entertain a supplemental letter ruling request. All pertinent no-rule policies governing the Service's letter ruling practice will govern requests for supplemental letter rulings.

SECTION 5. PROCEDURE

.01 Rev. Proc. 2013-1 is modified and amplified as follows:

(1) Delete the text of all paragraphs after the first paragraph of section 6.03 and add the following text after the first paragraph of section 6.03:

In addition, the Service will not rule on the qualification of any transaction under section 332, 351, 355, or 1036, or on whether a transaction constitutes a reor-

ganization within the meaning of section 368, regardless of whether such transaction is part of an integrated transaction (*see* section 3.01(41) of Rev. Proc. 2013-3, 2013-1 I.R.B. 116, as modified by Rev. Proc. 2013-32 in I.R.B. 2013-28). Instead, the Associate Chief Counsel (Corporate) will only issue a letter ruling on significant issues (within the meaning of section 3.01(41) of Rev. Proc. 2013-3, as modified by Rev. Proc. 2013-32) presented in a transaction described in section 332, 351, 355, 368, or 1036. For example, the Service may rule on significant issues under section 1.368-1(d) (continuity of business enterprise) and section 1.368-1(e) (continuity of interest). Letter rulings requested under this section 6.03 are subject to the no-rule policies of Rev. Proc. 2013-3. In addition, the Service will not rule on the tax consequences that result from the application of section 332, 351, 355, 368 or 1036 (including nonrecognition and basis) except to the extent of a significant issue and only to the extent consistent with the no-rule policies of Rev. Proc. 2013-3.

Before preparing a letter ruling request under this section involving significant issues presented in a transaction described in section 332, 351, 355, 368, or 1036, a taxpayer is encouraged to call the Office of Associate Chief Counsel (Corporate) at the telephone number provided in section 10.07(1)(a) of this revenue procedure to discuss whether the Service will entertain a letter ruling request under this section 6.03. The Service reserves the right to rule on any other aspect of the transaction (including ruling adversely) to the extent the Service believes it is in the best interests of tax administration. *Cf.* section 2.01 of Rev. Proc. 2013-3.

Taxpayers may request rulings on one or more significant issues in a single letter ruling request. Letter ruling requests under this section 6.03 must include for each significant issue:

- (1) A narrative description of the transaction that puts the issue in context;
- (2) A statement identifying the issue;
- (3) An analysis of the relevant law, which should set forth the authorities most closely related to the issue and explain why these authorities do not resolve the issue, and an explanation concerning why the issue is significant within the meaning

of section 3.01(41) of Rev. Proc. 2013-3, as modified by Rev. Proc. 2013-32;

(4) Information and representations relevant to the issue. Taxpayers should consult other published authorities (*see*, for example, Exhibit E of this revenue procedure, which identifies certain checklist and guideline revenue procedures), including those modified by Rev. Proc. 2013-32 (*e.g.*, Rev. Proc. 96-30, 1996-1 C.B. 696), and other authorities (*e.g.*, Rev. Rul. 73-234, 1973-1 C.B. 180 (applying section 355(b) to the activities performed by employees of a corporation engaged in a farming business)), to identify information or representations but only to the extent that they relate to the issue; and

(5) The precise ruling(s) requested.

If the Service issues a letter ruling on a significant issue under this procedure, then the letter ruling will state that no opinion is expressed as to any issue or step not specifically addressed by the letter. In addition, letter rulings issued under this procedure will contain the following (or similar) language:

This Office expresses no opinion as to the overall tax consequences of the transaction(s) described in this letter, including qualification of the transaction under [section 332, 351, 355, 368, or 1036, as appropriate].

(2) Delete the text of section 6.11 and add the following text in its place:

A letter ruling will not be issued with respect to an issue that is clearly and adequately addressed by statute, regulations, decision of a court, revenue rulings, revenue procedures, notices, or other authority published in the Internal Revenue Bulletin (Comfort Ruling). However, except with respect to issues under section 332, 351, 355, 368, or 1036 and the tax consequences resulting from the application of such Code sections (*see* generally section 6.03, as modified by Rev. Proc. 2013-32 in I.R.B. 2013-28), the Associate office may in its discretion decide to issue a Comfort Ruling if the Associate office is otherwise issuing a letter ruling to the taxpayer on another issue arising in the same transaction.

(3) Add a new question after question 7 in Appendix C as follows:

(a) Are you requesting a letter ruling under the jurisdiction of the Associate Chief Counsel (Corporate) on a significant issue (within the meaning of section 3.01(41) of

Rev. Proc. 2013-3, 2013-1 I.R.B. 116, as modified by Rev. Proc. 2013-32 in I.R.B. 2013-28) with respect to a transaction described in section 332, 351, 355, or 1036 or a reorganization within the meaning of section 368? *See* section 6.03;

(b) Include a “Yes No” answer; and

(c) Include a space to indicate the relevant page number; and

(4) Modify the text in section .01 of Appendix E as follows:

(a) Under the subheading “Subchapter C—Corporate Distributions, Adjustments, Transfers, and Reorganizations” delete the text and add the following text in its place:

Rev. Proc. 77-37, 1977-2 C.B. 568, as modified by Rev. Proc. 89-30, 1989-1 C.B. 895, and as amplified by Rev. Proc. 77-41, 1977-2 C.B. 574, Rev. Proc. 83-81, 1983-2 C.B. 598 (*see also* Rev. Proc. 2013-3, 2013-1 I.R.B. 113, as modified by Rev. Proc. 2013-32 in I.R.B. 2013-28), Rev. Proc. 84-42, 1984-1 C.B. 521 (superseded, in part, as to no-rule areas by Rev. Proc. 2013-3, 2013-1 I.R.B. 113), Rev. Proc. 86-42, 1986-2 C.B. 722, and Rev. Proc. 89-50, 1989-2 C.B. 631. *But see* section 3.01 of Rev. Proc. 2013-3, as modified by Rev. Proc. 2013-32, which states that the Service will not issue a letter ruling as to whether a transaction constitutes a reorganization within the meaning of section 368. However, the Service will issue a letter ruling addressing significant issues (within the meaning of section 3.01 of Rev. Proc. 2013-3, as modified by Rev. Proc. 2013-32) presented in a reorganization within the meaning of section 368. The information and representations described in these revenue procedures should be included in a letter ruling request only to the extent that they relate to the significant issues with respect to which the letter ruling is requested. *See* section 6.03(4), as modified by Rev. Proc. 2013-32.

(b) Under the subheading “332 Checklist Questionnaire” delete the text and add the following text in its place:

See section 3.01 of Rev. Proc. 2013-3, 2013-1 I.R.B. 113, as modified by Rev. Proc. 2013-32 in I.R.B. 2013-28, which states that the Service will not issue a letter ruling on whether a corporate distribution qualifies for nonrecognition treatment under section 332. However, the Service will issue a letter ruling addressing significant issues (within the meaning of section 3.01 of Rev. Proc. 2013-3, as modified by Rev.

Proc. 2013–32) presented in a transaction described in section 332. The information and representations described in Rev. Proc. 90–52, 1990–2 C.B. 626, should be included in a letter ruling request only to the extent that they relate to the significant issues with respect to which the letter ruling is requested. *See* section 6.03(4), as modified by Rev. Proc. 2013–32.

(c) Under the subheading “351 Checklist Questionnaire” delete the text and add the following text in its place:

See section 3.01 of Rev. Proc. 2013–3, 2013–1 I.R.B. 113, as modified by Rev. Proc. 2013–32 in I.R.B. 2013–28, which states that the Service will not issue a letter ruling on whether certain transfers to controlled corporations qualify for nonrecognition treatment under section 351. However, the Service will issue a letter ruling addressing significant issues (within the meaning of section 3.01 of Rev. Proc. 2013–3, as modified by Rev. Proc. 2013–32) presented in a transaction described in section 351. The information and representations described in Rev. Proc. 83–59, 1983–2 C.B. 575, should be included in a letter ruling request only to the extent that they relate to the significant issues with respect to which the letter ruling is requested. *See* section 6.03(4), as modified by Rev. Proc. 2013–32.

(d) Under the subheading “355 Checklist Questionnaire” delete the text and add the following text in its place:

See section 3.01 of Rev. Proc. 2013–3, 2013–1 I.R.B. 113, as modified by Rev. Proc. 2013–32 in I.R.B. 2013–28, which states that the Service will not issue a letter ruling on whether certain distributions of controlled corporation stock qualify for nonrecognition treatment under section 355. However, the Service will issue a letter ruling addressing significant issues (within the meaning of section 3.01 of Rev. Proc. 2013–3, as modified by Rev. Proc. 2013–32) presented in a transaction described in section 355. The information and representations described in Rev. Proc. 96–30, 1996–1 C.B. 696, should be included in a letter ruling request only to the extent that they relate to the significant issues with respect to which the letter ruling is requested. *See* section 6.03(4), as modified by Rev. Proc. 2013–32.

(e) Under the subheading “368(a)(1)(E) Checklist Questionnaire” delete the text and add the following text in its place:

See section 3.01 of Rev. Proc. 2013–3, 2013–1 I.R.B. 113, as modified by Rev. Proc. 2013–32 in I.R.B. 2013–28, which states that the Service will not issue a letter ruling as to whether a transaction constitutes a reorganization, including a recapitalization within the meaning of section 368(a)(1)(E) (or a transaction that qualifies under section 1036). However, the Service will issue a letter ruling addressing significant issues (within the meaning of section 3.01 of Rev. Proc. 2013–3, as modified by Rev. Proc. 2013–32) presented in a transaction described in section 368(a)(1)(E) (or in a transaction described in section 1036). The information and representations described in Rev. Proc. 81–60, 1981–2 C.B. 680, should be included in a letter ruling request only to the extent that they relate to the significant issues. *See* section 6.03(4), as modified by Rev. Proc. 2013–32.

.02 Rev. Proc. 2013–3 is modified and amplified as follows:

(1) Delete the text of section 3.01(41) and add the following text in its place:

Sections 332, 351, 355, 368, and 1036.—Complete Liquidations of Subsidiaries; Transfer to Corporation Controlled by Transferor; Distribution of Stock and Securities of a Controlled Corporation; Reorganization; Stock for Stock of Same Corporation.—Whether a transaction qualifies under section 332, 351, 355, or 1036 for nonrecognition treatment or whether it constitutes a corporate reorganization within the meaning of section 368, and whether various tax consequences (such as nonrecognition and basis) result from the application of that section. The Service will instead rule only on significant issues presented in a transaction described in section 332, 351, 355, 368, or 1036. Additionally, the Service will rule on one or more significant issues under the Code sections that address the tax consequences (such as nonrecognition and basis) that result from the qualification of a transaction under section 332, 351, 355, 368, or 1036. *See* section 6.03 of Rev. Proc. 2013–1, 2013–1 I.R.B. 15, as modified by Rev. Proc. 2013–32 in I.R.B. 2013–28).

SIGNIFICANT ISSUE: A significant issue is an issue of law the resolution of which is not essentially free from doubt and that is germane to determining the tax consequences of the transaction. A change

of circumstances arising after a transaction ordinarily does not present a significant issue with respect to the transaction.

OBTAINING A LETTER RULING: To obtain a letter ruling on a significant issue presented in a transaction, the taxpayer in its letter ruling request must comply with all the requirements set forth in section 6.03 of Rev. Proc. 2013–1, as modified by Rev. Proc. 2013–32, as well as Rev. Proc. 2013–1, in general.

(2) Delete the text of the second paragraph of section 4.02(2) and add the following text in its place:

Notwithstanding the previous paragraph, in connection with transactions described in section 332, 351, 355, or 1036 and reorganizations within the meaning of section 368, the Associate Chief Counsel (Corporate) may issue a letter ruling on part of an integrated transaction if and to the extent that the transaction presents a significant issue (within the meaning of section 3.01(41), as modified by Rev. Proc. 2013–32 in I.R.B. 2013–28). *See* section 6.03 of Rev. Proc. 2013–1, 2013–1 I.R.B. 15, as modified by Rev. Proc. 2013–32.

(3) Delete the text of section 4.02(9) and add the following text in its place:

A letter ruling will not be issued with respect to an issue that is clearly and adequately addressed by statute, regulations, decision of a court, revenue rulings, revenue procedures, notices, or other authority published in the Internal Revenue Bulletin (Comfort Ruling). However, except with respect to issues under sections 332, 351, 355, 368, and 1036 and the tax consequences resulting from the application of such Code sections (*see* generally section 6.03 of Rev. Proc. 2013–1, 2013–1 I.R.B. 15, as modified by Rev. Proc. 2013–32 in I.R.B. 2013–28), the Associate office may in its discretion issue a Comfort Ruling if the Associate office is otherwise ruling on another issue arising in the same transaction.

.03 Rev. Proc. 81–60, 1981–2 C.B. 680, Rev. Proc. 83–59, 1983–2 C.B. 575, Rev. Proc. 86–42, 1986–2 C.B. 722, Rev. Proc. 90–52, 1990–2 C.B. 626, and Rev. Proc. 96–30, 1996–1 C.B. 696, are modified as follows.

The inclusion of all the information and representations described in these revenue procedures is not required in all requests for letter rulings under sections 332, 351,

355, and 368, as applicable. See section 6.03 of Rev. Proc. 2013-1, 2013-1 I.R.B. 15, as modified by Rev. Proc. 2013-32 in I.R.B. 2013-28. Such information and representations should be included in a letter ruling request with respect to one or more significant issues under such Code sections only to the extent that they relate to the significant issues.

.04 Rev. Proc. 2003-48, 2003-2 C.B. 86 is obsolete in part and superseded in part as follows:

(1) Sections 4.01 (relating to the corporate business purpose representation), 4.02 (relating to the device representation), 4.03 (relating to the section 355(e) representations), 4.04 (regarding the inclusion of regulatory filings with all letter ruling requests under section 355), and 4.05 (relating to certain ruling requests for which the Service previously declined to rule) are obsolete; and

(2) Section 4.06 (regarding supplemental rulings) is superseded.

SECTION 6. EFFECT ON OTHER DOCUMENTS

Rev. Proc. 2013-1, 2013-1 I.R.B. 1, and Rev. Proc. 2013-3, 2013-1 I.R.B. 113, are amplified and modified. Rev. Proc. 81-60, 1981-2 C.B. 680, Rev. Proc. 83-59, 1983-2 C.B. 575, Rev. Proc. 86-42, 1986-2 C.B. 722, Rev. Proc. 90-52, 1990-2 C.B. 626, and Rev. Proc.

96-30, 1996-1 C.B. 696, are modified. Rev. Proc. 2003-48, 2003-2 C.B. 86, is obsolete in part and superseded in part. The pilot program announced in Rev. Proc. 2009-25, 2009-24 I.R.B. 1088, for rulings on certain issues arising in the context of section 355 distributions is discontinued.

SECTION 7. EFFECTIVE DATE

This revenue procedure applies to all letter ruling requests postmarked or, if not mailed, received after August 23, 2013.

SECTION 8. PAPERWORK REDUCTION ACT

The collections of information contained in this revenue procedure have been reviewed and approved by the Office of Management and Budget (OMB) in accordance with the Paperwork Reduction Act (44 U.S.C. 3507) under control number 1545-1522.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection of information displays a valid OMB control number.

The collections of information in this revenue procedure are in section 5. This information is required and will be used to determine whether a taxpayer would qualify for a letter ruling on part of an inte-

grated transaction. The collections of information are required to obtain a benefit. The likely respondents are business or other for-profit institutions.

The estimated total annual burden under Rev. Proc. 2013-1 is 305,540.

The estimated annual burden per respondent/recordkeeper varies from 1 to 200 hours, depending on individual circumstances, with an estimated average burden of 80 hours. The estimated number of respondents and/or recordkeepers is 3,825.

The estimated frequency of response is on occasion.

Books or records relating to a collection of information must be retained as long as their contents may become material in the administration of any internal revenue law. Generally, tax returns and tax return information are confidential, as required by section 6103.

SECTION 9. DRAFTING INFORMATION

The principal author of this revenue procedure is Amie Colwell Breslow of the Office of Associate Chief Counsel (Corporate). For further information regarding this revenue procedure contact Amie Colwell Breslow on (202) 622-7530 (not a toll-free call).

Definition of Terms

Revenue rulings and revenue procedures (hereinafter referred to as “rulings”) that have an effect on previous rulings use the following defined terms to describe the effect:

Amplified describes a situation where no change is being made in a prior published position, but the prior position is being extended to apply to a variation of the fact situation set forth therein. Thus, if an earlier ruling held that a principle applied to A, and the new ruling holds that the same principle also applies to B, the earlier ruling is amplified. (Compare with *modified*, below).

Clarified is used in those instances where the language in a prior ruling is being made clear because the language has caused, or may cause, some confusion. It is not used where a position in a prior ruling is being changed.

Distinguished describes a situation where a ruling mentions a previously published ruling and points out an essential difference between them.

Modified is used where the substance of a previously published position is being changed. Thus, if a prior ruling held that a principle applied to A but not to B, and the new ruling holds that it applies to both A

and B, the prior ruling is modified because it corrects a published position. (Compare with *amplified* and *clarified*, above).

Obsoleted describes a previously published ruling that is not considered determinative with respect to future transactions. This term is most commonly used in a ruling that lists previously published rulings that are obsoleted because of changes in laws or regulations. A ruling may also be obsoleted because the substance has been included in regulations subsequently adopted.

Revoked describes situations where the position in the previously published ruling is not correct and the correct position is being stated in a new ruling.

Superseded describes a situation where the new ruling does nothing more than restate the substance and situation of a previously published ruling (or rulings). Thus, the term is used to republish under the 1986 Code and regulations the same position published under the 1939 Code and regulations. The term is also used when it is desired to republish in a single ruling a series of situations, names, etc., that were previously published over a period of time in separate rulings. If the new ruling does more than restate the substance

of a prior ruling, a combination of terms is used. For example, *modified* and *superseded* describes a situation where the substance of a previously published ruling is being changed in part and is continued without change in part and it is desired to restate the valid portion of the previously published ruling in a new ruling that is self contained. In this case, the previously published ruling is first modified and then, as modified, is superseded.

Supplemented is used in situations in which a list, such as a list of the names of countries, is published in a ruling and that list is expanded by adding further names in subsequent rulings. After the original ruling has been supplemented several times, a new ruling may be published that includes the list in the original ruling and the additions, and supersedes all prior rulings in the series.

Suspended is used in rare situations to show that the previous published rulings will not be applied pending some future action such as the issuance of new or amended regulations, the outcome of cases in litigation, or the outcome of a Service study.

Abbreviations

The following abbreviations in current use and formerly used will appear in material published in the Bulletin.

A—Individual.
Acq.—Acquiescence.
B—Individual.
BE—Beneficiary.
BK—Bank.
B.T.A.—Board of Tax Appeals.
C—Individual.
C.B.—Cumulative Bulletin.
CFR—Code of Federal Regulations.
CI—City.
COOP—Cooperative.
Ct.D.—Court Decision.
CY—County.
D—Decedent.
DC—Dummy Corporation.
DE—Donee.
Del. Order—Delegation Order.
DISC—Domestic International Sales Corporation.
DR—Donor.
E—Estate.
EE—Employee.
E.O.—Executive Order.

ER—Employer.
ERISA—Employee Retirement Income Security Act.
EX—Executor.
F—Fiduciary.
FC—Foreign Country.
FICA—Federal Insurance Contributions Act.
FISC—Foreign International Sales Company.
FPH—Foreign Personal Holding Company.
F.R.—Federal Register.
FUTA—Federal Unemployment Tax Act.
FX—Foreign corporation.
G.C.M.—Chief Counsel’s Memorandum.
GE—Grantee.
GP—General Partner.
GR—Grantor.
IC—Insurance Company.
I.R.B.—Internal Revenue Bulletin.
LE—Lessee.
LP—Limited Partner.
LR—Lessor.
M—Minor.
Nonacq.—Nonacquiescence.
O—Organization.
P—Parent Corporation.
PHC—Personal Holding Company.
PO—Possession of the U.S.
PR—Partner.

PRS—Partnership.
PTE—Prohibited Transaction Exemption.
Pub. L.—Public Law.
REIT—Real Estate Investment Trust.
Rev. Proc.—Revenue Procedure.
Rev. Rul.—Revenue Ruling.
S—Subsidiary.
S.P.R.—Statement of Procedural Rules.
Stat.—Statutes at Large.
T—Target Corporation.
T.C.—Tax Court.
T.D.—Treasury Decision.
TFE—Transferee.
TFR—Transferor.
T.I.R.—Technical Information Release.
TP—Taxpayer.
TR—Trust.
TT—Trustee.
U.S.C.—United States Code.
X—Corporation.
Y—Corporation.
Z—Corporation.

Numerical Finding List¹

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¹ A cumulative list of all revenue rulings, revenue procedures, Treasury decisions, etc., published in Internal Revenue Bulletins 2013–1 through 2013–26 is in Internal Revenue Bulletin 2013–26, dated June 24, 2013.

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¹ A cumulative list of current actions on previously published items in Internal Revenue Bulletins 2013–1 through 2013–26 is in Internal Revenue Bulletin 2013–26, dated June 24, 2013.

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WE WELCOME COMMENTS ABOUT THE INTERNAL REVENUE BULLETIN

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