

INTERNAL REVENUE BULLETIN



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

REG-150349-12, page 440.

These final and temporary regulations revise and clarify certain rules relating to the requirements to conduct physical inspections and review low-income certifications and other documentation under §§ 1.42-5(a)(2), 1.42-5(c)(2), and (3), and 1.42-5(h) of the Income Tax Regulations, with respect to the compliance-monitoring duties of a State or local housing credit agency (Agency) under § 42 of the Internal Revenue Code. The text of the temporary regulations also serves as the text of these proposed regulations.

Rev. Rul. 2016-8, page 426.

Modification of Rev. Rul. 2005-3 to remove Cuba from the section 901(j) list effective December 21, 2015.

Rev. Proc. 2016-15, page 435.

This revenue procedure sets forth, for purposes of § 1.42-5T(c)(2)(iii)(B) of the Income Tax Regulations, the minimum number of low-income units in a low-income housing project for which a State or local housing credit agency (Agency) must conduct physical inspections and low-income certification reviews. This revenue procedure also permits the physical inspection protocol established by the Department of Housing and Urban Development (HUD) Real Estate Assessment Center (the REAC protocol) to satisfy the physical inspection requirements of § 1.42-5(d) and § 1.42-5T(c)(2)(ii) and (iii).

Bulletin No. 2016-11
March 14, 2016

Rev. Proc. 2016-17, page 436.

This revenue procedure provides guidance regarding the recovery of administrative and litigation costs by individuals and organizations that provide pro bono representation to taxpayers.

T.D. 9753, page 426.

These final and temporary regulations revise and clarify certain rules relating to the requirements to conduct physical inspections and review low-income certifications and other documentation under §§ 1.42-5(a)(2), 1.42-5(c)(2), and (3), and 1.42-5(h) of the Income Tax Regulations, with respect to the compliance-monitoring duties of a State or local housing credit agency (Agency) under § 42 of the Internal Revenue Code.

ADMINISTRATIVE

Rev. Proc. 2016-17, page 436.

This revenue procedure provides guidance regarding the recovery of administrative and litigation costs by individuals and organizations that provide pro bono representation to taxpayers.

T.D. 9754, page 432.

This document contains final regulations that authorize the disclosure of certain items of return information to the Bureau of the Census (Bureau) in conformance with section 6103(j)(1) of the Internal Revenue Code (Code).

The IRS Mission

Provide America's taxpayers top-quality service by helping them understand and meet their tax responsibilities and enforce the law with integrity and fairness to all.

Introduction

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

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

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

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

against reaching the same conclusions in other cases unless the facts and circumstances are substantially the same.

The Bulletin is divided into four parts as follows:

Part I.—1986 Code.

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

Part II.—Treaties and Tax Legislation.

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

Part III.—Administrative, Procedural, and Miscellaneous.

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

Part IV.—Items of General Interest.

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

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

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

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

Section 901.—Taxes of Foreign countries and of possessions of United States

26 CFR 1.901-2: Income, war profits, or excess profits tax paid or accrued
(Also: Section 952(a)(5))

Modification of Rev. Rul. 2005-3. Rev. Rul. 2005-3, 2005-1 C.B. 334, with respect to countries described in section 901(j)(2)(A) of the Internal Revenue Code (“Code”), is modified.

Rev. Rul. 2016-08

This ruling modifies Rev. Rul. 2005-3, 2005-1 C.B. 334, which lists countries subject to special rules under sections 901(j) and 952(a)(5) of the Code.

LAW AND ANALYSIS

Sections 901, 902, and 960 of the Code generally allow U.S. taxpayers to claim a foreign tax credit for income, war profits, and excess profits taxes paid or accrued (or deemed paid or accrued) to any foreign country or to any possession of the United States. The foreign tax credit is subject to various limitations and restrictions under section 901.

Section 901(j)(1) imposes restrictions in the case of income and taxes attributable to certain countries. Section 901(j)(1)(A) denies the credit for taxes paid or accrued (or deemed paid or accrued under section 902 or 960) to any country described in section 901(j)(2)(A) if the taxes are with respect to income attributable to a period during which section 901(j) applies. Section 901(j)(1)(B) requires taxpayers to apply subsections (a), (b), and (c) of section 904 and sections 902 and 960 separately with respect to income attributable to such a period from sources within such country. In addition, section 952(a)(5) provides that subpart F income includes income derived by a controlled foreign corporation from

any foreign country during any period during which section 901(j) applies to that foreign country.

The special rules under sections 901(j) and 952(a)(5) cease to apply to a country when the Secretary of State certifies to the Secretary of the Treasury that such country is no longer described in section 901(j)(2)(A). Revenue Ruling 2005-3 sets forth the countries which are (or were) described in section 901(j)(2)(A) and the period during which the special rules under sections 901(j) and 952(a)(5) apply with respect to each such country. Based on the certification by the Secretary of State, this revenue ruling states the date on which Cuba ceased to be described in section 901(j)(2)(A).

HOLDING AND EFFECTIVE DATE

The list of countries in Revenue Ruling 2005-3 is modified by changing the reference to Cuba as follows:

Country	Starting Date	Ending Date
Cuba	January 1, 1987	December 21, 2015

For guidance on issues arising in a taxable year when section 901(j) ceases to apply to a country, see Rev. Rul. 92-62, 1992-2 C.B. 193.

EFFECT ON OTHER REVENUE RULINGS

This ruling modifies Rev. Rul. 2005-3, 2005-1 C.B. 334, with respect to countries subject to special rules under sections 901(j) and 952(a)(5) of the Code.

DRAFTING INFORMATION

The principal author of this revenue ruling is Richard L. Chewning of the Office of Associate Chief Counsel (International). For further information regarding this revenue ruling, contact Mr. Chewning at (202) 317-6936 (not a toll-free number).

26 CFR 1.42-5T, 26 CFR 1.42-5

T.D. 9753

DEPARTMENT OF THE TREASURY Internal Revenue Service 26 CFR Part 1

Amendments to the Low-Income Housing Credit Compliance-Monitoring Regulations

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Final and temporary regulations.

SUMMARY: This document contains final and temporary regulations relating to the compliance-monitoring duties of a State or local housing credit agency for purposes of the low-income housing credit. The final and temporary regulations revise and clarify the requirement to conduct physical inspections and review low-income certifications and other documentation. The final and temporary regulations will affect State or local housing credit agencies. The text of these temporary regulations also serves as the text of the proposed regulations (REG-150349-12) set forth in the notice of proposed rulemaking on this subject in the Proposed Rules section in this issue of the **Internal Revenue Bulletin**.

DATES: *Effective date*: These regulations are effective on February 25, 2016.

Applicability date: For dates of applicability, see § 1.42-5T(h)(2).

FOR FURTHER INFORMATION CONTACT: Jian H. Grant, (202) 317-4137, and Martha M. Garcia, (202) 317-6853 (not toll-free numbers).

SUPPLEMENTARY INFORMATION:

Background

This document amends 26 CFR part 1 to revise and clarify rules relating to sec-

tion 42 of the Internal Revenue Code (Code). On March 5, 2012, the Treasury Department and the IRS published Notice 2012-18, 2012-10 IRB 438. Notice 2012-18 informed State and local housing credit agencies participating in a physical inspections pilot program of an alternative method for satisfying certain inspection and review responsibilities under § 1.42-5(c)(2) for projects for which the Department of Housing and Urban Development (HUD) conducted physical inspections.¹ Notice 2012-18 also requested comments on various issues relating to § 1.42-5. The Treasury Department and the IRS received written and electronic comments in response. After consideration of all of the comments received, the Treasury Department and the IRS are issuing these final and temporary regulations.

This document also updates the authority citation of 26 CFR part 1. The Omnibus Budget Reconciliation Act of 1989 (Public Law 101-239) re-designated section 42(m) of the Code as section 42(n). The updates in this document reflect that re-designation.

General Overview

Section 42 provides rules for determining the amount of the low-income housing credit, which section 38 allows as a credit against income tax. Section 42(a) provides that the amount of the low-income housing credit for any taxable year in the credit period is an amount equal to the applicable percentage of the qualified basis of each qualified low-income building. Section 42(c)(2) defines a qualified low-income building as any building that is part of a qualified low-income housing project at all times during the compliance period (the period of 15 taxable years beginning with the first taxable year of the credit period).

Section 42(g)(1) defines a qualified low-income housing project as any project for residential rental property if the project meets one of the following tests, as elected by the taxpayer:

(A) At least 20 percent of the residential units in the project are rent-restricted and

occupied by individuals whose income is 50 percent or less of area median gross income; or

(B) At least 40 percent of the residential units in the project are rent-restricted and occupied by individuals whose income is 60 percent or less of area median gross income. In general, under section 42(i)(3)(A), a low-income unit is a residential unit that is rent-restricted and the occupants of which meet the applicable income limit elected by the taxpayer as described in section 42(g)(1)(A) or (B).

Under section 42(i)(3)(B)(i), a unit is not treated as a low-income unit unless it is suitable for occupancy and used other than on a transient basis. Under section 42(i)(3)(B)(ii), the suitability of a unit for occupancy must be determined under regulations prescribed by the Secretary taking into account local health, safety, and building codes. Failure of one or more units to qualify as low-income units may result in a project's ineligibility for the low-income housing credit, reduction in the amount of the credit, and/or recapture of previously allowed credits.

Under section 42(m)(1), the owners of an otherwise-qualifying building are not entitled to low-income housing credits that are allocated to the building unless, among other requirements, the allocation is pursuant to a qualified allocation plan (QAP). A QAP provides standards by which a State or local housing credit agency or its Authorized Delegate within the meaning of § 1.42-5(f)(1) ("Agency") will make these allocations. A QAP also provides a procedure that an Agency must follow in monitoring for compliance with the provisions of section 42. A plan fails to be a QAP unless, in addition to other requirements, it—

provides a procedure that the agency (or an agent or other private contractor of such agency) will follow in monitoring for noncompliance with the provisions of [section 42] and in notifying the Internal Revenue Service of such noncompliance which such agency becomes aware of and in monitoring for

noncompliance with habitability standards through regular site visits.

Section 42(m)(1)(B)(iii).

Section 1.42-5 (the compliance-monitoring regulations) describes some of the provisions that must be part of any QAP. As part of its compliance-monitoring responsibilities, an Agency must perform physical inspections and low-income certification review.

The compliance-monitoring regulations specifically provide that, for each low-income housing project, an Agency must conduct on-site inspections of all buildings by the end of the second calendar year following the year the last building in the project is placed in service (the all-buildings requirement). In addition, prior to the amendments in this document, the regulations provided that, for at least 20 percent of the project's low-income units (the 20-percent rule), the Agency must both inspect the units and review the low-income certifications, the documentation supporting the certifications, and the rent records for the tenants in those same units (the same-units requirement). The regulations provide that the Agency must also conduct on-site inspections and low-income certification review at least once every 3 years after the initial on-site inspection. Further, the regulations require the Agency to randomly select which low-income units and tenant records to inspect and review (the random-selection rule). The regulations also require the Agency to choose the low-income units and tenant records in a manner that will not give owners of low-income housing projects advance notice that a unit and tenant records for a particular year will or will not be inspected and reviewed (the no-notice rule). However, an Agency may give an owner reasonable notice that an inspection of the building and low-income units or tenant record review will occur so that the owner may notify tenants of the inspection or assemble tenant records for review (for example, 30-day notice of inspection or review).

¹Notice 2014-15, 2014-12 IRB 661, extended permission through December 31, 2014, for State and local housing credit agencies to use the alternative method in Notice 2012-18.

Summary of Comments and Explanation of Provisions

Use of the REAC Protocol, Physical Inspections, and Low-Income Certification Reviews

Notice 2012–18 asked whether the 20-percent rule for both physical inspections and low-income certification review is appropriate, including whether this percentage appropriately balances the IRS’s compliance concerns against the desirability of reducing the inspection burden on Agencies, tenants, and building owners; whether the percentage should vary depending on the type of inspection the Agencies are performing; and whether the percentage should vary with the number of units in a building.

Notice 2012–18 also asked whether the regulations should provide an exception from the inspection provisions of § 1.42–5(d) for inspections done under the HUD Real Estate Assessment Center protocol (REAC protocol) similar to the exception under § 1.42–5(d)(3) for inspections performed by the Rural Housing Service under the section 515 program. Notice 2012–18 had permitted use of the REAC protocol by participants in an inter-Departmental physical inspections pilot program that sought to align the section 42 physical inspection requirements with the physical inspection requirements under HUD programs.

Several commenters asserted that the 20-percent rule is appropriate. Others claimed that it is overly burdensome for larger properties (30 units or more). Several commenters suggested that the regulations permit an Agency to satisfy the physical inspection requirement by using the REAC protocol. These commenters generally suggested that availability of the REAC protocol for physical inspections would promote flexibility and lessen burden. Allowing an Agency to use the REAC protocol for purposes of the section 42 physical inspection requirements would eliminate the need for multiple Federal inspections on the same property if the property also benefits from HUD programs. Additionally, for larger properties, the minimum number of low-income units that an Agency must inspect under

the REAC protocol may be fewer than under the 20-percent rule.

In response to the comments received, the final and temporary regulations authorize the IRS to specify in guidance published in the Internal Revenue Bulletin the minimum number of low-income units for which an Agency must conduct physical inspections and low-income certification review. Rev. Proc. 2016–15, which is being issued concurrently with these regulations, provides that, in a low-income housing project, the minimum number of low-income units that must undergo physical inspection is the lesser of 20 percent of the low-income units in the project, rounded up to the nearest whole number of units, or the number of low-income units set forth in the Low-Income Housing Credit Minimum Unit Sample Size Reference Chart in the revenue procedure. The revenue procedure applies the same rule to determine the minimum number of units that must undergo low-income certification review. An Agency is free to conduct physical inspections or low-income certification review on a larger number of low-income units if it believes that to be appropriate.

The Treasury Department and the IRS, however, are concerned about application of this 20 percent rule in some situations. For projects with a relatively smaller number of low-income units, physical inspection or low-income certification review of a randomly chosen 20 percent of those units may not produce a sufficiently accurate estimate of the remaining units’ overall compliance with habitability or low-income requirements. Accordingly, not later than when these temporary regulations are finalized, the Treasury Department and the IRS intend to consider whether Rev. Proc. 2016–15 should be replaced with a revenue procedure that does not permit use of the 20 percent rule in those circumstances.

In response to Notice 2012–18’s request for comments on whether the IRS should provide an exception from the inspection provisions of § 1.42–5(d) for inspections done under the REAC protocol, commenters generally supported creating such an exception. The final and temporary regulations, however, do not fully adopt this suggestion. Instead, the regulations authorize the IRS to provide in guid-

ance published in the Internal Revenue Bulletin exceptions from, or alternative means of satisfying, the inspection provisions of § 1.42–5(d). Rev. Proc. 2016–15 provides that the REAC protocol is among the inspection protocols that satisfy both § 1.42–5(d) and the physical inspection requirements of § 1.42–5T(c)(2)(ii) and (iii). The revenue procedure contains a rigorous definition of which inspection regimes it will treat as being the REAC protocol for this purpose. Comments are requested on all aspects of the provisions in the revenue procedure that define “performed under the REAC protocol” for purposes of satisfying §§ 1.42–5(d) and 1.42–5T(c)(2)(ii) and (iii).

Because vacant low-income units contribute to a building’s qualified basis, both occupied and vacant low-income units in a low-income housing project must be included in the population of units from which units are selected for inspection. This is the case even if the vacant unit or units may be temporarily unsuitable for occupancy as a result of work that is being done to repair or rehabilitate the unit or units. See § 1.42–5(e)(4). Potential inspection of vacant units is the rule for all compliance-monitoring inspections that do not use the REAC protocol, and Rev. Proc. 2016–15 therefore requires similar treatment when an Agency conducts a physical inspection under the REAC protocol.

Some commenters recommended using a risk-based assessment model in place of the 20-percent rule. Such a model would determine the frequency of inspections and the number of low-income units to inspect based on the probability of non-compliance of a low-income housing project. The probability of noncompliance would be determined for this purpose by the degree of compliance of the project over one or more prior years. The final and temporary regulations do not adopt this approach. However, in response to the request for comments on these temporary regulations, commenters wishing to renew this suggestion should provide both greater detail regarding the suggested risk-based procedure and a thorough justification for that procedure, including why a multi-year approach fits within the compliance requirements of section 42.

Several commenters suggested modifying the 20-percent rule by requiring more units for the initial physical inspection than for the subsequent physical inspections on the ground that a comprehensive initial physical inspection establishes a baseline of compliance for a low-income housing project. By contrast, some commenters suggested requiring more units for the subsequent physical inspections, asserting that the quality of compliance of a low-income housing project often decreases after the initial physical inspection. These comments, however, did not provide sufficient analysis to justify increasing the number of units to be inspected in either the initial or a subsequent inspection. Without a reasonable basis for doing so, requiring more units for either the initial or subsequent inspections would unreasonably increase the administrative burden on Agencies, owners, and tenants of low-income housing projects. The final and temporary regulations, therefore, do not adopt these suggestions. Commenters wishing to renew either of these suggestions should provide both greater detail and a thorough justification for the suggestion.

On the question of whether the required percentage of low-income units should vary depending on the type of compliance review (physical inspection or low-income certification review), one commenter recommended against a varying percentage, stating that there is no compelling reason for the required percentage to vary. A second commenter suggested that, in order to assess tenant eligibility, an Agency should review more than 20 percent of the low-income certifications because noncompliance relating to tenant eligibility may be harder to detect than noncompliance relating to habitability. The final and temporary regulations adopt the first commenter's suggestion. Just as an Agency may always physically inspect more than the minimum number of units, if an Agency deems it appropriate, the Agency may always review more than the minimum number of low-income certifications in a project to assess tenant eligibility. Commenters wishing to renew comments on this issue should provide both greater detail and a thorough justification for their suggestion.

Two commenters suggested that the regulations not impose an all-buildings requirement for physical inspection, but merely require an Agency to apply the

physical inspection and low-income certification review requirements on a project-wide basis. According to these commenters, an all-buildings requirement can make the inspection process overly burdensome, particularly in rural areas where projects often consist of small buildings such as single-unit buildings, duplexes, or triplexes. The final and temporary regulations do not fully adopt this suggestion. The regulations continue to require that Agencies comply with the all-buildings requirement unless guidance published in the Internal Revenue Bulletin pursuant to § 1.42-5T(a)(iii) provides otherwise.

Rev. Proc. 2016-15 does provide for such an exception. Under Rev. Proc. 2016-15, the all-buildings requirement does not apply to an Agency that uses the REAC protocol, under HUD oversight, to satisfy the physical inspection requirement (although the REAC protocol itself may require inspection of all buildings in certain cases). The rigor with which Rev. Proc. 2016-15 defines the REAC protocol justifies this exception. Among the requirements set forth in the revenue procedure is the requirement that a physical inspection performed under the REAC protocol utilize the standards adopted, and inspectors certified, by HUD. Inspections performed under the REAC protocol or by the Rural Housing Service under the section 515 program require federal agency oversight. Thus, such oversight substitutes for an all-buildings requirement for inspection. Similar to inspections performed by the Rural Housing Service under the section 515 program, inspections performed under the REAC protocol are not subject to an all-buildings requirement. A physical inspection that the revenue procedure treats as being performed under the REAC protocol also involves the use of the most recent REAC UPCS inspection software, which has a strong statistical basis. Therefore, under the revenue procedure, the REAC protocol is an acceptable method for satisfying both § 1.42-5(d) and the physical inspection requirement of § 1.42-5T(c)(2)(ii) and (iii). If, in the future, the Treasury Department and the IRS become persuaded that there are one or more additional suitable alternatives to the all-buildings requirement, they may provide one or more additional exceptions to that requirement.

A commenter suggested that the regulations permit an Agency to treat multiple

buildings with a common owner and plan of financing as a single low-income housing project, regardless of whether the owner has elected this treatment under section 42(g)(3)(D). The final and temporary regulations do not adopt this suggestion. Section 42(c)(2)(A) defines a "qualified low-income building" as, in part, any building that is part of a qualified low-income housing project at all times throughout the compliance period. Section 42(g) defines a "qualified low-income housing project" as any project for residential rental property if the project meets the requirements of section 42(g)(1)(A) or (B), whichever is elected by the taxpayer. The scope of the term "qualified low-income housing project" for purposes of physical inspections should be the same as for other purposes under section 42.

Decoupling of the Physical Inspection and Low-Income Certification Review Requirements (Ending the Same-Units Requirement)

Notice 2012-18 asked for comments on whether permitting physical inspection and low-income certification review of different low-income units (that is, ending the same-units requirement) would simplify the inspection process. The notice also asked for comments on whether ending the requirement would impair the value of the data obtained. One commenter asserted that the current rule of requiring physical inspection and low-income certification review of the same low-income units is effective in finding noncompliance on a particular unit. Most commenters, however, believed that decoupling of the physical inspection and low-income certification review requirements would reduce the administrative burden, better preserve the surprise element, and likely increase the coverage of compliance-monitoring.

In response to these comments, the final and temporary regulations end the same-units requirement by decoupling the physical inspection and low-income certification review. Therefore, an Agency is no longer required to conduct physical inspection and low-income certification review on the same units. Because the units no longer need to be the same, an Agency may choose a different number of

units for physical inspection and for low-income certification review, provided the Agency chooses at least the minimum number of low-income units in each case. If an Agency chooses to select different low-income units for physical inspections and low-income certification review, the Agency must select the units for physical inspection or low-income certification review separately and in a random manner.

Further, because the units no longer need to be the same, an Agency may choose to conduct physical inspection and low-income certification review at different times. For example, if HUD requires a physical inspection only two years after a joint HUD/low-income housing credit inspection, that second inspection may be used for both HUD and low-income housing credit purposes without accelerating the next low-income housing credit file review. (Thereafter, physical inspections performed every third year might take place a year before the every-three-year file reviews.) Also, an Agency may choose to conduct physical inspections in the summer but complete the low-income certification review in the winter when physical inspections may be difficult to conduct due to weather conditions. The inspections and reviews, however, must satisfy the applicable timeliness requirements of § 1.42–5T(c)(2)(ii)(A)(I) and (2).

In addition, to make meaningful the physical inspection and low-income certification review, the final and temporary regulations retain the random-selection rule and strengthen the no-notice rule. Accordingly, if an agency decides to decouple the physical inspection and low-income certification review, the Agency may not allow selection of a low-income unit for physical inspection (or low-income certification review) to influence the likelihood that the same unit will be selected (or will not be selected) for low-income certification review (or physical inspection).

Whether or not an Agency is selecting the same units for inspection and for low-income certification review, the Agency may give an owner reasonable notice that an inspection of the building and low-income units or review of low-income certifications will occur. This notice enables the owner to notify tenants of the inspection or to assemble low-income cer-

tifications for review. The regulations provide that reasonable notice is generally no more than 30 days, but they also provide a very limited extension for certain extraordinary circumstances beyond an Agency's control such as natural disasters and severe weather conditions.

Thus, under the final and temporary regulations, if an Agency chooses to select the same units for physical inspections and low-income certification review, the Agency may conduct physical inspections and low-income certification review either at the same time or separately. However, once the Agency informs the owner of the identity of the units for which physical inspections or low-income certification review will occur, the Agency must conduct the physical inspections and low-income certification review within the reasonable-notice time frame described in the preceding paragraph.

Comments are requested on these aspects of the regulations. For example, comments are requested on whether the same maximum amount of notice is reasonable for physical inspections and low-income certification review. Comments are also requested on whether, for physical inspections, the reasonable-notice time frame should be shortened. For example, under the REAC protocol, an inspector provides a 15-day notice of an upcoming HUD inspection to the owner and/or manager of the building and same-day notice of which units are to be inspected.

Possible Changes in the Minimum Size of Samples

The Treasury Department and the IRS believe the methods in Rev. Proc. 2016–15 reasonably balance the burden on Agencies, tenants, and building owners while adequately monitoring compliance. However, additional comments may be submitted on other possible methods, including stratified sampling procedures and estimation methodologies. To be useful, any such comments should include substantial detail regarding the procedures to be adopted and should provide thorough justification as to whether the suggested methods effectively reduce burden without negatively impacting the confidence that can be placed in the results obtained from the resulting samples.

Revision to Frequency and Form of Certification

The final and temporary regulations revise the rules currently in § 1.42–5(c)(3) to clarify that a monitoring procedure must require that the owner certifications in § 1.42–5(c)(1) be made to and reviewed by the Agency at least annually covering each year of the 15–year compliance period.

Effective/Applicability Dates

The temporary regulations apply on February 25, 2016 and expire on February 22, 2019. Agencies using the REAC protocol as part of the physical inspections pilot program may rely on the temporary regulations for on-site inspections and low-income certification review occurring between January 1, 2015 and February 25, 2016.

Statement of Availability of IRS Documents

IRS Revenue Procedures, Revenue Rulings notices, notices and other guidance cited in this document are published in the Internal Revenue Bulletin (or Cumulative Bulletin) and are available from the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402, or by visiting the IRS website at <http://www.irs.gov>.

Special Analyses

Certain IRS regulations, including this one, are exempt from the requirements of Executive Order 12866, as supplemented and reaffirmed by Executive Order 13563. Therefore, a regulatory impact assessment is not required. It has also been determined that section 553(b) of the Administrative Procedure Act (5 U.S.C. chapter 5) does not apply to these regulations, and because these regulations do not impose a collection of information on small entities, the Regulatory Flexibility Act (5 U.S.C. chapter 6) does not apply. Pursuant to section 7805(f) of the Internal Revenue Code, these regulations have been submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on their impact on small business.

Drafting Information

The principal authors of these regulations are Jian H. Grant and Martha M. Garcia, Office of the Associate Chief Counsel (Passthroughs and Special Industries). However, other personnel from the Treasury Department and the IRS participated in their development.

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Adoption of Amendments to the Regulations

Accordingly, 26 CFR part 1 is amended as follows:

PART 1—INCOME TAXES

Paragraph 1. The authority citation for part 1 is amended by removing the entries for §§ 1.42-1T and 1.42-2T and by adding and revising entries in numerical order to read as follows:

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

Section 1.42-1T also issued under 26 U.S.C. 42(n).

Section 1.42-2 also issued under 26 U.S.C. 42(n).

Section 1.42-5T also issued under 26 U.S.C. 42(n).

Par. 2. Section 1.42-5 is amended by:

1. Adding paragraph (a)(2)(iii).

2. Revising paragraphs (c)(2)(ii) and (iii) and (c)(3).

3. Revising the paragraph heading of paragraph (h), redesignating the text of paragraph (h) as paragraph (h)(1) and adding a paragraph (h)(1) heading, and adding paragraph (h)(2).

4. Adding paragraph (i).

The additions and revisions read as follows:

§ 1.42-5 Monitoring compliance with low-income housing credit requirements.

(a) * * *

(2) * * *

(iii) [Reserved]. For further guidance, see § 1.42-5T(a)(2)(iii).

* * * * *

(c) * * *

(2) * * *

(ii) [Reserved]. For further guidance, see § 1.42-5T(c)(2)(ii).

(iii) [Reserved]. For further guidance, see § 1.42-5T(c)(2)(iii).

(3) [Reserved]. For further guidance, see § 1.42-5T(c)(3).

* * * * *

(h) *Effective/applicability dates*—(1) *In general.* * * *

(2) [Reserved]. For further guidance, see § 1.42-5T(h)(2).

(i) [Reserved]. For further guidance, see § 1.42-5T(i).

Par. 3. Section 1.42-5T is added to read as follows:

§ 1.42-5T Monitoring compliance with low-income housing credit requirements (temporary).

(a)(1) through (a)(2)(ii) [Reserved]. For further guidance, see § 1.42-5(a)(1) through (a)(2)(ii).

(ii) *Effect of guidance published in the Internal Revenue Bulletin.* Guidance published in the Internal Revenue Bulletin (see § 601.601(d)(2)(ii)(b) of this chapter) may provide—

(A) Exceptions to the requirements referred to in § 1.42-5(a)(2)(i) and the requirements described in this section; or

(B) Alternative means of satisfying those requirements.

(b) through (c)(2)(i) [Reserved]. For further guidance, see § 1.42-5(b) through (c)(2)(i).

(ii) Require that, with respect to each low-income housing project, the Agency conduct on-site inspections and review low-income certifications (including in that term the documentation supporting the low-income certifications and the rent records for tenants).

(iii) Require that the on-site inspections that the Agency must conduct satisfy both the requirements of § 1.42-5(d) and the requirements in paragraph (c)(2)(iii)(A) through (D) of this section, and require that the low-income certification review that the Agency must perform satisfies the requirements in paragraphs (c)(2)(iii)(A) through (D) of this section. Paragraph (c)(2)(iii)(A) through (D) of this section provides rules determining how these on-site inspection requirements and how these low-income certification review requirements may be satisfied by an inspection or review, as the case may be, that includes only a sample of the low-income units.

(A) *Timing.* The Agency must conduct on-site inspections of all buildings in the low-income housing project and must review low-income certifications of the low-income housing project—

(1) By the end of the second calendar year following the year the last building in the low-income housing project is placed in service; and

(2) At least once every 3 years thereafter.

(B) *Number of low-income units.* The Agency must conduct on-site inspections and low-income certification review of not fewer than the minimum number of low-income units required by guidance published in the Internal Revenue Bulletin. See § 601.601(d)(2)(ii)(b) of this chapter.

(C) *Selection of low-income units for inspection and low-income certifications for review*—(1) *Random selection.* The Agency must select in a random manner the low-income units to be inspected and the units whose low-income certifications are to be reviewed. The Agency is not required to select the same low-income units of a low-income housing project for on-site inspections and low-income certification review, and an Agency may choose a different number of units for on-site inspections and for low-income certification review, provided the Agency chooses at least the minimum number of low-income units in each case. If the Agency chooses to select different low-income units for on-site inspections and low-income certification review, the Agency must select the units for on-site inspections or low-income certification review separately and in a random manner.

(2) *Advance notification limited to reasonable notice.* The Agency must select the low-income units to inspect and low-income certifications to review in a manner that will not give advance notice that a particular low-income unit (or low-income certifications for a particular low-income unit) for a particular year will or will not be inspected (or reviewed). However, the Agency may give an owner reasonable notice that an inspection of the building and low-income units or review of low-income certifications will occur. The notice is to enable the owner to notify tenants of the inspection or to assemble low-income certifications for review.

(3) *Meaning of reasonable notice.* For purposes of paragraph (c)(2)(iii)(C)(ii) of this section, reasonable notice is generally no more than 30 days. The notice period begins on the date the Agency informs the owner of the identity of the units for which on-site inspections or low-income certification review will or will not occur. Notice of more than 30 days, however, may be reasonable in extraordinary circumstances that are beyond an Agency's control and that prevent an Agency from carrying out within 30 days an on-site inspection or low-income certification review. Extraordinary circumstances include, but are not limited to, natural disasters and severe weather conditions. In the event of extraordinary circumstances that result in a reasonable-notice period longer than 30 days, an Agency must conduct the on-site inspection or low-income certification review as soon as practicable.

(4) *Applicability of reasonable notice limitation when the same units are chosen for inspection and file review.* If the Agency chooses to select the same units for on-site inspections and low-income certification review, the Agency may conduct on-site inspections and low-income certification review either at the same time or separately. The Agency, however, must conduct both the inspections and review within the reasonable-notice period described in paragraph (c)(2)(iii)(C)(2) and (3) of this section.

(D) *Method of low-income certification review.* The Agency may review the low-income certifications wherever the owner maintains or stores the records (either on-site or off-site).

(3) *Frequency and form of certification.* A monitoring procedure must require that the certifications and reviews of § 1.42-5(c)(1) and (c)(2)(i) be made at least annually covering each year of the 15-year compliance period under section 42(i)(1). The certifications must be made under penalty of perjury. A monitoring procedure may require certifications and reviews more frequently than every 12 months, provided that all months within each 12-month period are subject to certification.

(c)(4) through (h)(1) [Reserved]. For further guidance, see § 1.42-5(c)(4) through (h)(1).

(2) *Effective/applicability dates of the REAC inspection protocol.* The requirements in paragraphs (a)(2)(iii), (c)(2)(ii) and (iii), and (c)(3) of this section apply beginning on February 25, 2016. Agencies using the REAC inspection protocol of the Department of Housing and Urban Development as part of the Physical Inspections Pilot Program may rely on these provisions for on-site inspections and low-income certification review occurring between January 1, 2015 and February 25, 2016. Otherwise, for the rules that apply before February 25, 2016, see § 1.42-5 as contained in 26 CFR part 1 revised as of April 1, 2015.

(i) *Expiration date.* The applicability of this section expires on February 22, 2019.

John Dalrymple,
*Deputy Commissioner for
Services and Enforcement.*

Approved: January 29, 2016.

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

(Filed by the Office of the Federal Register on February 23, 2016, 4:15 p.m., and published in the issue of the Federal Register for February 25, 2016, 81 F.R. 9333)

26 CFR 301.6103(j)(1)-1: Disclosures of return information reflected on returns to officers and employees of the Department of Commerce for certain statistical

T.D. 9754

DEPARTMENT OF THE TREASURY

Internal Revenue Service 26 CFR Part 301

Disclosures of Return Information Reflected on Returns to Officers and Employees of the Department of Commerce for Certain Statistical Purposes and Related Activities

AGENCY: Internal Revenue Service (IRS),
Treasury.

ACTION: Final regulations and removal
of temporary regulations.

SUMMARY: This document contains final regulations that authorize the disclosure of certain items of return information to the Bureau of the Census (Bureau) in conformance with section 6103(j)(1) of the Internal Revenue Code (Code). These regulations finalize temporary regulations that were made pursuant to a request from the Secretary of Commerce. These regulations require no action by taxpayers and have no effect on their tax liabilities. Thus, no taxpayers are likely to be affected by the disclosures authorized by this guidance.

DATES: *Effective Date:* These regulations are effective on February 26, 2016.

Applicability Date: For dates of applicability, see § 301.6103(j)(1)-1(e).

**FOR FURTHER INFORMATION
CONTACT:** William Rowe, (202) 317-
5093 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background and Explanation of Provisions

This document contains amendments to 26 CFR part 301. Section 6103(j)(1)(A) authorizes the Secretary of Treasury to furnish, upon written request by the Secretary of Commerce, such returns or return information as the Secretary of Treasury may prescribe by regulation to officers and employees of the Bureau for the purpose of, but only to the extent necessary in, the structuring of censuses and conducting related statistical activities authorized by law. Section 301.6103(j)(1)-1 of the existing regulations further defines such purposes by reference to 13 U.S.C. chapter 5 and provides an itemized description of the return information authorized to be disclosed for such purposes.

By letter dated May 10, 2013, the Secretary of Commerce requested that additional items of return information be disclosed to the Bureau for purposes of structuring a census that costs less per housing unit and still maintains high quality results. A major cost in previous decennial censuses was the high number of follow-up, in-person attempts to collect information from housing units that did not return a completed census form. The Bureau intends to conduct research and testing for the next decennial census using

administrative data from federal agencies, state agencies, and commercial vendors to determine whether the number of non-response follow-up visits can be reduced through the strategic reuse of this data. Specifically, the Bureau aims to achieve the following research initiatives: (1) Validating and enhancing the Master Address File; (2) Designing and assigning resources to carry out the next decennial census; (3) Un-duplicating public, private, and census lists; and (4) Imputing missing data. All administrative data from the above sources, including return information, will be integrated into the Bureau's data system that is used for the next decennial census and housing counts and will be done in a manner such that the source (for example, commercial vendor, IRS, or Social Security Administration) will not be associated with any data element in the final decennial person-level census records.

On July 15, 2014, a temporary regulation (TD 9677) was published in the **Federal Register** (79 FR 41132). The text of the temporary regulations also serves as the text of proposed regulations set forth in a notice of proposed rulemaking (REG-120756-13) published in the **Federal Register** for the same day (79 FR 41152). No public hearing was requested or held. Two comments responding to the notice of proposed rulemaking were received. After consideration of these comments, the proposed regulations are adopted by this Treasury decision, and the corresponding temporary regulations are removed.

The temporary regulations authorized disclosure of additional items of return information from the Form 1040, "U.S. Individual Income Tax Return", and disclosure of items from the Form 1098, "Mortgage Interest Statement". Specifically, § 301.6103(j)(1)-1T of the temporary regulations authorizes the disclosure of the following additional items of return information from Forms 1040: (1) Electronic Filing System Indicator; (2) Return Processing Indicator; and (3) Paid Preparer Code. Section 301.6103(j)(1)-1T authorizes the disclosure of the following items of return information from Form 1098: (1) Payee/Payer/Employee Taxpayer Identification Number; (2) Payee/Payer/Employee Name (First, Middle,

Last, Suffix); (3) Street Address; (4) City; (5) State; (6) ZIP Code (9 digit); (7) Posting Cycle Week; (8) Posting Cycle Year; and (9) Document Code. These temporary regulations apply to disclosures to the Bureau of the Census made on or after July 15, 2014, and expire on or before July 14, 2017.

Both comments opposed publication of the regulations and questioned the underlying authority for the IRS to disclose federal tax return information. Contrary to the views expressed in these comments, section 6103(j)(1) specifically authorizes the IRS to disclose returns or return information to the Bureau of the Census for the purpose of, but only to the extent necessary in, the structuring of censuses and national economic accounts and conducting related statistical activities authorized by law. The final regulations under § 301.6103(j)(1)-1 are being issued under the authority of section 6103(j)(1). Accordingly, the recommendation of both commentators that the regulations not be published has not been adopted.

Special Analyses

Certain IRS regulations, including this one, are exempt from the requirements of Executive Order 12866, as supplemented and reaffirmed by Executive Order 13563. Therefore, a regulatory assessment is not required. It has also been determined that section 553(b) of the Administrative Procedure Act (5 U.S.C. chapter 5) does not apply to these regulations. In addition, because the regulations do not impose a collection of information on small entities, the Regulatory Flexibility Act (5 U.S.C. chapter 6) does not apply. Accordingly, a regulatory flexibility analysis is not required under the Regulatory Flexibility Act (5 U.S.C. chapter 6). Pursuant to section 7805(f) of the Internal Revenue Code, the Notice of Proposed Rulemaking preceding this regulation was submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on its impact on small businesses.

Drafting Information

The principal author of these final regulations is William Rowe, Office of the

Associate Chief Counsel (Procedure & Administration).

* * * * *

Adoption of Amendments to the Regulations

Accordingly, 26 CFR part 301 is amended as follows:

PART 301—PROCEDURE AND ADMINISTRATION

Paragraph 1. The authority citation for part 301 continues to read in part as follows:

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

Par. 2. Section 301.6103(j)(1)-1 is amended by adding paragraphs (b)(1)(xviii) through (xx) and (b)(7) and revising paragraph (e) to read as follows:

§ 301.6103(j)(1)-1 Disclosures of return information reflected on returns to officers and employees of the Department of Commerce for certain statistical purposes and related activities.

* * * * *

(b) * * *

(1) * * *

(xviii) Electronic Filing System Indicator.

(xix) Return Processing Indicator.

(xx) Paid Preparer Code.

* * * * *

(7) Officers or employees of the Internal Revenue Service will disclose the following return information reflected on Form 1098 "Mortgage Interest Statement" to officers and employees of the Bureau of the Census for purposes of, but only to the extent necessary in, conducting and preparing, as authorized by chapter 5 of title 13, United States Code, demographic statistics programs, censuses, and surveys—

(i) Payee/Payer/Employee Taxpayer Identification Number;

(ii) Payee/Payer/Employee Name (First, Middle, Last, Suffix);

(iii) Street Address;

(iv) City;

(v) State;

(vi) ZIP Code (9 digit);

(vii) Posting Cycle Week;

(viii) Posting Cycle Year; and

(ix) Document Code.

* * * * *

(e) *Effective/applicability date.* Paragraphs (b)(1)(xviii) through (xx) and (b)(7) of this section apply to disclosures to the Bureau of the Census made on or after July 15, 2014. For rules that apply to disclosures to the Bureau of the Census before that date, see 26 CFR 301.6103(j)(1)–1 (revised as of April 1, 2014).

§ 301.6103(j)(1)–1T **[Removed]**
Par. 3. Section 301.6103(j)(1)–1T is removed.

John Dalrymple,
*Deputy Commissioner for
Services and Enforcement.*

Approved: January 22, 2016.

Mark J. Mazur,
Assistant Secretary of the Treasury.

(Filed by the Office of the Federal Register on February 24, 2016, 4:15 p.m., and published in the issue of the Federal Register for February 26, 2016, 81 F.R. 9766)

Part III. Administrative, Procedural, and Miscellaneous

26 CFR 1.601.105: Examination of returns and claims for refund, credit, or abatement; determination of correct tax liability
(Also: Part I, Sections 42; 1.42-5, 1.42-5T)

Rev. Proc. 2016-15

SECTION 1. PURPOSE

This revenue procedure sets forth, for purposes of § 1.42-5T(c)(2)(iii)(B) of the Income Tax Regulations, the minimum number of low-income units in a low-income housing project for which a State or local housing credit agency (Agency) must conduct physical inspections and low-income certification reviews. This revenue procedure also permits the physical inspection protocol established by the Department of Housing and Urban Development (HUD) Real Estate Assessment Center (the REAC protocol) to satisfy the physical inspection requirements of § 1.42-5(d) and § 1.42-5T(c)(2)(ii) and (iii).

SECTION 2. BACKGROUND

.01 Section 42 of the Internal Revenue Code provides rules for determining the amount of the low-income housing credit, which is allowed as a credit against income tax under section 38. A low-income unit is a residential unit that is rent-restricted and whose occupants meet the applicable income limit elected by the taxpayer as described in section 42(g)(1)(A) or (B).

.02 Under section 42(i)(3)(B)(i), a low-income unit is not treated as a low-income unit unless it is suitable for occupancy and used other than on a transient basis. Under section 42(i)(3)(B)(ii), the suitability of a unit for occupancy must be determined under regulations prescribed by the Secretary taking into account local health, safety, and building codes. Failure of one or more units to qualify as low-income units may result in a low-income housing project's ineligibility for the low-income housing credit, reduction in the amount of the credit, and/or recapture of previously allowed credits.

.03 Section 1.42-5 of the Income Tax Regulations provides procedures that an Agency (or its Authorized Delegate within the meaning of § 1.42-5(f)(1))

must follow in monitoring for compliance with the provisions of section 42.

.04 Section 1.42-5T(c)(2)(ii) requires an Agency to conduct on-site inspections and perform low-income certification review (including documentation supporting the low-income certifications and the rent records for tenants) for each low-income housing project.

.05 Section 1.42-5T(c)(2)(iii) requires an Agency to conduct on-site inspections that satisfy the requirements of both § 1.42-5(d) and § 1.42-5T(c)(2)(iii)(A)-(D) (relating to timing, number of low-income units, manner of selection, and method of review) and to perform low-income certification review that satisfies the requirements of § 1.42-5T(c)(2)(iii)(A)-(D).

.06 Section 1.42-5T(c)(2)(iii)(A) requires an Agency to conduct on-site inspections of all buildings in a low-income housing project and review low-income certifications by the end of the second calendar year following the year the last building in the project is placed in service and at least once every 3 years thereafter.

.07 Section 1.42-5T(a)(2)(iii) provides that guidance published in the Internal Revenue Bulletin may provide alternative means of satisfying the requirements of §§ 1.42-5(a)(2)(i) and 1.42-5T and may provide exceptions from those provisions. Section 1.42-5T(c)(2)(iii)(B) provides that an Agency must conduct on-site inspections and low-income certification review of no fewer than the minimum number of low-income units required by guidance published in the Internal Revenue Bulletin.

.08 Section 1.42-5T(c)(2)(iii)(C) requires an Agency to select the low-income units for purposes of on-site inspections and low-income certification review in a random manner. The Agency must select the low-income units to inspect and low-income certifications to review in a manner that will not give advance notice that a low-income unit or low-income certifications for a particular year will or will not be inspected or reviewed. However, the Agency may give an owner reasonable notice that an inspection of the building and low-income units or review of low-income certifications will occur so that the owner may notify ten-

ants of the inspection or assemble low-income certifications for review. Section 1.42-5T(c)(2)(iii)(C)(3) provides rules for determining the meaning of "reasonable notice."

.09 An Agency does not need to select the same low-income units for on-site inspections and low-income certification review. If the Agency chooses to select different low-income units for on-site inspections and low-income certification review, the Agency must select the units for on-site inspections or low-income certification review separately and in a random manner. An Agency may choose a different number of units for on-site inspections and low-income certification review, provided the Agency chooses at least the minimum number of low-income units in each case.

.10 Any pattern of overlap or non-overlap of the units selected for inspection and the units selected for low-income certification review must not violate § 1.42-5T(c)(2)(iii)(C)(2) (which limits advance notification to reasonable notice of which units will be subject to inspection or low-income certification review). Thus, if the Agency chooses to select the same units for on-site inspections and low-income certification review, the Agency may conduct on-site inspections and low-income certification review either at the same time or separately, but within the reasonable-notice period. This period starts to run on the date the Agency informs the owner of the identity of the units for which on-site inspections or low-income certification review will occur.

SECTION 3. SCOPE

This revenue procedure applies for determining whether compliance-monitoring provisions meet the requirements of §§ 1.42-5(d) and 1.42-5T(c)(2)(ii) and (iii).

SECTION 4. NUMBER OF LOW-INCOME UNITS FOR INSPECTION AND LOW-INCOME CERTIFICATION REVIEW

The minimum number of low-income units for which an Agency must conduct on-site inspections and low-income certi-

fication review is the lesser of (1) or (2) below—

- (1) 20 percent of the low-income units in the low-income housing project, rounded up to the nearest whole number of units, or
- (2) the Minimum Unit Sample Size set forth in the following Low Income Housing Credit Minimum Unit Sample Size Reference Chart:

Number of Low-Income Units in the Low-Income Housing Project	Number of Low-Income Units Selected for Inspection or Low-Income Certification Review (Minimum Unit Sample Size)
1	1
2	2
3	3
4	4
5–6	5
7	6
8–9	7
10–11	8
12–13	9
14–16	10
17–18	11
19–21	12
22–25	13
26–29	14
30–34	15
35–40	16
41–47	17
48–56	18
57–67	19
68–81	20
82–101	21
102–130	22
131–175	23
176–257	24
258–449	25
450–1,461	26
1,462–9,999	27

SECTION 5. INSPECTION STANDARD—USE OF THE REAC PROTOCOL

.01 The REAC protocol is among the inspection protocols that satisfy both § 1.42–5(d) and the physical inspection requirement of § 1.42–5T(c)(2)(ii) and (iii). This revenue procedure treats an inspection as being performed under the REAC protocol only if the inspection satisfies all of the following requirements:

- (1) Both vacant and occupied low-income units in a low-income housing project are included in the population of units from which units are selected for inspection.¹
- (2) The inspection complies with the procedural and substantive requirements of the HUD Real Estate Assessment Center (REAC), including the requirement to use the most recent REAC Uniform Physical Condition Standards (UPCS) inspection software (or software that is accepted by HUD).²
- (3) The inspection is performed by HUD REAC inspectors (or inspectors certified by HUD).
- (4) The inspection results are sent to HUD, the results are reviewed and scored within HUD’s secure system without any involvement of the inspector who conducted the inspection, and HUD makes its inspection report available.

.02 If, consistent with Section 5.01 of this revenue procedure, an Agency conducts on-site inspections under the REAC protocol—

- (1) § 1.42–5T(c)(2)(iii)(A) is applied as if it did not contain the word “all”;
- (2) The number of low-income units required to be inspected under the REAC protocol satisfies the requirements of § 1.42–5T(c)(2)(iii)(B) (concerning the number of low-income units an Agency must inspect); and
- (3) The manner in which the low-income units are selected for inspection under the REAC protocol

satisfies the requirements of § 1.42–5T(c)(2)(iii)(C).

.03 Conducting on-site inspections under the REAC protocol does not excuse an Agency from reviewing low-income certifications in accordance with § 1.42–5T(c)(ii) and (iii).

SECTION 6. EFFECTIVE DATE

This revenue procedure is effective on February 25, 2016. Agencies using the REAC protocol as part of the Physical Inspections Pilot Program, however, may rely on these provisions for on-site inspections and low-income certification review occurring between January 1, 2015 and February 25, 2016.

SECTION 7. DRAFTING INFORMATION

The principal authors of this revenue procedure are Jian H. Grant and Martha M. Garcia of the Office of Associate Chief Counsel (Passthroughs & Special Industries). For further information regarding this revenue procedure, please contact Ms. Grant at (202) 317-4137 or Ms. Garcia at (202) 317-6853 (not toll free numbers).

[26 C.F.R. § 301.7430–2]: [Requirements and procedures for recovery of reasonable administrative costs] (Also: Section 7430)

Rev. Proc. 2016–17

SECTION 1. PURPOSE

This revenue procedure provides guidance on the recovery of administrative and litigation costs in connection with the determination, collection, or refund of any tax, interest, or penalty by individuals who provide pro bono representation to taxpayers.

SECTION 2. BACKGROUND

.01 Section 7430 provides for awards of reasonable administrative and litigation costs incurred by taxpayers who substantially prevail in administrative or court proceedings brought by or against the United States in connection with the de-

¹For low-income units, including vacant units, that do not pass inspection under the REAC protocol, it may be possible to correct the noncompliance and avoid loss of credits or recapture. See § 1.42–5(e)(4).

²The HUD REAC requires the use of the REAC sampling methodology, which is incorporated in the REAC UPCS inspection software. However, mere use of the public version of the REAC UPCS inspection software is not, by itself, sufficient to qualify as use of the REAC protocol.

termination, collection, or refund of any tax, interest, or penalty under title 26.

.02 Section 7430(c)(3)(B), as amended by the Internal Revenue Service Restructuring and Reform Act of 1998, Pub. L. No. 105-206, 112 Stat. 685 (Jul. 22, 1998) (RRA '98), provides that a court may award reasonable attorneys' fees under section 7430(a) in excess of fees paid or incurred if those fees are less than the reasonable attorneys' fees because an individual is representing the prevailing party for no fee or for a fee which, taking into account all the facts and circumstances, is no more than a nominal fee (i.e., pro bono).

.03 Section 7430(c)(3)(A) provides that the fees for the services of an individual (whether or not an attorney) who is authorized to practice before the United States Tax Court or before the Internal Revenue Service (the Service) shall be treated as fees for the services of an attorney.

.04 Section 7430(c)(3)(B) further provides that an award of fees for representation on a pro bono basis may only be paid to the individual providing the pro bono representation or such individual's employer.

.05 On November 25, 2009, the Treasury Department and the Service published proposed amendments to the Treasury regulations relating to awards of administrative costs and attorneys' fees under section 7430 (74 FR 61589) to conform the regulations to the amendments that were made to section 7430 in RRA '98, including the amendment allowing for an award of reasonable attorneys' fees when a taxpayer is represented on a pro bono basis. Final regulations are being issued contemporaneously with this revenue procedure (Treasury Decision 9756).

.06 In response to public comments received on the proposed regulations, this revenue procedure supplements the final regulations by providing more detailed information and processes specific to pro bono representation. A summary of the comments can be found in the preamble to the final section 7430 regulations.

SECTION 3. SCOPE

.01 This revenue procedure applies to representatives providing pro bono representation.

.02 Pro Bono Representation. Pro bono representation is established by demonstrating that (1) representation was provided for no fee or for a fee that, taking into account all the facts and circumstances, constitutes a nominal fee, and (2) the representative intended to provide representation for no fee or a nominal fee from the commencement of the representation. See Treas. Reg. § 301.7430-4(d)(2).

(A) A nominal fee is defined as a fee that is insignificantly small or minimal. A nominal fee is a trivial payment, bearing no relation to the value of the representation provided, taking into account all the facts and circumstances. See Treas. Reg. Sec. 301.7430-4(d)(3).

(B) Intent to provide representation for no fee or a nominal fee may be demonstrated through documentation such as a retainer agreement or a pro bono representation agreement. A representative will not be considered to have provided pro bono representation if the facts demonstrate that the representative anticipated a fee greater than a nominal fee or provided representation on a contingency fee basis. However, the fact that the representative intended to seek recovery of fees under section 7430 will not prevent the representative from satisfying this requirement. See Treas. Reg. § 301.7430-4(d)(2)(ii).

.03 Pro bono representatives include, but are not limited to, individuals providing pro bono representation directly or individuals employed by or acting in conjunction with organizations providing legal representation. Thus, a pro bono representative may be a sole practitioner, a partner or employee in a law firm or accounting firm, an employee of an organization, or a volunteer affiliated with an organization. Examples of organizations that provide pro bono representation, in whole or in part, include, but are not limited to, legal aid organizations, low income taxpayer clinics receiving funding under section 7526, clinics participating in the Service's Student Tax Clinic Program, and clinics participating in the United States Tax Court's clinical program, whether the representation is provided by the employees, the legal aid organization or clinic, or by other individuals and/or service providers affiliated with the legal aid organization or clinic.

SECTION 4. PROCEDURE

.01 To recover fees under section 7430, a pro bono representative generally should follow the procedures set forth in section 7430, Treas. Reg. § 301.7430-2, and Tax Court Rules 230-233. The additional procedures set forth below apply only to pro bono representatives.

.02 Recordkeeping Requirements. To recover fees, a pro bono representative must maintain contemporaneous activity records of all time spent on a case for which fees are being claimed. The records should be similar to billing records maintained by for-profit law firms for non-pro bono representation, and must show the work performed and the time allocated to each task. The representation must be described in sufficient detail to enable the Service to evaluate the reasonableness of the amount of time expended in relation to the service performed and to identify duplicated efforts, if any. The records must include time spent by all those who provide representation to the taxpayer that is recoverable under this revenue procedure. For each representative for whom fees are claimed, the records must identify the individual's name and position, such as supervisory attorney, student, or paralegal, and the associated incremental periods of time spent by that individual for which a fee is claimed. For each increment of time for which fees are claimed, the records must identify the date on which the representation was provided and must describe the nature of the representation in detail. The use of classifications to describe the representation is strongly encouraged. Suggested classifications include, but are not limited to, initial client interview, research (identifying the issue), preparing pleadings or other court documents, preparing letters (identifying the recipient and subject matter), investigation of underlying facts (briefly describing the subject matter and information), analysis of taxpayer or third-party records (identifying the records), consultation with tax return preparer (identifying the preparer), consultation or interview of third party (identifying the person), and telephone conversations (identifying with whom the conversation was held and the subject matter). What constitutes sufficient detail will be initially determined by

the Service based on the facts and circumstances of each case.

.03 Review of Denial. The Service's denial of an award of fees, in whole or in part, may be challenged in the Tax Court pursuant to section 7430(f).

.04 Rate for Pro Bono Representatives Who Charge an Hourly Rate. The hourly rate used to calculate an attorney fee award for pro bono representatives who charge hourly rates in their ordinary course of business will generally be limited to the lesser of the statutory hourly rate set forth in section 7430(c)(1)(B)(iii) or their hourly billing rate, unless they can establish that a special factor, as described in section 7430(c)(1)(B)(iii), applies.

.05 Fixed Rate for Pro Bono Representatives Who Do Not Charge an Hourly Rate. Some pro bono representatives do not charge hourly rates for representation in the ordinary course of their business. Examples of these pro bono representatives include, but are not limited to, employees of a clinic or organization that provides pro bono representation, and other individuals who perform pro bono representation outside of their professional employment, such as retired representatives or in-house counsel. Since it is often difficult to determine an appropriate hourly rate with respect to these pro bono representatives on a case-by-case basis, and attempting to do so may require the expenditure of significant resources by the parties to the proceeding and possibly a court, this revenue procedure provides a fixed rate for individuals who provide pro bono representation but do not charge an hourly rate for representing taxpayers equal to the statutory hourly rate under section 7430(c)(1)(B)(iii). If an award based on a higher hourly rate is sought, the burden will be on the requester to establish that a higher hourly rate is appropriate.

.06 Fixed Rate for Students and Paralegals. Reasonable fees may be recovered for work performed by students who have been authorized to practice before the Service pursuant to 31 C.F.R. Part 10 (Treasury Department Circular No. 230) or to practice before the United States Tax Court under the supervision of a practitioner through the United States Tax Court's Clinical, Student Practice and Calendar Call Program, and by paralegals or other

persons qualified to perform paralegal work who are assisting pro bono representatives. For reasons similar to those described in section 4.05 of this revenue procedure, this revenue procedure provides a fixed rate for students authorized as described in this section 4.06, and for paralegals or other persons qualified to perform paralegal work regardless of whether they charge an hourly rate, equal to thirty-five percent of the statutory hourly rate provided for representatives under section 7430(c)(1)(B)(iii). If an award based on a higher hourly rate is sought, the burden will be on the requester to establish that a higher hourly rate is appropriate. Fees are not recoverable for work that is secretarial in nature. *See* Treas. Reg. § 301.7430-4(c)(2).

.07 Other Volunteers at a Pro Bono Clinic or Organization. Fees for time claimed for other volunteers (e.g., students or professionals who have not been authorized to practice before the Service or the Tax Court or paralegal students) working at a pro bono clinic or organization may be recoverable on a case-by-case basis. The burden will be on the requester to establish an appropriate hourly rate.

.08 Application of Requirements of Section 7430. To be eligible for an award of attorneys' fees, taxpayers represented by a pro bono representative must meet all applicable requirements of section 7430.

.09 Award of Fees. A fee awarded under section 7430(c)(3)(B) generally will be paid to the pro bono representative, unless the Service is specifically instructed by the representative, in writing, to pay the fee to the representative's employer, such as a law firm. Fees awarded for services provided by an employee of a pro bono clinic or organization, or a student affiliated with a pro bono clinic or organization, will be paid to the clinic or organization. If, however, an individual representative who is not an employee of a pro bono clinic or organization volunteers to provide services in affiliation with a pro bono clinic or organization, fee awards in that context will be paid to the clinic or organization. Solely for the purpose of determining to whom an award of fees under section 7430 should be paid, the clinic or organization will be considered the employer of the individual who volunteers to provide services for the pro

bono clinic or organization. If the Service is specifically informed in writing by the pro bono clinic or organization that, pursuant to an agreement between the clinic or organization and the representative, some or all of the award should be paid to the representative or to the representative's employer, that agreement will be honored. For purposes of this section 4.09, a for-profit law firm is not considered to be an organization.

SECTION 5. EXAMPLES

Example 1. This example primarily illustrates the application of sections 4.04 and 4.05 of this Revenue Procedure. Attorney W, an employee of a low income taxpayer clinic, represents D in a Tax Court proceeding. Counsel, an attorney employed by a for-profit law firm, also represents D in that Tax Court action on a pro bono basis. D prevails and a motion for fees is filed on D's behalf. Counsel's hourly billing rate at the law firm exceeds the statutory hourly rate under section 7430(c)(1)(B)(iii). The claim for fees includes time charged at the statutory hourly rate for Attorney W and time charged at Counsel's hourly billing rate. Counsel cannot demonstrate that any special factor warrants an hourly rate in excess of the statutory hourly rate. Similarly, Attorney W cannot demonstrate that a rate in excess of the fixed rate is appropriate. Assuming D meets the remaining requirements of section 7430, Attorney W and Counsel are entitled to an award of fees for a reasonable number of hours. The award is limited to the statutory hourly rate for Attorney W's and Counsel's time.

Example 2. This example primarily illustrates the application of sections 4.05 and 4.06 of this Revenue Procedure. Attorney X, an employee of a low income taxpayer clinic, represents A on a pro bono basis in a controversy with the Service. Student S and Paralegal P assist Attorney X with the representation of A. Student S has been authorized to practice before the Service. A prevails and Attorney X files a claim for fees on A's behalf. Attorney X does not charge an hourly billing rate, and cannot demonstrate that a rate in excess of the statutory hourly rate is appropriate. Similarly, Student S and Paralegal P do not charge an hourly billing rate, and cannot demonstrate that a rate in excess of the fixed rate set forth in section 4.06 of this revenue procedure is appropriate. Assuming A meets the remaining requirements of section 7430, fees will be awarded for Attorney X's reasonable time at a fixed rate equal to the statutory hourly rate under section 7430(c)(1)(B)(iii). Fees for reasonable time spent by Student S and Paralegal P in assisting Attorney X will be awarded at a fixed rate of thirty-five percent of the statutory hourly rate provided for representatives under section 7430(c)(1)(B)(iii).

Example 3. This example primarily illustrates the application of section 4.09 of this Revenue Procedure. Attorney Y, who is employed by a nonprofit organization, represents B on a pro bono basis. B prevails with respect to the amount in controversy. In addition to Attorney Y, B is represented by Lawyer, an attorney employed by a for-profit law firm, who

worked on the case on a pro bono basis at the request of the nonprofit organization. B prevails and Attorney Y files a claim for administrative and litigation costs on B's behalf. Therefore, assuming B is otherwise entitled to recover costs, and the nonprofit organization does not specifically inform the Service that the portion of the fees attributable to Lawyer's work on the case should be paid to Lawyer or Lawyer's firm, all fees will be paid to the nonprofit organization.

Example 4. This example primarily illustrates the application of section 4.02 of this Revenue Procedure. Attorney Z, an employee of a low income taxpayer clinic, provides C with pro bono representation in a controversy with the Service that was ongoing for several years. C prevails and Attorney Z

files a claim for fees on C's behalf. The activity records submitted with the claim for fees were created shortly before the claim was submitted. The Service may challenge C's entitlement to fees based on the fact that the activity records were not contemporaneously maintained and may be unreliable.

SECTION 6. EFFECTIVE DATE

This revenue procedure is effective for all motions for costs under section 7430 filed on or after February 29, 2016. Taxpayers may elect to follow this revenue procedure for motions for costs under sec-

tion 7430 filed prior to February 29, 2016, and pending before the court on February 29, 2016.

SECTION 7. DRAFTING INFORMATION

The principal author of this revenue procedure is Shannon K. Castañeda of the Office of Associate Chief Counsel (Procedure and Administration). For further information regarding this revenue procedure, contact Shannon K. Castañeda at (202) 317-5437 (not a toll-free number).

Part IV. Items of General Interest

Notice of Proposed Rulemaking by Cross-reference to Temporary Regulations.

Amendments to the Low-Income Housing Credit Compliance-Monitoring Regulations

REG-150349-12

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Notice of proposed rulemaking by cross-reference to temporary regulations.

SUMMARY: In the Rules and Regulations section of this issue of the **Internal Revenue Bulletin**, the IRS is issuing final and temporary regulations concerning the compliance-monitoring duties of a State or local housing credit agency (Agency) for purposes of the low-income housing credit. The final and temporary regulations revise and clarify certain rules relating to the requirements to conduct physical inspections and review low-income certifications and other documentation. The text of the temporary regulations also serves as the text of these proposed regulations.

DATES: Comments and requests for a public hearing must be received by May 25, 2016.

ADDRESSES: Send submissions to: CC: PA:LPD:PR (REG-150349-12), room 5203, Internal Revenue Service, P.O. Box 7604, Ben Franklin Station, Washington, DC 20044. Submissions may be hand delivered Monday through Friday between the hours of 8 a.m. and 4 p.m. to: CC:PA:LPD:PR (REG-150349-12), Courier's Desk, Internal Revenue Service, 1111 Constitution Avenue, NW., Washington, DC. Submissions may also be sent electronically via the Federal eRulemaking Portal at www.regulations.gov (IRS REG-150349-12).

FOR FURTHER INFORMATION CONTACT: Concerning the regulations, Jian H. Grant, (202) 317-4137, and Martha M. Garcia, (202) 317-6853 (not toll-free numbers); concerning submission of comments, the hearing, and/or to be placed on the building access list to attend the hearing, Oluwafunmilayo Taylor at (202) 317-6901 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

Final and temporary regulations in the Rules and Regulations section of this issue of the **Internal Revenue Bulletin** amend the Income Tax Regulations (26 CFR Part 1) relating to section 42 and serve as the text for these proposed regulations.

Special Analyses

Certain IRS regulations, including this one, are exempt from the requirements of Executive Order 12866, as supplemented and reaffirmed by Executive Order 13563. Therefore, a regulatory assessment is not required. It also has been determined that section 553(b) of the Administrative Procedure Act (5 U.S.C. chapter 5) does not apply to these regulations, and because the regulations do not impose a collection of information on small entities, the Regulatory Flexibility Act (5 U.S.C. chapter 6) does not apply. Pursuant to section 7805(f) of the Internal Revenue Code, this notice of proposed rulemaking will be submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on their impact on small business.

Comments and Requests for Public Hearing

Before these proposed regulations are adopted as final regulations, consideration will be given to any comments that are submitted timely to the IRS as prescribed in this preamble under the "Addresses" heading. The Treasury Department and the IRS request comments on all aspects of the proposed rules. All comments will be available at www.regulations.gov upon request. A public hearing will be

scheduled if requested in writing by any person that timely submits written comments. If a public hearing is scheduled, notice of the date, time, and place for the public hearing will be published in the **Federal Register**.

Drafting Information

The principal authors of these regulations are Jian H. Grant and Martha M. Garcia, Office of the Associate Chief Counsel (Passthroughs and Special Industries). However, other personnel from the IRS and the Treasury Department participated in their development.

* * * * *

Proposed Amendments to the Regulations

Accordingly, 26 CFR part 1 is proposed to be amended as follows:

PART 1—INCOME TAXES

Paragraph 1. The authority citation continues to read in part as follows:

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

Par. 2. Section 1.42-5 is amended by revising paragraphs (a)(2)(iii), (c)(2)(ii) and (iii), and (c)(3), and adding two sentences to paragraph (h) to read as follows:

§ 1.42-5 Monitoring compliance with low-income housing credit requirements.

(a) * * *

(2) * * *

(iii) [The text of proposed amendments to § 1.42-5(a)(2)(iii) is the same as the text of § 1.42-5T(a)(2)(iii) published elsewhere in this issue of the **Internal Revenue Bulletin**.]

* * * * *

(c) * * *

(2) * * *

(ii) [The text of proposed amendments to § 1.42-5(c)(2)(ii) is the same as the text of § 1.42-5T(c)(2)(ii) published elsewhere in this issue of the **Internal Revenue Bulletin**.]

(iii) [The text of proposed amendments to § 1.42-5(c)(2)(iii) is the same as the text of § 1.42-5T(c)(2)(iii) published elsewhere in this issue of the **Internal Revenue Bulletin**.]

(3) [The text of proposed amendments to § 1.42-5(c)(3) is the same as the text of § 1.42-5T(c)(3) published elsewhere in this issue of the **Internal Revenue Bulletin**].

* * * * *

(h) * * *

[The text of the proposed addition to § 1.42-5(h) is the same as the text of the first two sentences of § 1.42-5T(h)(1) published elsewhere in this issue of the **Internal Revenue Bulletin**].

* * * * *

John Dalrymple,
*Deputy Commissioner for
Services and Enforcement.*

(Filed by the Office of the Federal Register on February 23, 2016, 4:15 p.m., and published in the issue of the Federal Register for February 25, 2016, 81 F.R. 9379)

Definition of Terms

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

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

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

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

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

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

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

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

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

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

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

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

Abbreviations

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

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

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

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

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¹A cumulative list of all revenue rulings, revenue procedures, Treasury decisions, etc., published in Internal Revenue Bulletins 2015–27 through 2015–52 is in Internal Revenue Bulletin 2015–52, dated December 28, 2015.

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The Introduction at the beginning of this issue describes the purpose and content of this publication. The weekly Internal Revenue Bulletins are available at *www.irs.gov/irb/*.

We Welcome Comments About the Internal Revenue Bulletin

If you have comments concerning the format or production of the Internal Revenue Bulletin or suggestions for improving it, we would be pleased to hear from you. You can email us your suggestions or comments through the IRS Internet Home Page (*www.irs.gov*) or write to the Internal Revenue Service, Publishing Division, IRB Publishing Program Desk, 1111 Constitution Ave. NW, IR-6230 Washington, DC 20224.