

Internal Revenue bulletin

Bulletin No. 2001-18
April 30, 2001

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. 2001-19, page 1143.

Low-income housing credit; satisfactory bond; "bond factor" amounts for the period April through June 2001. This ruling announces the monthly bond factor amounts to be used by taxpayers who dispose of qualified low-income buildings or interests therein during the period April through June 2001.

Rev. Rul. 2001-20, page 1143.

Qualified lessee construction allowances for short-term leases. The purpose requirement under section 1.110-1(b)(3) of the regulations does not require a lease agreement to provide that the entire construction allowance is for the purpose of constructing or improving qualified long-term real property. However, only the portion of the construction allowance actually expended on qualified long-term real property for use in the lessee's trade or business at the retail space may qualify as a qualified lessee construction allowance.

Rev. Rul. 2001-21, page 1144.

Special use value; farms; interest rates. The 2001 interest rates to be used in computing the special use value of farm real property for which an election is made under section 2032A of the Code are listed for estates of decedents.

EMPLOYEE PLANS

Notice 2001-32, page 1146.

Weighted average interest rate update. The weighted average interest rate for April 2001 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.

Announcement 2001-43, page 1147.

This document contains corrections to final regulations (T.D. 8921, 2001-7 I.R.B. 532) relating to tax treatment of cafeteria plans.

ESTATE TAX

Rev. Rul. 2001-21, page 1144.

Special use value; farms; interest rates. The 2001 interest rates to be used in computing the special use value of farm real property for which an election is made under section 2032A of the Code are listed for estates of decedents.

EXEMPT ORGANIZATIONS

Announcement 2001-45, page 1148.

A list is provided of organizations now classified as private foundations.

ADMINISTRATIVE

Announcement 2001-41, page 1147.

This document contains corrections to final and temporary regulations (T.D. 8916, 2001-4 I.R.B. 360) relating to Code section 864(e)(5) and 864(e)(6) rules on affiliated group interest and other expense allocation and apportionment and to the section 904(d) foreign tax credit limitation.

Announcement 2001-42, page 1147.

This document contains corrections to proposed regulations (REG-104683-00, 2001-4 I.R.B. 407) relating to the application of section 904 of the Code to income subject to separate limitations and computation of deemed-paid credit under section 902 of the Code.

Announcement 2001-44, page 1148.

This document contains a correction to proposed regulations (REG-110374-00, 2001-12 I.R.B. 915) relating to interest-free adjustments with respect to underpayments of employment taxes.

Finding Lists begin on page ii.



Department of the Treasury
Internal Revenue Service

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 1100.—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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For sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402.

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

Section 42.—Low-Income Housing Credit

Low-income housing credit; satisfactory bond; “bond factor” amounts for the period April through June 2001.

This ruling announces the monthly bond factor amounts to be used by taxpayers who dispose of qualified low-income buildings or interests therein during the period April through June 2001.

Rev. Rul. 2001-19

In Rev. Rul. 90-60, 1990-2 C.B. 4, the Internal Revenue Service provided guid-

ance to taxpayers concerning the general methodology used by the Treasury Department in computing the bond factor amounts used in calculating the amount of bond considered satisfactory by the Secretary under § 42(j)(6) of the Internal Revenue Code. It further announced that the Secretary would publish in the Internal Revenue Bulletin a table of “bond factor” amounts for dispositions occurring during each calendar month.

Rev. Proc. 99-11, 1999-1 C.B. 275, established a collateral program as an alternative to providing a surety bond for taxpayers to avoid or defer recapture of the low-in-

come housing tax credits under § 42(j)(6). Under this program, taxpayers may establish a Treasury Direct Account and pledge certain United States Treasury securities to the Internal Revenue Service as security.

This revenue ruling provides in Table 1 the bond factor amounts for calculating the amount of bond considered satisfactory under § 42(j)(6) or the amount of United States Treasury securities to pledge in a Treasury Direct Account under Rev. Proc. 99-11 for dispositions of qualified low-income buildings or interests therein during the period April through June 2001.

Table 1 Rev. Rul. 2001-19 Monthly Bond Factor Amounts for Dispositions Expressed As a Percentage of Total Credits											
	Calendar Year Building Placed in Service or, if Section 42(f)(1) Election Was Made, the Succeeding Calendar Year										
Month of Disposition	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Apr '01	20.36	37.41	51.71	63.80	74.03	75.46	77.76	79.98	82.22	84.67	87.27
May '01	20.36	37.41	51.71	63.80	74.03	75.25	77.54	79.75	81.98	84.42	87.01
Jun '01	20.36	37.41	51.71	63.80	74.03	75.05	77.32	79.52	81.75	84.18	86.76

Table 1 (cont'd) Rev. Rul. 2001-19 Monthly Bond Factor Amounts for Dispositions Expressed As a Percentage of Total Credits				
	Calendar Year Building Placed in Service or, if Section 42(f)(1) Election Was Made, the Succeeding Calendar Year			
Month of Disposition	1998	1999	2000	2001
Apr '01	90.15	93.01	95.60	97.21
May '01	89.87	92.71	95.31	97.21
Jun '01	89.61	92.44	95.05	97.21

For a list of bond factor amounts applicable to dispositions occurring during other calendar years, see: Rev. Rul. 98-3, 1998-1 C.B. 248, and Rev. Rul. 2001-2, 2001-2 I.R.B. 255. For dispositions occurring during the period January through March 2001, see Rev. Rul. 2001-10, 2001-10 I.R.B. 755.

DRAFTING INFORMATION

The principal author of this revenue ruling is Gregory N. Doran of the Office of Associate Chief Counsel (Passthroughs

and Special Industries). For further information regarding this revenue ruling, contact Mr. Doran at (202) 622-3040 (not a toll-free call).

Section 61.—Gross Income Defined

26 CFR 1.61-1: Gross income.

Must a lease agreement provide that an entire construction allowance is for the purpose of constructing or improving qualified long-term real

property to satisfy the purpose requirement under § 1.110-1(b)(3) of the Income Tax Regulations? See Rev. Rul. 2001-20, beginning on this page.

Section 110.—Qualified Lessee Construction Allowances for Short-Term Leases

26 CFR 1.110-1: Qualified lessee construction allowances. (Also § 61; 1.61-1.)

Qualified lessee construction allowances for short-term leases. The

purpose requirement under section 1.110-1(b)(3) of the Income Tax Regulations does not require a lease agreement to provide that the entire construction allowance is for the purpose of constructing or improving qualified long-term real property. However, only the portion of the construction allowance actually expended on qualified long-term real property for use in the lessee's trade or business at the retail space may qualify as a qualified lessee construction allowance.

Rev. Rul. 2001-20

ISSUE

Must a lease agreement provide that an entire construction allowance is for the purpose of constructing or improving qualified long-term real property to satisfy the purpose requirement under § 1.110-1(b)(3) of the Income Tax Regulations?

FACTS

X is in the business of selling tangible personal property to the general public. On February 5, 2001, X and Y sign a 10-year agreement for the lease by X of retail space located in Y's newly constructed shopping center. The 10-year lease term starts March 1, 2001. A provision of the lease agreement provides that Y will provide X with a construction allowance in the amount of \$1 million for the retail space. The lease agreement provides that, to the extent the \$1 million construction allowance is spent on qualified long-term real property, it is for the purpose of constructing or improving qualified long-term real property for use in X's business at the retail space located at Y's shopping center.

During X's 2001 taxable year, X receives the \$1 million construction allowance and spends \$800,000 on qualified long-term real property and \$100,000 on section 1245 property for the leased retail space located in Y's shopping center. X is permitted to retain any excess over the amount it actually spends improving the retail space.

LAW AND ANALYSIS

Section 61(a) of the Internal Revenue Code provides that gross income means "all income from whatever source derived" except as otherwise provided in subtitle A of the Code.

Section 110(a) provides a safe harbor excluding from gross income any amount received in cash (or treated as a rent reduction) by a lessee from a lessor under a short-term lease of retail space, for the purpose of the lessee's constructing or improving qualified long-term real property for use in the lessee's trade or business at the retail space, but only to the extent that the amount does not exceed the amount expended by the lessee for the construction or improvement (a qualified lessee construction allowance).

Section 110(c)(1) defines the term "qualified long-term real property" as nonresidential real property which is part of, or otherwise present at, the retail space referred to in § 110(a) and which reverts to the lessor at the termination of the lease. Section 1.110-1(b)(2)(i) further defines qualified long-term real property as not including property qualifying as section 1245 property under section 1245(a)(3).

Section 110(c)(2) defines the term "short-term lease" as a lease (or other agreement for occupancy or use) of retail space for 15 years or less (as determined under the rules of § 168(i)(3)). Section 110(c)(3) defines the term "retail space" as real property leased, occupied, or otherwise used by a lessee in its trade or business of selling tangible personal property or services to the general public.

Under the purpose requirement in § 1.110-1(b)(3), an amount is excluded from gross income under § 110(a) only to the extent that the lease agreement for the retail space expressly provides that the construction allowance is for the purpose of constructing or improving qualified long-term real property for use in the lessee's trade or business at the retail space.

The intent of the purpose requirement in § 1.110-1(b)(3), which requires the lease agreement expressly provide that the construction allowance is for the purpose of constructing or improving qualified long-term real property, is to ensure that the lessor and the lessee take consistent tax positions. The requisite provision in the lease agreement serves as an acknowledgment by the lessor and the lessee that, to the extent the construction allowance is spent on qualified long-term real property, the improved or constructed property will be treated as owned by the lessor. The

purpose requirement in § 1.110-1(b)(3) does not require a lease agreement to provide that the entire construction allowance is for the purpose of constructing or improving qualified long-term real property. However, only the portion of the construction allowance actually spent on qualified long-term real property may qualify as a qualified lessee construction allowance. Accordingly, of the \$1 million construction allowance provided by Y to X, \$800,000 qualifies as a qualified lessee construction allowance that may be excluded from income under § 110(a).

HOLDING

The purpose requirement under § 1.110-1(b)(3) does not require a lease agreement to provide that the entire construction allowance is for the purpose of constructing or improving qualified long-term real property. However, only the portion of the construction allowance actually expended on qualified long-term real property for use in the lessee's trade or business at the retail space may qualify as a qualified lessee construction allowance.

DRAFTING INFORMATION

The principal author of this revenue ruling is Paul Handleman of the Office of Associate Chief Counsel (Passthroughs and Special Industries). For further information regarding this revenue ruling, contact Mr. Handleman at (202) 622-3040 (not a toll-free call).

Section 2032A.—Valuation of Certain Farm, Etc., Real Property

26 CFR 20.2032A-4: Method of valuing farm real property.

Special use value; farms; interest rates.

The 2001 interest rates to be used in computing the special use value of farm real property for which an election is made under section 2032A of the Code are listed for estates of decedents.

Rev. Rul. 2001-21

This revenue ruling contains a list of the average annual effective interest rates on new loans under the Farm Credit Bank

system. This revenue ruling also contains a list of the states within each Farm Credit Bank District.

Under § 2032A(e)(7)(A)(ii) of the Internal Revenue Code, rates on new Farm Credit Bank loans are used in computing the special use value of real property used as a farm for which an election is made under § 2032A. The rates in this revenue ruling may be used by estates that value farmland under § 2032A as of a date in 2001.

Average annual effective interest rates, calculated in accordance with § 2032A(e)(7)(A) and § 20.2032A-4(e) of the Estate Tax Regulations, to be used

under § 2032A(e)(7)(A)(ii), are set forth in the accompanying Table of Interest Rates (Table 1). The states within each Farm Credit Bank District are set forth in the accompanying Table of Farm Credit Bank Districts (Table 2).

Rev. Rul. 81-170, 1981-1 C.B. 454, contains an illustrative computation of an average annual effective interest rate. The rates applicable for valuation in 2000 are in Rev. Rul. 2000-26, 2000-22 I.R.B. 1124. For rate information for years prior to 2000, see Rev. Rul. 99-20, 1999-1 C.B. 972, and other revenue rulings that are referenced therein.

DRAFTING INFORMATION

The principal author of this revenue ruling is Lane Damazo of the Office of the Associate Chief Counsel (Passthroughs and Special Industries). For further information regarding this revenue ruling, contact Lane Damazo at (202) 622-3090 (not a toll-free call).

REV. RUL. 2001-21 TABLE 1 TABLE OF INTEREST RATES (Year of Valuation 2001)	
Farm Credit Bank District in Which Property Is Located	Interest Rate
Columbia	9.90
Omaha/Spokane	7.98
Sacramento	7.99
St. Paul	8.13
Springfield	8.97
Texas	8.22
Wichita	8.22

REV. RUL. 2001-21 TABLE 2 TABLE OF FARM CREDIT BANK DISTRICTS	
District	States
Columbia	Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, Pennsylvania, South Carolina, Virginia, West Virginia
Omaha/Spokane	Alaska, Idaho, Iowa, Montana, Nebraska, Oregon, South Dakota, Washington, Wyoming.
Sacramento	Arizona, California, Hawaii, Nevada, Utah.
St. Paul	Arkansas, Illinois, Indiana, Kentucky, Michigan, Minnesota, Missouri, North Dakota, Ohio, Tennessee, Wisconsin.
Springfield	Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island, Vermont.
Texas	Alabama, Louisiana, Mississippi, Texas
Wichita	Colorado, Kansas, New Mexico, Oklahoma

Part III. Administrative, Procedural, and Miscellaneous

Weighted Average Interest Rate Update

Notice 2001-32

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 2001 is 5.34 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	2001	5.85	5.26 to 6.14	5.26 to 6.43

Drafting Information

The principal author of this notice is Todd Newman of the Employee Plans, Tax Exempt and Government Entities Division. For further information about this notice, please call Mr. Newman at (202) 283-9702 (not a toll-free number).

Part IV. Items of General Interest

Application of Section 904 to Income Subject to Separate Limitations and Section 864(e) Affiliated Group Expense Allocation and Apportionment Rules; Correction

Announcement 2001-41

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Corrections to final and temporary regulations.

SUMMARY: This document contains corrections to final and temporary regulations (T.D. 8916, 2001-4 I.R.B. 360) that were published in the **Federal Register** on Wednesday, January 3, 2001 (66 FR 268), relating to the section 864(e)(5) and (6) rules on affiliated group interest and other expense allocation and apportionment and to the section 904(d) foreign tax credit limitation.

DATES: These corrections are effective January 3, 2001.

FOR FURTHER INFORMATION CONTACT: Bethany A. Ingwalson (202) 622-3850 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

The final and temporary regulations that are the subject of these corrections are under section 864 and 904 of the Internal Revenue Code.

Need for Correction

As published, the final and temporary regulations contain errors that may prove to be misleading and are in need of clarification.

Correction of Publication

Accordingly, the publication of the final and temporary regulations (T.D. 8916), that were the subject of FR Doc. 00-32477, is corrected as follows:

1. On page 268, column 3, in the preamble in the caption "DATES:" under the "Applicability Dates:" paragraph heading, first full paragraph, line 6 and 7, the language "9(h)(5)(i) and (ii), §1.861-11(d)(8), and §1.861-14(d)(1), (d)(2)(i), and (d)(2)(ii)" is corrected to read "9(h)(5)(iii),

§1.861-11(d)(2)(iv) and (d)(7), and §1.861-14(d)(1) and (d)(2)(iii)".

§1.904-4 [Corrected]

2. On page 276, column 3, §1.904-4, paragraph (g)(3)(ii)(C), line 6, the language "determination whether a distribution" is corrected to read "determination of whether a distribution".

Cynthia E. Grigsby,
Chief, Regulations Unit,
Office of Special Counsel
(Modernization and Strategic Planning).

(Filed by the Office of the Federal Register on March 22, 2001, 8:45 a.m., and published in the issue of the Federal Register for March 23, 2001, 66 F.R. 16126)

Application of Section 904 to Income Subject to Separate Limitations and Computation of Deemed-Paid Credit Under Section 902; Correction

Announcement 2001-42

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Corrections to notice of proposed rulemaking and notice of public hearing.

SUMMARY: This document contains corrections to a notice of proposed rulemaking and notice of public hearing (REG-104683-00, 2001-4 I.R.B. 407) that was published in the **Federal Register** on Wednesday, January 3, 2001 (66 FR 319), relating to the application of section 904 to income subject to separate limitations and computation of deemed-paid credit under section 902.

FOR FURTHER INFORMATION CONTACT: Bethany A. Ingwalson (202) 622-3850 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

The notice of proposed rulemaking and notice of public hearing that is the subject of these corrections is under sections 902 and 904 of the Internal Revenue Code.

Need for Correction

As published, the notice of proposed rulemaking and notice of public hearing (REG-104683-00) contain errors that may be misleading and are in need of clarification.

Correction of Publication

Accordingly, the publication of the notice of proposed rulemaking and notice of public hearing (REG-104683-00), which is the subject of FR Doc. 00-32478, is corrected as follows:

1. On page 319, column 2, in the preamble under the caption "ADDRESSES:", line 9, the language "(REG-106409-00), Courier's Desk," is corrected to read "(REG-104683-00), Courier's Desk,".

§1.904(b)-1 [Corrected]

2. On page 331, column 3, §1.904(b)-1(f), paragraph (i) of *Example 1*, line 4 from the bottom of the paragraph, the language "would have been subject to tax a rate of 20" is corrected to read "would have been subject to tax at a rate of 20".

Cynthia E. Grigsby,
Chief, Regulations Unit,
Office of Special Counsel
(Modernization and Strategic Planning).

(Filed by the Office of the Federal Register on March 20, 2001, 8:45 a.m., and published in the issue of the Federal Register for March 21, 2001, 66 F.R. 15820)

Tax Treatment of Cafeteria Plans; Correction

Announcement 2001-43

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Corrections to final regulations.

SUMMARY: This document contains corrections to final regulations (T.D. 8921, 2001-7 I.R.B. 532) that were published in the **Federal Register** on Wednesday, January 10, 2001 (66 FR

1837), relating to section 125 cafeteria plans.

DATES: This correction is effective January 10, 2001.

FOR FURTHER INFORMATION CONTACT: Christine L. Keller (202) 622-6080 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

The final regulations that are the subject of these corrections are under section 125 of the Internal Revenue Code.

Need for Correction

As published, final regulations (T.D. 8921, 2001-7 I.R.B. 532) contain errors that may prove to be misleading and are in need of clarification.

Correction of Publication

Accordingly, the publication of the final regulations (T.D. 8921), which were the subject of FR Doc. 01-258, is corrected as follows:

1. On page 1838, column 1, in the preamble under the paragraph heading *1. Changes in the March 2000 Final Regulations*, line 3 of the first paragraph, the language “final regulations issued earlier this year” is corrected to read “final regulations issued in March 2000”.

2. On page 1838, column 3, under the paragraph heading *2. Changes From the March 2000 Proposed Regulations*, line 4, the language “earlier this year, but include various” is corrected to read “in March 2000, but include various”.

3. On page 1840, column 1, amendatory instruction Par. 2. is corrected by adding a new instruction “3a.” following item 3 to read as follows:

3a. Revising paragraph (c)(3)(ii).

§1.125-4 [Corrected]

4. On page 1840, column 2, §1.125-4 is corrected by removing the 5 asterisks following paragraph (c)(1)(ii).

5. On page 1840, column 2, §1.125-4 is corrected by removing the 5 asterisks following paragraph (c)(3)(i) and adding the text of revised paragraph (c)(3)(ii) in their place to read as follows:

§1.125-4 Permitted election changes.

* * * * *

(c) * * *

(3) * * *

(ii) *Application to other qualified benefits.* An election change satisfies the requirements of this paragraph (c)(3) with respect to other qualified benefits if the election change is on account of and corresponds with a change in status that affects eligibility for coverage under an employer’s plan. An election change also satisfies the requirements of this paragraph (c)(3) if the election change is on account of and corresponds with a change in status that effects expenses described in section 129 (including employment-related expenses as defined in section 21(b)(2)) with respect to dependent care assistance, or expenses described in section 137 (including qualified adoption expenses as defined in section 137(d)) with respect to adoption assistance.

* * * * *

6. On page 1841, column 3, §1.125-4(f)(5)(ii), line 4, the language “Service, or a tribal organization” is corrected to read “Service, or a tribal organization;”.

Cynthia E. Grigsby,
Chief, Regulations Unit,
Office of Special Counsel
(Modernization and Strategic Planning).

(Filed by the Office of the Federal Register on March 1, 2001, 8:45 a.m., and published in the issue of the Federal Register for March 2, 2001, 66 F.R. 13012)

Interest-Free Adjustments With Respect to Underpayments of Employment Taxes; Correction Announcement 2001-44

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTON: Correction to notice of proposed rulemaking.

SUMMARY: This document contains a correction to a notice of proposed rulemaking (REG-110374-00, 2001-12 I.R.B. 915) that was published in the **Federal Register** on Wednesday, January 17, 2001 (66 FR 3956), relating to interest-free adjustments with respect to underpayments of employment taxes.

FOR FURTHER INFORMATION CONTACT: Anne O’Connell Devereaux (202) 622-3850 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

The notice of proposed rulemaking (REG-110374-00), that is the subject of this correction is under section 6205 of the Internal Revenue Code.

Need for Correction

As published, the notice of proposed rulemaking (REG-110374-00) contains an error that may prove to be misleading and is in need of clarification.

Correction of Publication

Accordingly, the publication of the notice of proposed rulemaking which was the subject of FR Doc. 01-273, is corrected as follows:

On page 3958, column 2, in the preamble under the paragraph heading “Proposed Effective Date”, the first paragraph, line 7, the language “January 12, 2001. No inference is” is corrected to read “January 17, 2001. No inference is”.

Cynthia E. Grigsby,
Chief, Regulations Unit,
Office of Special Counsel
(Modernization and Strategic Planning).

(Filed by the Office of the Federal Register on March 2, 2001, 8:45 a.m., and published in the issue of the Federal Register for March 5, 2001, 66 F.R. 13275)

Foundations Status of Certain Organizations

Announcement 2001-45

The following organizations have failed to establish or have been unable to maintain their status as public charities or as operating foundations. Accordingly, grantors and contributors may not, after this date, rely on previous rulings or designations in the Cumulative List of Organizations (Publication 78), or on the presumption arising from the filing of notices under section 508(b) of the Code. This listing does *not* indicate that the organizations have lost their status as organizations described in section 501(c)(3), eligible to receive deductible contributions.

Former Public Charities. The following organizations (which have been treated as organizations that are not private foundations described in section 509(a) of the Code) are now classified as private foundations:

125th Anniversary of Tarrytown, Inc.,
Tarrytown, NY
1000 Islands Select Hockey, Inc.,
Watertown, NY
Aberdeen Solomon David Memorial
Scholarship Fund, Newark, NJ
Adventure for Adults, Inc.,
Haddon Heights, NJ
Africa Legal Defense and Education
Fund, Inc., New York, NY
African American Historical Society of
Rockland County, Inc., Tappan, NY
Afriqua, East Orange, NJ
Ahepa 91, Inc., Lancaster, NY
Aids Association of Western New York,
Inc., Buffalo, NY
Amateur Radio Communication Service
Corps, Inc., Neptune, NJ
American-Belgian Holocaust Memorial
Foundation, New York, NY
American Committee for Sanz
Institutions of Israel, Inc.,
Brooklyn, NY
American Friends of the Centre for
European Security Studies, Ltd.,
New York, NY
American Friends of the Jewish Bible
Association, Inc., Long Branch, NJ
American Friends of the Shanghai
Museum, Inc., New York, NY
American Methadone Treatment Assoc.,
New York, NY
American Pledge, Inc., Chappaqua, NY
Amherst Chamber Ensembles, Inc.,
Williamsville, NY
Angels for Janine, Armonk, NY
Ark House, Inc., Newark, NJ
Art in Perpetuity, New York, NY
Artsmarter, Inc, New York, NY
Association of Consumers for
Enhancement and Support, Inc.,
Seneca Falls, NY
Aurora Playground Fund, Aurora, NY
Bear Boosters, Delrain, NJ
Biliary Artesia & Livery Transplant
Network, Inc., Staten Island, NY
Bridges to Independence, Inc.,
New York, NY
Bronx Korea Community Service Center,
Inc., Bronx, NY
Broome Community Partners, Inc.,
Binghamton, NY
Calvary Foundation, Inc., Buffalo, NY
Camden Community Partnership for
Substance Abuse Prevention, Inc.,
Camden, NJ
Capizeno Circle, Inc., USA,
Jersey City, NJ
Casa Banome Housing Development
Fund Corporation, Bronx, NY
Center for Immigration Support, Inc.,
New City, NY
Center for Jewish Governance,
Montrose, NY
Central Westchester Senior Center, Inc.,
Port Chester, NY
Charge, Incorporated, New York, NY
Childrens Holiday Foundation, Inc.,
New York, NY
Clifton Hospice House, Inc., Clifton, NJ
Clinton Complex Housing Development
Fund Corporation, Bronx, NY
Cohoes Kiwanis Foundation, Inc.,
Cohoes, NY
Community Law Advocates,
New York, NY
Concord Conservancy, Inc.,
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Corning Community College Alumni
Association, Inc., Corning, NY
Cuddlcare A New Jersey Nonprofit
Corporation, Red Bank, NJ
Cumberland County Coalition on Abuse
and Neglect, Incorporated,
Vineland, NJ
David Martin Carter Award Fund
Corporation, New York, NY
Dimension Educative Corporation,
West New York, NY
Domestic Pressure, Inc., New York, NY
Dr. E.L. Williams Jr., Ministries,
Irvington, NJ
Earthbase, Inc., New York, NY
Eating Disorders International, Inc.,
New York, NY
Economic Development Corporation of
Westchester Avenue, Bronx, NY
Education Connection Foundation, Inc.,
Hackensack, NJ
Eleemosynary Charitable Fund, Inc.,
New York, NY
Environmental Benefit, Inc.,
Port Chester, NY
Epasa-USA, Inc., Ridgewood, NY
Epidavros Project, Inc., New York, NY
Erie County Youthbuild, Inc.,
Buffalo, NY
Ethos Environmental Council, Inc.,
Westfield, NJ
Evergreen Foundation, Buffalo, NY
Excelsior Hose Company Number 4, Inc.,
Kingston, NY
Family Housing Services of Orange Co.,
Inc., Newburgh, NY
Famine Garden Foundation, Hillside, NY
Fifty Plus, Inc., Staten Blvd., NY
First Baptist Housing Development Fund
Company, Inc., Mamaroneck, NY
First Hellenic-American Society of
Friends, Inc., New York, NY
Fitness Training Institute, Inc.,
New York, NY
Floyd Historical Society, Rome, NY
Foothills Community Center, Inc.,
Monticello, NY
Foundation of NYS Federation of
Professional Health Educators, Inc.,
Binghamton, NY
Friends of Hill Cottage, Ltd.,
Lake George, NY
Friends of Lt. George Lener,
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Friends of Memorial, Inc., New York, NY
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Fulmont Ralph Bell Crusade, Fonda, NY
Galatea Ensemble, Inc., New York, NY
Graffiti Community Ministries, Inc.,
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Grassroots Interconnect, Inc.,
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Greater New York Chapter of Adec, Inc.,
New York, NY
Greater Rochester Professionals
Network, Rochester, NY
Harborside Apartments, Inc.,
Paterson, NJ
Help Aids Resources Triumph, Inc.,
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Hill Communications, Inc.,
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Hudson Valley Air Museum Foundation,
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In the Spirit of the Children, Inc.,
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International Bank Study Center, Inc.,
New York, NY
International Foundation for
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New York, NY

International Junior Golf Tour, Inc.,
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International Society for Holter &
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Boston, MA

Israel Leadership and Education
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Jiribilla Cuban Culture Association, Inc.,
New York, NY

Johnson City Rotary Foundation,
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Jude Institute of New Jersey, Inc.,
Englishtown, NJ

Kencon, Inc., Willingboro, NJ

Kenmore Housing Development Fund,
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Kingston-Newburgh Enterprise
Corporation, Newburgh, NY

Kofi, Incorporated, Bronx, NY

Leadership Board, Inc., Waterford, NY

Learning Annex Foundation, Inc.,
New York, NY

Learning Emporium, Inc., Clifton, NJ

Levoy Theatre Preservation Society, Inc.,
Millville, NJ

Lewis P. Preston Education Program for
Girls, Inc., Newark, DE

Lewis Street Housing Development Fund
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Life and Living Bereavement Center,
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Lillian Leppe & Augusto Mauro
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Ludlow Independent Soccer Club,
Ludlow, MA

Magnificat Meal Movement International-
New York, White Plains, NY

Maria Foundation, Inc., Cherry Hill, NJ

McTyeire School Alumnae Association of
Eastern USA and Canada,
Cliffside Park, NJ

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Millenium Arts Project, Inc.,
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Mullica Twp Community Playground
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Musicians Against Racism-Sexism, Inc.,
New York, NY

Musicians Aid Society of New York, Inc.,
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Mustard Seed Korean Community
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N.J. Roadrunners, Inc., Union, NJ

Neighborhood Partnership Housing
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New York, NY

New American Stage Company, Inc.,
White Plains, NY

New Development Opportunities, Inc.,
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New Square Local Development
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Newton Ice Rink, Inc., Newton, CT

New York Forum, Inc.,
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New York State Aerospace Education
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North Bronx Health Center, Inc.,
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Northeast Bronx Community Cultural
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Northeast New Jersey Area Convention
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Northeastern Anthrpological Assoc.,
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Oasis Community Development and
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Prometheus Theatre Productions, Inc.,
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Pryor Manor Marsh Preservation
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Rensselaer Artists Movement Society,
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If an organization listed above submits information that warrants the renewal of its classification as a public charity or as a private operating foundation, the Internal Revenue Service will issue a ruling or determination letter with the revised classification as to foundation status. Grantors and contributors may thereafter rely upon such ruling or determination letter as provided in section 1.509(a)-7 of the Income Tax Regulations. It is not the practice of the Service to announce such revised classification of foundation status in the Internal Revenue Bulletin.

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 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.—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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