

## 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

Notice 2000-23, page 952.

Credit for producing fuel from a nonconventional source, inflation adjustment factor, and reference price. This notice publishes the nonconventional source fuel credit, the inflation adjustment factor, and the reference price under section 29 of the Code for calendar year 1999. This data is used to determine the credit allowable on fuel produced from a nonconventional source.

Notice 2000-26, page 954.

Methods of accounting; installment sales. This notice provides guidance in a question and answer format on the application of section 453(a)(2) of the Code to certain installment sale transactions. The installment method does not apply to income from an installment sale if the income would be reported under an accrual method of accounting without regard to section 453.

### EMPLOYEE PLANS

Notice 2000-25, page 954.

Weighted average interest rate update. The weighted average interest rate for April 2000 and the resulting permissible range of interest rates used to calculate current liability for purposes of the full funding limitation of section 412(c)(7) of the Code are set forth.

### EXEMPT ORGANIZATIONS

Notice 2000-24, page 952.

Charitable split-dollar insurance. This notice provides guidance to help charitable organizations comply with the information reporting requirements imposed by the Ticket to Work and Work Incentives Improvement Act of 1999. The requirements apply to charitable organizations that pay premiums after February 8, 1999, in connection with certain life insurance, annuity, and endowment contracts.

### EXCISE TAX

Announcement 2000-43, page 957.

This document announces the acceptance of petitions requesting that nine polyether polyol substances be added to the list of taxable substances in section 4672(a)(3) of the Code.

### ADMINISTRATIVE

Announcement 2000-44, page 958.

This document contains a correction to proposed regulations (REG-103736-00, 2000-11 I.R.B. 768) relating to the maintenance of lists of potentially abusive tax shelters described in section 6112 of the Code.

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 by applying the tax 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 and may be obtained from the Superintendent of Documents on a subscription basis. Bulletin contents are consolidated semiannually into Cumulative Bulletins, which are sold on a single-copy basis.

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 proce-

dures 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 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 first 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 first Bulletin of the succeeding semiannual period, respectively.

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

## Section 338.—Certain Stock Purchases Treated as Asset Acquisitions

*26 CFR 1.338(h)(10)–1T: Deemed asset sale and liquidation.*

How does section 453(a)(2) of the Code, enacted in 1999, apply to certain installment sale transactions. See Notice 2000–26, page 954.

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## Section 1001.—Determination of Amount of and Recognition of Gain or Loss

*26 CFR 1.1001–1: Computation of gain or loss.*

How does section 453(a)(2) of the Code, enacted in 1999, apply to certain installment sale transactions. See Notice 2000–26, page 954.

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## Part III. Administrative, Procedural, and Miscellaneous

### Nonconventional Source Fuel Credit, Section 29 Inflation Adjustment Factor, and Section 29 Reference Price

Notice 2000-23

This notice publishes the nonconventional source fuel credit, inflation adjustment factor, and reference price under § 29 of the Internal Revenue Code for calendar year 1999. These are used to determine the credit allowable on fuel produced from a nonconventional source under § 29 of the Internal Revenue Code. The calendar year 1999 inflation-adjusted credit applies to the sales of barrel-of-oil equivalent of qualified fuels sold by a taxpayer to an unrelated person during the 1999 calendar year, the domestic production of which is attributable to the taxpayer.

#### BACKGROUND

Section 29(a) provides for a credit for producing fuel from a nonconventional source, measured in barrel-of-oil equivalent of qualified fuels, the production of which is attributable to the taxpayer and sold by the taxpayer to an unrelated person during the tax year. The credit is equal to the product of \$3.00 and the appropriate inflation adjustment factor.

Section 29(b)(1) and (2) provides for a phaseout of the credit. The credit allowable under § 29(a) must be reduced by an amount which bears the same ratio to the amount of the credit (determined without regard to § 29(b)(1)) as the amount by which the reference price for the calendar year in which the sale occurs exceeds \$23.50 bears to \$6.00. The \$3.00 in § 29(a) and the \$23.50 and \$6.00 must each be adjusted by multiplying these amounts by the 1999 inflation adjustment factor. In the case of gas from a tight formation, the \$3.00 amount in § 29(a) must not be adjusted.

Section 29(c)(1) defines the term “qualified fuels” to include oil produced from shale and tar sands; gas produced from geopressurized brine, Devonian shale, coal seams, or a tight formation, or biomass; and liquid, gaseous, or solid synthetic fuels produced from coal (including lignite), including such fuels when used as feedstocks.

Section 29(d)(1) provides that the credit is to be applied only for sale of qualified fuels the production of which is within the United States (within the meaning of § 638(1)) or a possession of the United States (within the meaning of § 638(2)).

Section 29(d)(2)(A) requires that the Secretary, not later than April 1 of each calendar year, determine and publish in the Federal Register the inflation adjustment factor and the reference price for the preceding calendar year.

Section 29(d)(2)(B) defines “inflation adjustment factor” for a calendar year as the fraction the numerator of which is the GNP implicit price deflator for the calendar year and the denominator of which is the GNP implicit price deflator for calendar year 1979. The term “GNP implicit price deflator” means the first revision of the implicit price deflator for the gross national product as computed and published by the Department of Commerce.

Section 29(d)(2)(C) defines “reference price” to mean with respect to a calendar year the Secretary’s estimate of the annual average wellhead price per barrel of all domestic crude oil the price of which is not subject to regulation by the United States.

Section 29(d)(3) provides that in the case of a property or facility in which more than one person has an interest, except to the extent provided by regulations prepared by the Secretary, production from the property or facility (as the case may be) must be allocated among the persons in proportion to their respective interests in the gross sales from the property or facility.

Section 29(d)(5) and (6) provides that the term “barrel-of-oil equivalent” with respect to any fuel generally means that amount of the fuel which has a Btu content of 5.8 million.

#### INFLATION ADJUSTMENT FACTOR AND REFERENCE PRICE

The inflation factor is calculated using GNP Implicit Price Deflators as computed and published by the Department of Commerce. The inflation factor for 1999, which is smaller than the factor published for 1998, reflects a comprehensive revision in 1999 of the national income and

product accounts by the Department of Commerce. The inflation adjustment factor for calendar year 1999 is 2.0013. The reference price for calendar year 1999 is \$15.56. As required by § 29(d)(2)(A), the inflation adjustment factor and reference price for calendar year 1999 were published in the Federal Register on April 7, 2000 (65 Fed. Reg. 18429).

#### PHASE-OUT CALCULATION

Because the calendar year 1999 reference price does not exceed \$23.50 multiplied by the inflation adjustment factor, the phaseout of the credit provided for in § 29(b)(1) does not occur for any qualified fuel sold in calendar year 1999.

#### CREDIT AMOUNT

The nonconventional source fuel credit under § 29(a) is \$6.00 per barrel-of-oil equivalent of qualified fuels (\$3.00 x 2.0013). This amount was published in the Federal Register on April 7, 2000 (65 Fed. Reg. 18429).

#### DRAFTING INFORMATION CONTACT

The principal author of this notice is David McMunn of the Office of Assistant Chief Counsel (Passthroughs and Special Industries). For further information regarding this notice contact David McMunn or Alan H. Cooper at (202) 622-3110 (not a toll-free call).

### Charitable Split-Dollar Insurance Reporting Requirements

Notice 2000-24

#### I. PURPOSE

This notice provides guidance to help charitable organizations comply with the information reporting requirements imposed by the Ticket to Work and Work Incentives Improvement Act of 1999, Pub. L. No. 106-170 (Dec. 17, 1999) (“Act”). The reporting requirements apply to charitable organizations that pay premiums after February 8, 1999, in connection with certain life insurance, annuity, and endowment contracts.

## II. BACKGROUND

### a. Overview.

Section 537 of the Act added § 170(f)(10) to the Internal Revenue Code. Section 170(f)(10)(A) provides that, in two circumstances, no charitable contribution deduction is allowed under § 170, 545(b)(2), 556(b)(2), 642(c), 2055, 2106(a)(2), or 2522 for any transfer to, or for the use of, an organization described in § 170(c) or a charitable remainder trust described in § 664(d) (such an organization or trust is referred to herein as a “charitable organization”). No charitable contribution deduction is allowed if, in connection with the transfer, (1) the charitable organization directly or indirectly pays, or has previously paid, any premium on a personal benefit contract with respect to the transferor, or (2) there is an understanding or expectation that any person will directly or indirectly pay any premium on a personal benefit contract with respect to the transferor.

### b. Personal Benefit Contract.

In general, § 170(f)(10)(B) defines a “personal benefit contract” as any life insurance, annuity, or endowment contract that benefits, directly or indirectly, the transferor, a member of the transferor’s family, or any other person designated by the transferor (other than an organization described in § 170(c)). Under § 170(f)(10)(D), a person receiving payments under a charitable gift annuity (as defined in § 501(m)) funded by an annuity contract purchased by a charitable organization is not treated as an indirect beneficiary of a personal benefit contract if the timing and amount of the payments under the annuity contract are substantially the same as the charitable organization’s obligations under the charitable gift annuity. For this exception to apply, the charitable organization must possess all the incidents of ownership and be entitled to all the payments under the annuity contract.

## III. REPORTING AND EXCISE TAX REQUIREMENTS

Section 170(f)(10)(F) requires any charitable organization that pays premiums on a personal benefit contract in connection with a transfer for which a deduction is not allowed under § 170(f)(10)(A)

to pay an excise tax and to report certain information related to the premium payments.

### a. Form 4720 — Excise Tax Return

Section 170(f)(10)(F)(i) imposes on a charitable organization an excise tax equal to the premiums paid by the organization after December 17, 1999, on any personal benefit contract, if the payment of premiums is in connection with a transfer for which a deduction is not allowed under § 170(f)(10)(A). For purposes of this excise tax, § 170(f)(10)(F)(ii) provides that premium payments made by any other person pursuant to an understanding or expectation described in § 170(f)(10)(A) are treated as made by the charitable organization.

A charitable organization liable for excise taxes under § 170(f)(10)(F)(i), must file a return on Form 4720, Return of Certain Excise Tax on Charities and Other Persons Under Chapters 41 and 42 of the Internal Revenue Code, to report and pay the taxes due. The charitable organization must include the amount of the § 170(f)(10)(F) tax on line 8 of Part I and should write in the amount of the § 170(f)(10)(F) tax, preceded by “Sec 170(f)(10)(F)” on the dotted line to the left of the entry space for line 8 of the 1999 Form 4720. The Service will revise Form 4720 for taxable years beginning after December 31, 1999.

Some charitable organizations may not yet be aware of this new excise tax requirement. Therefore, this Notice extends the due dates for the 1999 Form 4720 only with respect to the § 170(f)(10)(F) tax as follows. For a taxable year beginning prior to January 1, 2000, a charitable organization liable for the § 170(f)(10)(F) tax must report and pay that tax on a Form 4720 filed by the later of July 24, 2000 or the regular due date specified in § 53.6071-1 of the Procedure and Administration Regulations. For a charitable organization, other than a charitable remainder trust described in § 664(d), the regular due date for filing Form 4720 occurs on the fifteenth day of the fifth month following the close of the organization’s taxable year. For a charitable remainder trust, the regular due date for filing Form 4720 occurs on the fifteenth day of the fourth month following the close of the trust’s tax year. Charitable organiza-

tions that are required to report items other than the § 170(f)(10)(F) tax must report those items on a 1999 Form 4720 filed by the regular due date. A charitable organization may request an extension of time to file Form 4720 by filing Form 2758, Application for Extension of Time to File Certain Excise, Income, Information, and Other Returns, on or before the due date of the return.

If a 1999 Form 4720 reporting the § 170(f)(10)(F) tax is filed and the tax is paid by the later of July 24, 2000 or the regular due date specified in § 53.6071-1, the Service will not assess penalties under § 6651 for failure to file a tax return or to pay the tax required under § 170(f)(10)(F). The law does not, however, permit the Service to waive the interest due under § 6601. Section 6601 requires that taxpayers pay interest from the last date prescribed for payment of the tax (determined without regard to any extension of time for payment) to the date the taxes are paid.

### b. Form 8870 — Information Return Required By § 170(f)(10)(F)(iii)

Section 170(f)(10)(F)(iii) requires charitable organizations to report annually (1) the amount of premiums paid during the year which are subject to the tax under § 170(f)(10)(F) (to be determined in the case of premiums paid after February 8, 1999 and before December 18, 1999 as if the excise tax applied to premiums paid during that period); (2) the name and taxpayer identification number (“TIN”) of each beneficiary under each contract to which the premiums relate; and (3) any other information the Secretary may require. Section 170(f)(10)(F)(iii) makes returns required by § 170(f)(10)(F)(iii) subject to the penalties applicable to returns filed under § 6033.

The Internal Revenue Service expects to issue a new form, Form 8870, Information Return for Transfers Associated with Personal Benefit Contracts (Under section 170(f)(10)), for reporting the information required by § 170(f)(10)(F)(iii). For a taxable year beginning prior to January 1, 2000, a charitable organization that paid any such premiums during the taxable year must file Form 8870 by the later of 90 days after the date of the Service’s announcement in the Internal Revenue Bulletin of



the availability of Form 8870, or the date the charitable organization is required to file its annual information return under § 1.6033-2(e) or § 53.6071-1(c), as applicable. The Service expects to publish the announcement by May 15, 2000. Section 1.6033-2(e) requires a charitable organization, other than a charitable remainder trust described in § 664(d), to file its annual information return by the fifteenth day of the fifth month following the close of the charitable organization's taxable year. Section 53.6071-1(c) requires a charitable remainder trust to file its annual information return by the fifteenth day of the fourth month following the close of the trust's taxable year. A charitable organization, including a charitable remainder trust, may obtain an extension of time to file Form 8870 by filing Form 2758 on or before the due date of the return, stating on line 4 of Form 2758 that it is requesting an extension to file Form 8870 pursuant to this notice. For any taxable year beginning after December 31, 1999, Form 8870 will be due on the date the charitable organization is required to file its annual information return.

c. Forms 990, 990-PF, and 5227 — Information Returns By Charitable Organizations

Section 6033 requires most charitable organizations to file annual information returns with the Service. Generally, an organization described in § 170(c) files either Form 990, Return of Organization Exempt From Income Tax, or Form 990-PF, Return of Private Foundation or Section 4947(a)(1) Nonexempt Charitable Trust Treated as a Private Foundation. The regulations under § 6011 require a split-interest trust described in § 4947(a)(2), including a charitable remainder trust described in § 664(d), to file Form 5227, Split-Interest Trust Information Return. Form 5227 is used by a split-interest trust to report its financial activities and whether it is subject to excise taxes under Chapter 42 of the Code. The Service will revise Forms 990, 990-PF, and 5227 for taxable years beginning after December 31, 1999, to add questions relating to charitable split-dollar insurance arrangements described in § 170(f)(10)(F).

#### DRAFTING INFORMATION

The principal author of this notice is Michael B. Blumenfeld of the Office of Associate Chief Counsel (Employee Benefits & Exempt Organizations). For further information regarding this notice

contact Mr. Blumenfeld at (202) 622-6070 (not a toll-free call).

#### Weighted Average Interest Rate Update

##### Notice 2000-25

Notice 88-73 provides guidelines for determining the weighted average interest rate and the resulting permissible range of interest rates used to calculate current liability for the purpose of the full funding limitation of § 412(c)(7) of the Internal Revenue Code as amended by the Omnibus Budget Reconciliation Act of 1987 and as further amended by the Uruguay Round Agreements Act, Pub. L. 103-465 (GATT).

The average yield on the 30-year Treasury Constant Maturities for March 2000 is 6.05 percent.

The following rates were determined for the plan years beginning in the month shown below.

Month	Year	Weighted Average	90% to 105% Permissible Range	90% to 110% Permissible Range
April	2000	6.03	5.43 to 6.33	5.43 to 6.64

#### Drafting Information

The principal author of this notice is Todd Newman of the Employee Plans, Tax Exempt and Government Entities Division. For further information regarding this notice, call the Employee Plans Actuarial hotline, (202) 622-6076 between 2:30 and 3:30 p.m. Eastern time (not a toll-free number). Mr. Newman's number is (202) 622-8458 (also not a toll-free number).

#### Installment Sales by Accrual Method Taxpayers

##### Notice 2000-26

#### PURPOSE

This notice provides guidance in a question and answer format on the application of § 453(a)(2) of the Internal Revenue Code to certain installment sale transactions.

#### BACKGROUND

An installment sale is defined in § 453(b) to mean generally a disposition of property where at least one payment is to be received after the close of the taxable year in which the disposition occurs. Section 453(a)(1) provides the general rule that income from an installment sale must be taken into account under the installment method. An exception to this rule is set forth in § 453(a)(2), which provides gener-

ally that the installment method does not apply to income from an installment sale if the income would be reported under an accrual method of accounting without regard to § 453. Section 453(a)(2) was added by § 536 of the Ticket to Work and Work Incentives Improvement Act of 1999, Pub. L. No. 106-170, 113 Stat. 1860 (1999), and is effective for sales or other dispositions occurring on or after December 17, 1999, the date of enactment. Section 453(a)(2) does not affect the ability of a taxpayer using the cash receipts and disbursements method of accounting to use the installment method.

#### QUESTIONS AND ANSWERS

The following questions and answers provide guidance on the application of § 453(a)(2) to certain installment sale trans-

actions. Depending on the facts and circumstances of a particular transaction, taxpayers also should consider the applicability of § 453A, which in certain circumstances imposes an interest charge on the tax liability that is deferred through use of the installment method.

### *Corporations*

For each question and answer assume the shareholder uses the cash receipts and disbursements method of accounting and the corporation uses an accrual method of accounting. Also assume the stock of the corporation is not traded on an established securities market. Except as otherwise indicated, the term “corporation” refers to either an S corporation or a C corporation.

Q-1: Can the shareholder report on the installment method the gain arising from a sale of the shareholder’s stock in the corporation in exchange for cash and an installment obligation?

A-1: The shareholder can report the gain from the sale of the stock on the installment method.

Q-2: Can the corporation report on the installment method the gain arising from a sale of the corporation’s assets in exchange for cash and an installment obligation?

A-2: The corporation cannot report the gain from the sale of its assets on the installment method. *See* § 453(a)(2).

Q-3: What is the effect on the transaction described in Q&A:1 above if the buyer makes an election under § 338(g) (a “§ 338 election”) for the corporation?

A-3: The shareholder is not affected and can report the gain from the sale of the stock on the installment method. The corporation cannot report the gain from the deemed sale of assets on the installment method. *See* § 453(a)(2).

Q-4: What is the effect on the transaction described in Q&A:1 above if the shareholder is a corporation and the buyer and the corporate shareholder join in making a § 338(h)(10) election for the target corporation, a C corporation, which is either the corporate shareholder’s affiliate or a member of its consolidated group?

A-4: The corporate shareholder recognizes no gain or loss on the sale of the target corporation’s stock. *See* § 1.338(h)(10)–1T(d)(5)(iii) of the temporary Income Tax Regulations. The target corporation cannot report the gain from the deemed sale of assets on the install-

ment method. *See* § 453(a)(2). The corporate shareholder generally recognizes no gain or loss on the deemed transfer of the target corporation’s assets (including the installment obligation) to the corporate shareholder because, in most circumstances, the transfer would qualify as a distribution in complete liquidation to which § 332 applies. *See* § 1.338(h)(10)–1T(d)(5)(i).

Q-5: What is the effect on the transaction described in Q&A:1 above if the buyer and the shareholder join in making a § 338(h)(10) election for the corporation, an S corporation?

A-5: The shareholder recognizes no gain or loss on the sale of the S corporation’s stock. *See* § 1.338(h)(10)–1T(d)(5)(iii). The S corporation cannot report the gain from the deemed sale of assets on the installment method. *See* § 453(a)(2). The shareholder may realize gain or loss on the deemed transfer of the S corporation’s assets (including the installment obligation) to the shareholder, after taking into account the effect of the deemed sale of the assets. *See* § 1.338(h)(10)–1T(d)(5)(i). The shareholder can report on the installment method the gain, if any, arising from this deemed transfer. *See* § 453(h); §§ 1.453–11(a)(2) and 1.338(h)(10)–1T(d)(8).

Q-6: What is the effect on the transaction described in Q&A:2 above if the corporation, a C corporation, distributes the note to a shareholder in a liquidation that meets the requirements of § 453(h)?

A-6: The C corporation must recognize any gain or loss upon the distribution of the note. *See* § 453B(a). The shareholder can report on the installment method the gain arising from the exchange of the shareholder’s stock for the note. *See* § 1.453–11(a)(2).

Q-7: What is the effect on the transaction described in Q&A:2 above if the corporation, an S corporation, distributes the note to a shareholder in a liquidation that meets the requirements of § 453(h)?

A-7: Except for taxes imposed by subchapter S (*e.g.*, §§ 1374 and 1375), the S corporation does not recognize gain or loss upon the distribution of the note. *See* § 453B(h). The shareholder can report on the installment method the gain, if any, arising from the exchange of the shareholder’s stock for the note. *See* § 1.453–11(a)(2).

### *Partnerships*

For each question and answer assume the partner uses the cash receipts and disbursements method of accounting and the partnership uses an accrual method of accounting.

Q-8: Can the partner report on the installment method the gain arising from a sale of an interest in the partnership in exchange for cash and an installment obligation?

A-8: If the sale otherwise qualifies for installment method reporting, the partner is not precluded by § 453(a)(2) from reporting on the installment method the gain arising from the sale of the partnership interest. *But see, e.g.*, § 453(i)(2) and Rev. Rul. 89–108, 1989–2 C.B. 100.

Q-9: Can the partnership report on the installment method the gain arising from a sale of the partnership’s assets in exchange for cash and an installment obligation?

A-9: The partnership cannot report the gain from the sale of its assets on the installment method. *See* § 453(a)(2).

### *Treatment of Sales Not Eligible for the Installment Method*

Q-10: How does a taxpayer take into account an installment obligation received in an installment sale transaction that is not eligible for the installment method for any reason, including § 453(a)(2)?

A-10: The taxpayer generally must recognize the entire amount of the gain from the installment sale in the year of the sale. *See* § 1001(c). Section 1.1001–1(a) or § 1.1001–1(g), whichever is applicable, will determine the amount of gain that is realized by the taxpayer attributable to an installment obligation issued in exchange for property when the income from the exchange is not eligible to be reported on the installment method. *See also* §§ 483 and 1271 through 1275, and the underlying regulations, to determine if the installment obligation has either unstated interest or original issue discount.

Q-11: If an installment obligation providing for one or more contingent payments is issued in the installment sale transaction described in Q&A:10 above, can the taxpayer use the “open transaction” method to report the gain from the transaction? *See, e.g., Burnet v. Logan*, 283 U.S. 404 (1931).

A-11: In general, the taxpayer cannot use the “open transaction” method to report the gain from the installment sale transaction. Only in those rare and extraordinary cases in which the fair market value of the obligation cannot reasonably be ascertained can a taxpayer use the “open transaction” method to report the gain from the transaction. *See* § 1.1001-1(a) or § 1.1001-1(g).

See also § 1.483-4 or § 1.1275-4, whichever is applicable, for rules concerning the taxpayer’s treatment of the installment obligation.

#### DRAFTING INFORMATION

The principal author of this notice is Kimberly L. Koch of the Office of Assistant Chief Counsel (Income Tax and Ac-

counting). For further information regarding a § 338 election or a § 338(h)(10) election made in connection with an installment sale transaction, contact Victor Penico on (202) 622-7790 (not a toll-free call). For further information regarding the rest of this notice, contact Ms. Koch on (202) 622-4950 (not a toll-free call).



## Part IV. Items of General Interest

### Tax on Certain Imported Substances; Filing of Petitions

#### Announcement 2000-43

This announces the acceptance, under Notice 89-61 (1989-1 C.B. 717), of petitions requesting that nine polyether polyol substances be added to the list of taxable substances in § 4672(a)(3). Publication of this notice is in compliance with Notice 89-61. This is not a determination that the list of taxable substances should be modified. Any modification of the list of taxable substances based upon these petitions would be effective October 1, 1992.

Before a determination is made, consideration will be given to any written and electronic comments that are submitted timely to the IRS. Comments and requests for a public hearing relating to these petitions must be received by May 15, 2000. Send submissions to: CC:DOM:CORP:R (Petition), room 5226, Internal Revenue Service, POB 7604, Ben Franklin Station, Washington, DC 20044. Submissions may be hand delivered Monday through Friday between the hours of 8 a.m. and 5 p.m. to: CC:DOM:CORP:R (Petition), Courier's Desk, Internal Revenue Service, 1111 Constitution Avenue NW., Washington, DC. Alternatively, taxpayers may send submissions electronically to the IRS at Sharon.Y.Horn@m1.irs.counsel.treas.gov. All comments will be available for public inspection and copying. A public hearing may be scheduled if requested in writing by a person that timely submits written or electronic comments. If a public hearing is scheduled, notice of the date, time, and place for the hearing will be published in the Federal Register.

The petitions were received on November 21, 1991. The petitioner is Dow Chemical Company, a manufacturer and exporter of these substances. The following is a summary of the information contained in the petitions. The complete petitions are available in the Internal Revenue Service Freedom of Information Reading Room.

The nine polyether polyol substances are liquids. They are produced predominantly by the base-catalyzed reaction of cyclic ethers, usually ethylene oxide and

propylene oxide, with active hydrogen-containing compounds (initiators) such as water, glycols, polyols, and amines. The reaction is carried out by a discontinuous batch process at elevated temperatures and pressures and under an inert atmosphere. The particular substance produced depends upon the oxides, initiators, reaction conditions, and catalysts used. The stoichiometric amounts of oxide reacted on the initiator determine the chain lengths and thus the molecular weights.

HTS number: 3907.20.00

#### **Poly(propylene)glycol**

CAS number: 025322-69-4

Poly(propylene)glycol is derived from the taxable chemicals propylene, chlorine, and sodium hydroxide.

The stoichiometric material consumption formula for this substance is:  $n+1(C_3H_6 \text{ (propylene)} + Cl_2 \text{ (chlorine)} + 2 NaOH \text{ (sodium hydroxide)}) + H_2O \text{ (water)} \rightarrow C_3H_8O_2(C_3H_6O)_n \text{ (poly(propylene)glycol)} + n+1(2 NaCl \text{ (sodium chloride)} + H_2O \text{ (water)})$

According to the petition, taxable chemicals constitute at least 90 percent by weight of the materials used to produce this substance. The rate of tax for this substance would be \$7.74 per ton. This is based upon a conversion factor for propylene of 0.781, a conversion factor for chlorine of 1.31, and a conversion factor for sodium hydroxide of 1.43.

#### **Poly(propylene/ethylene)glycol**

CAS number: 053637-25-5

Poly(propylene/ethylene)glycol is derived from the taxable chemicals propylene, chlorine, sodium hydroxide, and ethylene.

The stoichiometric material consumption formula for this substance is:  $n+1(C_3H_6 \text{ (propylene)} + Cl_2 \text{ (chlorine)} + 2 NaOH \text{ (sodium hydroxide)}) + H_2O \text{ (water)} + m/2(2 C_2H_4 \text{ (ethylene)} + O_2 \text{ (oxygen)}) \rightarrow C_3H_8O_2(C_3H_6O)_n(C_2H_4O)_m \text{ (poly(propylene/ethylene)glycol)} + n+1(2 NaCl \text{ (sodium chloride)} + H_2O \text{ (water)})$

According to the petition, taxable chemicals constitute at least 90 percent by weight of the materials used to produce this substance. The rate of tax for this substance would be \$7.16 per ton. This is

based upon a conversion factor for propylene of 0.663, a conversion factor for chlorine of 1.11, a conversion factor for sodium hydroxide of 1.21, and a conversion factor for ethylene of 0.123.

#### **Poly(propyleneoxy)glycerol**

CAS number: 025791-96-2

Poly(propyleneoxy)glycerol is derived from the taxable chemicals propylene, chlorine, and sodium hydroxide.

The stoichiometric material consumption formula for this substance is:  $C_3H_8O_3 \text{ (glycerine)} + n(C_3H_6 \text{ (propylene)} + Cl_2 \text{ (chlorine)} + 2 NaOH \text{ (sodium hydroxide)}) \rightarrow C_3H_8O_3(C_3H_6O)_n \text{ (poly(propyleneoxy)glycerol)} + n(2 NaCl \text{ (sodium chloride)} + H_2O \text{ (water)})$

According to the petition, taxable chemicals constitute at least 85 percent by weight of the materials used to produce this substance. The rate of tax for this substance would be \$6.38 per ton. This is based upon a conversion factor for propylene of 0.645, a conversion factor for chlorine of 1.08, and a conversion factor for sodium hydroxide of 1.18.

#### **Poly(ethyleneoxy)glycerol**

CAS number: 031694-55-0

Poly(ethyleneoxy)glycerol is derived from the taxable chemical ethylene.

The stoichiometric material consumption formula for this substance is:  $C_3H_8O_3 \text{ (glycerine)} + m/2(2 C_2H_4 \text{ (ethylene)} + O_2 \text{ (oxygen)}) \rightarrow C_3H_8O_3(C_2H_4O)_m \text{ (poly(ethyleneoxy)glycerol)}$

According to the petition, taxable chemicals constitute more than 50 percent by weight of the materials used to produce this substance. The rate of tax for this substance would be \$3.31 per ton. This is based upon a conversion factor for ethylene of 0.681.

#### **Poly(propyleneoxy/ethyleneoxy)glycerol**

CAS number: 009082-00-2

Poly(propyleneoxy/ethyleneoxy)glycerol is derived from the taxable chemicals propylene, chlorine, sodium hydroxide, and ethylene.

The stoichiometric material consumption formula for this substance is:  $C_3H_8O_3 \text{ (glycerine)} + n(C_3H_6 \text{ (propylene)} + Cl_2 \text{ (chlorine)} + 2 NaOH \text{ (sodium hydroxide)})$

+ m/2(2 C<sub>2</sub>H<sub>4</sub> (ethylene) + O<sub>2</sub> (oxygen)) → C<sub>3</sub>H<sub>8</sub>O<sub>3</sub>(C<sub>3</sub>H<sub>6</sub>O)<sub>n</sub>(C<sub>2</sub>H<sub>4</sub>O)<sub>m</sub> (poly(propyleneoxy/ethyleneoxy)glycerol) + n(2 NaCl (sodium chloride) + H<sub>2</sub>O (water))

According to the petition, taxable chemicals constitute at least 85 percent by weight of the materials used to produce this substance. The rate of tax for this substance would be \$7.20 per ton. This is based upon a conversion factor for propylene of 0.71, a conversion factor for chlorine of 1.05, a conversion factor for sodium hydroxide of 1.05, and a conversion factor for ethylene of 0.126.

#### **Poly(propyleneoxy)sucrose**

CAS number: 009049-71-2

Poly(propyleneoxy)sucrose is derived from the taxable chemicals propylene, chlorine, and sodium hydroxide.

The stoichiometric material consumption formula for this substance is: C<sub>12</sub>H<sub>22</sub>O<sub>11</sub>(sucrose) + n(C<sub>3</sub>H<sub>6</sub> (propylene) + Cl<sub>2</sub> (chlorine) + 2 NaOH (sodium hydroxide)) → C<sub>12</sub>H<sub>22</sub>O<sub>11</sub>(C<sub>3</sub>H<sub>6</sub>O)<sub>n</sub> (poly(propyleneoxy)sucrose) + n(2 NaCl (sodium chloride) + H<sub>2</sub>O (water))

According to the petition, taxable chemicals constitute at least 65 percent by weight of the materials used to produce this substance. The rate of tax for this substance would be \$4.18 per ton. This is based upon a conversion factor for propylene of 0.423, a conversion factor for chlorine of 0.707, and a conversion factor for sodium hydroxide of 0.773.

#### **Poly(propyleneoxy/ethyleneoxy)sucrose**

CAS number: 026301-10-0

Poly(propyleneoxy/ethyleneoxy)sucrose is derived from the taxable chemicals propylene, chlorine, sodium hydroxide, and ethylene.

The stoichiometric material consumption formula for this substance is: C<sub>12</sub>H<sub>22</sub>O<sub>11</sub> (sucrose) + n(C<sub>3</sub>H<sub>6</sub> (propylene) + Cl<sub>2</sub> (chlorine) + 2 NaOH (sodium hydroxide)) + m/2(2 C<sub>2</sub>H<sub>4</sub> (ethylene) + O<sub>2</sub> (oxygen)) → C<sub>12</sub>H<sub>22</sub>O<sub>11</sub>(C<sub>3</sub>H<sub>6</sub>O)<sub>n</sub>(C<sub>2</sub>H<sub>4</sub>O)<sub>m</sub> (poly(propyleneoxy/ethyleneoxy)sucrose) + n(2 NaCl (sodium chloride) + H<sub>2</sub>O (water))

According to the petition, taxable chemicals constitute at least 75 percent by weight of the materials used to produce this substance. The rate of tax for this substance would be \$6.11 per ton. This is based upon a conversion factor for propylene of 0.549, a conversion factor for

chlorine of 0.918, a conversion factor for sodium hydroxide of 1.0, and a conversion factor for ethylene of 0.14.

#### **Poly(propyleneoxy/ethyleneoxy)diamine**

CAS number: 031568-06-6

Poly(propyleneoxy/ethyleneoxy)diamine is derived from the taxable chemicals propylene, chlorine, and sodium hydroxide.

The stoichiometric material consumption formula for this substance is: C<sub>4</sub>H<sub>12</sub>N<sub>2</sub>O (aminoethylethanolamine) + n(C<sub>3</sub>H<sub>6</sub> (propylene) + Cl<sub>2</sub> (chlorine) + 2 NaOH (sodium hydroxide)) → C<sub>4</sub>H<sub>12</sub>N<sub>2</sub>O(C<sub>3</sub>H<sub>6</sub>O)<sub>n</sub> (poly(propyleneoxy/ethyleneoxy)diamine) + n(2 NaCl (sodium chloride) + H<sub>2</sub>O (water))

According to the petition, taxable chemicals constitute at least 60 percent by weight of the materials used to produce this substance. The rate of tax for this substance would be \$4.92 per ton. This is based upon a conversion factor for propylene of 0.498, a conversion factor for chlorine of 0.833, and a conversion factor for sodium hydroxide of 0.91.

#### **Poly(propyleneoxy/ethyleneoxy)benzenediamine**

CAS number: 067800-94-6

Poly(propyleneoxy/ethyleneoxy)benzenediamine is derived from the taxable chemicals propylene, chlorine, sodium hydroxide, and ethylene.

The stoichiometric material consumption formula for this substance is: C<sub>7</sub>H<sub>10</sub>N<sub>2</sub> (ortho-toluenediamine) + n(C<sub>3</sub>H<sub>6</sub> (propylene) + Cl<sub>2</sub> (chlorine) + 2 NaOH (sodium hydroxide)) + m/2(2 C<sub>2</sub>H<sub>4</sub> (ethylene) + O<sub>2</sub> (oxygen)) → C<sub>7</sub>H<sub>10</sub>N<sub>2</sub>(C<sub>3</sub>H<sub>6</sub>O)<sub>n</sub>(C<sub>2</sub>H<sub>4</sub>O)<sub>m</sub> (poly(propyleneoxy/ethyleneoxy)benzenediamine) + n(2 NaCl (sodium chloride) + H<sub>2</sub>O (water))

According to the petition, taxable chemicals constitute at least 60 percent by weight of the materials used to produce this substance. The rate of tax for this substance would be \$5.25 per ton. This is based upon a conversion factor for propylene of 0.491, a conversion factor for chlorine of 0.821, a conversion factor for sodium hydroxide of 0.897, and a conversion factor for ethylene of 0.081.

The principal author of this announcement is Ruth Hoffman, Office of Assistant Chief Counsel (Passthroughs and Special Industries). For further information regarding this announcement contact Ruth

Hoffman on (202) 622-3130 (not a toll-free number).

### Requirement to Maintain List of Investors in Potentially Abusive Tax Shelters; Correction

Announcement 2000-44

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Correction to cross-reference notice of proposed rulemaking and notice of public hearing.

SUMMARY: This document contains a correction to a notice of proposed rulemaking and notice of public hearing (REG-103736-00, 2000-11 I.R.B. 768), which were published in the **Federal Register** on Thursday, March 2, 2000 (65 FR 11271), relating to the maintenance of lists of potentially abusive tax shelters described in section 6112.

FOR FURTHER INFORMATION CONTACT: Guy Traynor at (202) 622-7180.

SUPPLEMENTARY INFORMATION:

#### **Background**

The regulations that are subject to this correction are under section 6112 of the Internal Revenue Code.

#### **Need for Correction**

As published, the regulations [REG-103736-00] contain an error in the preamble that may prove to be misleading and is in need of clarification.

#### **Correction of Publication**

Accordingly, the publication of the notice of proposed rulemaking [REG-103736-00], which was the subject of FR Doc. 00-4847, is corrected as follows:

1. On page 1272, column 2, fifth line from the top of the column, the language "June 22, 2000," is corrected to read "June 20, 2000,".

Dale D. Goode,  
*Federal Register Liaison,  
Assistant Chief Counsel (Corporate).*

(Filed by the Office of the Federal Register on April 3, 2000, 8:45 a.m., and published in the issue of the Federal Register on April 4, 2000, 65 F.R. 17617)

## 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 ap-

plies 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 law 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 the 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 Contribution 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.—Statements 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.



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<sup>1</sup> A cumulative list of current actions on previously published items in Internal Revenue Bulletins 1999–27 through 1999–52 is in Internal Revenue Bulletin 2000–1, dated January 3, 2000.



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