

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.

Bulletin No. 2016–34
August 22, 2016

INCOME TAX

Announcement 2016–29 page 272.

This document contains a correction to Notice 2016–44, as published on Monday, July 18, 2016 (I.R.B. 2016–29, 132). In particular, this announcement corrects one administrative item.

Rev. Proc. 2016–42 page 269.

The IRS will treat the sample provision in this revenue procedure as a qualified contingency under section 664(f). A CRAT containing the sample provision will not be subject to the probability of exhaustion test set forth in Rev. Rul. 70–452, 1970–2 C.B. 199, and applied in Rev. Rul. 77–374, 1977–2 C.B. 329.

EXEMPT ORGANIZATIONS

Announcement 2016–28 page 272.

Revocation of IRC 501(c)(3) Organizations for failure to meet the code section requirements. Contributions made to the organizations by individual donors are no longer deductible under IRC 170(b)(1)(A).

ESTATE TAX

Rev. Proc. 2016–42 page 269.

The IRS will treat the sample provision in this revenue procedure as a qualified contingency under section 664(f). A CRAT containing the sample provision will not be subject to the probability of exhaustion test set forth in Rev. Rul. 70–452, 1970–2 C.B. 199, and applied in Rev. Rul. 77–374, 1977–2 C.B. 329.

GIFT TAX

The IRS will treat the sample provision in this revenue procedure as a qualified contingency under section 664(f). A CRAT containing the sample provision will not be subject to the probability of exhaustion test set forth in Rev. Rul. 70–452, 1970–2 C.B. 199, and applied in Rev. Rul. 77–374, 1977–2 C.B. 329.

EMPLOYMENT TAX

Notice 2016–49 page 265.

The Treasury Department and the IRS recently issued temporary and proposed regulations under section 7705 of the Internal Revenue Code (Code) addressing the requirements relating to an application for and maintenance of certification as a Certified Professional Employer Organization (CPEO), as well as a revenue procedure setting forth detailed procedures for applying for certification as a CPEO. In response to comments that certain requirements in the regulations and revenue procedure may inappropriately limit the ability of persons to apply for and maintain certification as a CPEO, this notice specifies revisions that are intended to be made to the temporary regulations and revenue procedure and provides reliance until further guidance containing those revisions is published. In addition, this notice provides CPEO applicants with additional time to submit a complete and accurate application for certification in order to be eligible for an effective date of certification of January 1, 2017.

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.

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Part III. Administrative, Procedural, and Miscellaneous

Interim Guidance Under Section 7705 for Certified Professional Employer Organizations

Notice 2016-49

I. PURPOSE AND OVERVIEW

This notice provides interim guidance on certain requirements for persons seeking certification as Certified Professional Employer Organizations (CPEOs), as defined in § 301.7705-1T(b)(1). The Department of the Treasury (Treasury) and the Internal Revenue Service (IRS) recently issued temporary and proposed regulations under section 7705 of the Internal Revenue Code (Code) addressing the requirements relating to applications for and maintenance of certification as a CPEO, as well as a revenue procedure setting forth detailed procedures for applying for certification as a CPEO. Treasury and IRS have received comments that certain provisions of the regulations and revenue procedure may unnecessarily limit the ability of persons to apply for and maintain certification as a CPEO, including: (1) the requirement that a CPEO applicant, as defined in § 301.7705-1T(b)(2), or CPEO provide a certified public accountant (CPA) opinion that its annual audited financial statements reflect positive working capital (or meet certain rules that permit negative working capital in limited circumstances) and that it computes its taxable income using an accrual method of accounting; (2) the requirement that a CPEO applicant or CPEO submit a written declaration of an independent CPA, who submits opinions and attestations regarding the CPEO applicant's or CPEO's annual audited financial statements and ongoing federal employment tax compliance, declaring that the CPA is authorized to represent the CPEO applicant or CPEO before the IRS; and (3) the requirement that a CPEO be a business entity that is not a disregarded entity. This notice describes modifications to these requirements that Treasury and IRS intend to make when publishing final regulations and updating the revenue procedure. Taxpayers may rely on the guidance provided

in this notice until the final regulations and updated revenue procedure are published.

In addition, Treasury and IRS are aware that, for persons submitting applications during the first year of the program, the audited financial statements that must be included as part of the application for certification might not include some of the elements required by the regulations because the statements relate to fiscal years that end before or shortly after the regulations were issued. To address this issue, this notice provides transition relief for meeting the audited financial statement requirements in the regulations and revenue procedure.

Finally, in recognition that this notice provides interim guidance on requirements applicable to persons who may already be engaged in the process of applying for certification as a CPEO, this notice extends to September 30, 2016, the deadline by which a complete and accurate application for certification must be submitted in order to be eligible for an effective date of certification of January 1, 2017.

II. BACKGROUND

The Stephen Beck, Jr., Achieving a Better Life Experience (ABLE) Act of 2014, enacted on December 19, 2014, as part of The Tax Increase Prevention Act of 2014 (Pub. L. No. 113-295), added new sections 3511 and 7705 to the Code relating to the federal employment tax consequences and certification requirements, respectively, of a CPEO. The ABLE Act requires the establishment of a voluntary program for persons to apply to become certified as a CPEO. Temporary and final regulations (TD 9768) describing the requirements relating to applications for and maintenance of certification were published in the Federal Register on May 6, 2016 (81 Fed. Reg. 27315). Proposed regulations (REG-127561-15), also published in the Federal Register on May 6, 2016 (81 Fed. Reg. 27360), provide guidance on the federal employment tax liabilities and other obligations of persons certified by the IRS as CPEOs, propose to adopt the text of the temporary

regulations by cross-reference, and solicit public comments on the provisions contained in both the proposed and temporary regulations. Rev. Proc. 2016-33, 2016-25 I.R.B. 1034 (released June 4, 2016), sets forth detailed procedures for applying for certification as a CPEO. A future revenue procedure will address requirements for a CPEO to remain certified and the procedures relating to suspension and revocation of CPEO certification.

III. REQUIREMENT FOR A CPA OPINION REGARDING THE CPEO APPLICANT'S OR CPEO'S WORKING CAPITAL AND METHOD OF ACCOUNTING

The temporary regulations and Rev. Proc. 2016-33 provide guidance on the statutory requirements for certification as a CPEO, pursuant to section 7705. Specifically, section 7705(b) sets forth the certification requirements that a person must satisfy in order to become a CPEO. Among other requirements, a person must demonstrate that it meets such requirements as the Secretary shall establish, including requirements relating to tax status, background, experience, business location, and annual financial audits; agree to satisfy (on an ongoing basis) certain bond and independent financial review requirements; and compute its taxable income using an accrual method of accounting unless the Secretary approves another method. Section 7705(c) prescribes the bond and independent financial review requirements that a person must satisfy to become and remain a CPEO. Under section 7705(c)(3)(A), a CPEO must, as of the most recent audit date, cause to be prepared and provided to the Secretary (in such manner as the Secretary may prescribe) an opinion of an independent CPA as to whether the CPEO's financial statements are presented fairly in accordance with generally accepted accounting principles (GAAP). Section 301.7705-2T(e)(1)(i) reiterates this statutory requirement, while § 301.7705-2T(e)(2) describes how this requirement applies to CPEO applicants.

As explained in the preamble to the temporary regulations, Treasury and IRS consider a CPEO with annual audited fi-

nancial statements that reflect positive working capital (as determined in accordance with GAAP) to present a materially lower risk to the IRS's collection of federal employment taxes than a CPEO without such financial statements. Accordingly, pursuant to section 7705(b)(1) and consistent with several state certification and registration laws governing professional employer organizations, § 301.7705-2T(e)(1) requires a CPEO applicant or CPEO to cause to be prepared and provided to the IRS, by the same date by which it must provide its annual financial statements to the IRS, an opinion of an independent CPA that the financial statements reflect positive working capital for the fiscal year or that the CPEO applicant or CPEO satisfies the requirements of § 301.7705-2T(e)(3) (the exception to the positive working capital requirement). In addition, the temporary regulations require this opinion to set forth in detail a calculation of the CPEO applicant's or CPEO's working capital. In the case of a CPEO applicant that is a member of a controlled group of which other members are CPEO applicants or CPEOs, section 2.05(6) of Rev. Proc. 2016-33 clarifies that the CPEO applicant must submit copies of combined or consolidated annual audited financial statements for all CPEO applicants and CPEOs in the controlled group and an accompanying unmodified opinion of a CPA that such financial statements are presented fairly and in accordance with GAAP. The statements and opinion must contain the name and employer identification number (EIN) of each CPEO applicant and CPEO in the controlled group, as well as the name and EIN of controlled group members that are not CPEO applicants or CPEOs, if the statements and opinion include such members. A CPEO applicant that is a member of a controlled group of which other members are CPEO applicants or CPEOs must also submit an opinion of a CPA that the individual CPEO applicant's financial statements reflect positive working capital (as defined by GAAP) or that the requirements of § 301.7705-2T(e)(3) are satisfied, with the opinion in either case setting forth a calculation of the individual CPEO applicant's working capital.

Consistent with section 7705(b)(4), § 301.7705-2T(l) requires a CPEO to compute its taxable income using an accrual method of accounting or, if applicable, another method that the Commissioner provides for in further guidance. Further, section 2.05(2)(c) of Rev. Proc. 2016-33 requires the CPA opinion accompanying submission of the annual audited financial statements to reflect that the CPEO applicant computes its taxable income using an accrual method of accounting.

Treasury and IRS have received comments suggesting that CPAs may be prevented from including statements on working capital and the accrual method in their opinions due to certain American Institute of Certified Public Accountants (AICPA) limitations on what can be included in a CPA opinion. These commenters have requested clarification that the inclusion of these items in the financial statements, which are covered by the CPA opinion, rather than in the CPA opinion itself, would satisfy the regulatory requirements.

To ensure consistency with the AICPA guidelines applicable to CPA opinion letters, Treasury and IRS anticipate revising the requirements of § 301.7705-2T(e)(1) and section 2.05(2) of Rev. Proc. 2016-33 to require a CPEO applicant or CPEO to submit a copy of its annual audited financial statements and an unmodified opinion of a CPA that the annual audited financial statements are presented fairly in accordance with GAAP, provided that the audited financial statements covered by the opinion include a Note to the Financial Statements that states that the financial statements reflect positive working capital or that the CPEO applicant or CPEO satisfies the requirements of § 301.7705-2T(e)(3). The Note described in the previous sentence must also provide in detail a calculation of the working capital. In the case of a CPEO applicant that is a member of a controlled group of which other members are CPEO applicants or CPEOs, the Note to the Financial Statements of the combined or consolidated annual audited financial statements for the controlled group must state that the individual financial statements of each CPEO applicant or CPEO that is a member of the controlled group reflect positive

working capital (as defined by GAAP) or that the individual CPEO applicant or CPEO satisfies the requirements of § 301.7705-2T(e)(3), in either case setting forth in detail a calculation of each individual CPEO applicant's or CPEO's working capital. Similarly, Treasury and IRS anticipate revising the requirements of section 2.05(6) of Rev. Proc. 2016-33 to allow the name and EIN of each member of the controlled group that is included within the consolidated audited financial statements of the controlled group to be listed in either the Note to the Financial Statements or in a separate attachment signed by a responsible individual of the CPEO applicant or CPEO under penalties of perjury, rather than in the CPA opinion.

Because GAAP requires the use of an accrual method of accounting and the required CPA opinion must state that a CPEO applicant's or CPEO's audited annual financial statements are presented fairly in accordance with GAAP, the separate requirement in paragraph (c) of section 2.05(2) of Rev. Proc. 2016-33 for a CPA opinion stating that such financial statements "reflect that the CPEO . . . computes its taxable income using an accrual method of accounting" is unnecessary. Treasury and IRS anticipate revising Rev. Proc. 2016-33 to eliminate paragraph (c) of section 2.05(2).

IV. TRANSITION RELIEF FOR CPEO APPLICANTS SUBMITTING ANNUAL AUDITED FINANCIAL STATEMENTS FOR FISCAL YEARS ENDING BEFORE SEPTEMBER 30, 2016

Section 301.7705-2T(e)(2) and section 2.05(1) of Rev. Proc. 2016-33 require a CPEO applicant to provide to the IRS, with its application, a copy of its annual audited financial statements for the most recently completed fiscal year as of the date it applies for certification, as well as a CPA opinion with respect to those statements (as described in § 301.7705-2T(e)(1) and section 2.05(2) of Rev. Proc. 2016-33, and further addressed in section III of this notice). If a CPEO applicant applies for certification before the last day of the sixth month following its most recently completed fiscal year, and the audit of the financial statements for that fiscal year has not been completed at the time of

application, a CPEO applicant must provide with its application the annual audited financial statements and opinion for the immediately preceding fiscal year, if any, and must subsequently provide to the IRS by the last day of the sixth month after that fiscal year ends the annual audited financial statements and opinion for the most recently completed fiscal year. In addition, for any fiscal year that ends after the CPEO applicant submits its application for certification and on or before the effective date of certification, if applicable, the CPEO applicant must provide the annual audited financial statements by the last day of the sixth month after such fiscal year ends. The obligation of a CPEO applicant to provide a copy of its annual audited financial statements and an opinion for the most recently completed fiscal year as of the date it applies for certification continues even if the CPEO applicant is certified as a CPEO before the IRS has received the annual audited financial statements.

Treasury and IRS have received comments expressing the concern that, for persons applying for certification in the first year of the program, the regulatory requirements regarding submission of annual audited financial statements and CPA opinions with respect to those statements apply to fiscal years predating promulgation of the temporary regulations for which the audit is already closed and could require a CPEO applicant to undertake the costly process of amending prior financial statements or conducting financial audits of those years anew. In response to this concern, this notice provides transition relief for any CPEO applicant required to submit a copy of its annual audited financial statements and CPA opinion with respect to a fiscal year ending before September 30, 2016, as a part of its application for certification. Specifically, a CPEO applicant will not fail to meet the requirements of § 301.7705-2T(e)(2) or section 2.05(1) and (2) of Rev. Proc. 2016-33 if the CPEO applicant submits, together with annual audited financial statements for a fiscal year ending before September 30, 2016: (1) an unmodified opinion of a CPA that the annual audited financial statements are presented fairly in accordance with GAAP; and (2) a separate statement,

signed under penalties of perjury by a responsible individual of the CPEO applicant, that the financial statements reflect positive working capital for the fiscal year or that the CPEO applicant satisfies the requirements of § 301.7705-2T(e)(3), in lieu of such information being provided in the CPA opinion or in a Note to the Financial Statement, as described in section III of this notice. The statement by the responsible individual must also provide in detail a calculation of the CPEO applicant's working capital. In the case of a CPEO applicant that is a member of a controlled group of which other members are also CPEO applicants or CPEOs, the CPEO applicant must submit its own separate statement by a responsible individual that the individual financial statements of that CPEO applicant reflect positive working capital (as defined by GAAP) or that the requirements of § 301.7705-2T(e)(3) are satisfied, in either case setting forth in detail a calculation of the individual CPEO applicant's working capital.

Regardless of its fiscal year end date, a CPEO applicant has until the last day of the sixth month after the end of its fiscal year to submit the annual audited financial statements, accompanying CPA opinion, and, if applicable, separate statement of positive working capital, signed by a responsible individual, for that year. For example, if a CPEO applicant with a fiscal year ending September 30, 2016, submits an application for certification on September 14, 2016, the CPEO applicant must provide with its application the annual audited financial statements and CPA opinion for its most recently completed fiscal year (the year ending September 30, 2015), which qualify for the transition relief described in the preceding paragraph. In addition, the CPEO applicant will have until March 31, 2017 (the last day of the sixth month after that fiscal year ends), to subsequently provide to the IRS annual audited financial statements (as well as the accompanying CPA opinion) for the year ending September 30, 2016, that comply with the requirements described in § 301.7705-2T(e) and section 2.05 of Rev. Proc. 2016-33 (and with the anticipated revisions to these requirements that Treasury and IRS intend to make when publishing final regulations and updating

the revenue procedure, as described in section III of this notice).

V. DEFINITION OF CERTIFIED PUBLIC ACCOUNTANT

In accordance with section 7705(c)(3)(A), the temporary regulations require the opinion regarding a CPEO's financial statements to be provided by a CPA who is independent of the CPEO. For this purpose, § 301.7705-1T(b)(4) and section 1.01 of Rev. Proc. 2016-33 require a CPA to be independent as prescribed by the AICPA's Professional Standards, Code of Professional Conduct, and its interpretations and rulings. Additionally, § 301.7705-1T(b)(4) and section 1.01 of Rev. Proc. 2016-33 provide that, among other requirements, the CPA must file with the IRS a written declaration that he or she is currently qualified as a CPA and authorized to represent the CPEO applicant or CPEO before the IRS. A similar written declaration must accompany the quarterly submission of the examination level attestation of a CPA that the CPEO applicant's or CPEO's assertion that it has withheld and made deposits of all federal employment taxes for which the CPEO applicant or CPEO is liable for the quarter, as required by § 301.7705-2T(f), is fairly stated in all material respects. See Rev. Proc. 2016-33, § 2.06(2).

Treasury and IRS have received comments raising a concern that the requirement that a CPA be authorized to represent the CPEO or CPEO applicant before the IRS could conflict with CPA independence requirements of the AICPA. To ensure that the CPA may be "independent" within the meaning of the AICPA guidelines, Treasury and IRS anticipate revising the definition of "certified public accountant," as set forth in § 301.7705-1T(b)(4) and section 1.01(3) of Rev. Proc. 2016-33, to omit the requirement that the CPA file with the IRS a written authorization to represent the CPEO applicant or CPEO before the IRS. Accordingly, the revised definition of "certified public accountant," to be provided in the final regulations, will refer to a CPA who—

(i) With respect to a CPEO applicant or CPEO, is independent of the CPEO applicant or CPEO (as prescribed by the American Institute of Certified Public Accountants' Professional Standards, Code of

Professional Conduct, and its interpretations and rulings);

(ii) Is not currently under suspension or disbarment from practice before the IRS;

(iii) Is duly qualified to practice as a CPA in any state;

(iv) Files with the IRS a written declaration that he or she is currently qualified as a CPA; and

(v) Meets such other requirements as the Commissioner may prescribe in further guidance.

Furthermore, section 2.06(2) of Rev. Proc. 2016–33 will be revised to require that the written declaration accompanying the quarterly examination level attestation state only that the CPA is currently qualified as a CPA.

VI. REQUIREMENT THAT A CPEO BE A BUSINESS ENTITY THAT IS NOT A DISREGARDED ENTITY

The temporary regulations provide in § 301.7705–2T(c)(2) that a CPEO may not be a business entity that is disregarded as an entity separate from its owner for federal tax purposes under §§ 301.7701–2 and 301.7701–3 (without regard to the special rule in § 301.7701–2(c)(2)(iv) that provides that such entities are corporations for federal employment tax purposes¹). Commenters have explained that professional employer organizations are structured in varied ways, and that it is not uncommon for professional employer organizations to be entities disregarded as separate from their corporate, partnership, or individual owner. Commenters emphasized that professional employer organizations may choose such a structure for legitimate business reasons, such as to reduce the overall compliance burden with respect to filing of state income tax returns. Commenters expressed concern that precluding disregarded entities from being certified as CPEOs would unfairly prevent a number of existing professional employer organizations from applying to the CPEO program without undergoing restructuring.

To address this concern, and in recognition that disregarded entities are generally treated as corporations for federal employment tax purposes, Treasury and IRS anticipate that the final regulations under

section 7705 will not prohibit a business entity that is disregarded as separate from its owner under §§ 301.7701–2 and 301.7701–3 from becoming a CPEO. Instead, it is anticipated that the final regulations will provide that a business entity that is disregarded as an entity separate from its owner for any purpose under § 301.7701–2 and that is wholly owned directly (including through one or more disregarded entities organized in the United States) by a United States person (as defined in section 7701(a)(30)) may apply for certification as a CPEO. Treasury and IRS anticipate that, consistent with § 301.7705–2T(d)(1), the final regulations will continue to require that a CPEO applicant or CPEO must be created or organized in the United States or under the law of the United States or of any state. Therefore, only domestic disregarded entities would be eligible to apply for certification. Treasury and IRS request comments on the appropriateness of allowing a disregarded entity that is domestically organized but not wholly owned directly by a United States person to apply for certification as a CPEO.

In addition, Treasury and IRS anticipate revising the definition of “responsible individual,” as provided in § 301.7705–1T(b)(13) and section 1.01(11) of Rev. Proc. 2016–33, to also include: (1) in the case of a disregarded entity owned by a corporation or partnership, the responsible individuals of that corporation or partnership (as defined by the regulations); and (2) in the case of a disregarded entity owned by an individual, the individual owner. Finally, Treasury and IRS anticipate providing in the final regulations that CPEO applicants and CPEOs that, but for their status as disregarded entities would separately be members of a controlled group, are treated as members of a controlled group for purposes of section 7705 and related regulations.

The temporary regulations also provide in § 301.7705–2T(c)(2) that a CPEO must be a business entity described in § 301.7701–2(a). Because an individual conducting business through a sole proprietorship is not a business entity described in § 301.7701–2(a), an individual may not

be a CPEO under the temporary regulations. One commenter expressed concern that this rule precludes certification of smaller professional employer organizations that are operated by individuals through their sole proprietorships. In response to this comment and to ensure parity between sole proprietorships and disregarded entities that are wholly owned by individuals, Treasury and IRS anticipate that the final regulations will expressly allow sole proprietorships to apply for certification as a CPEO.

VII. EXTENSION OF APPLICATION SUBMISSION DEADLINE FOR JANUARY 1, 2017, EFFECTIVE DATE

A person seeking certification as a CPEO must submit a properly completed and executed application for certification as a CPEO in the time and manner prescribed by, and providing such information required by, § 301.7705–2T, Rev. Proc. 2016–33, and instructions accompanying the application. The IRS will issue a notice of certification to a CPEO applicant that has been approved for certification specifying the effective date of certification. The first sentence of section 6.03 of Rev. Proc. 2016–33 provides the general rule that the effective date of certification will typically be the first day of the first calendar quarter following the date of the notice of certification. However, the second sentence of section 6.03 of Rev. Proc. 2016–33 provides the special rule that a CPEO applicant that submits a complete and accurate application before September 1, 2016, and is certified will have an effective date of certification of January 1, 2017, even if the date of the CPEO’s notice of certification is after January 1, 2017.

In recognition that this notice provides interim guidance regarding documents that must be submitted as a part of an initial application for CPEO certification and will directly affect applications by persons interested in seeking CPEO certification that are already in progress, Treasury and IRS are extending the period in which a person must apply in order to be eligible for an effective date of January 1, 2017, under the second sentence of section 6.03 of Revenue Procedure 2016–33. CPEO applicants now have

¹Section 301.7701–2(c)(2)(iv)(B) provides that, with certain exceptions, an entity that is disregarded as an entity separate from its owner for any purpose under § 301.7701–2 is treated as a corporation with respect to taxes imposed under Subtitle C—Employment Taxes and Collection of Income Tax (Chapters 21, 22, 23, 23A, 24, and 25 of the Internal Revenue Code).

until before October 1, 2016, to submit an application for certification in order to be eligible for a January 1, 2017, effective date. That is, the effective date of certification for a CPEO applicant that submits a complete and accurate application for certification on or before September 30, 2016, and is certified will be January 1, 2017, even if the date of its notice of certification is after January 1, 2017.

VIII. RELIANCE

Treasury and IRS intend that the final regulations under section 7705 and the updated revenue procedure, when issued, will address the issues identified in this notice in the manner indicated in this notice. Pending the issuance of final regulations and the updated revenue procedure, taxpayers may rely on the guidance contained in this notice.

IX. DRAFTING INFORMATION

The principal authors of this notice are Melissa L. Duce and Andrew K. Holubeck, Office of Associate Chief Counsel (Tax Exempt and Government Entities). For further information regarding this notice, contact Ms. Duce at (202) 317-6798 or Mr. Holubeck at (202) 317-4774 (not toll-free numbers).

26 CFR 601.201. Rulings and determination letters (Also Part I, § 664, § 1.664-1, § 170, § 170A-1, § 2055, § 20.2055-2, § 2106, § 20.2106-1, § 2522, § 25.2522(c)-3.)

Rev. Proc. 2016-42

SECTION 1. PURPOSE

This revenue procedure contains a sample provision that may be included in the governing instrument of a charitable remainder annuity trust (CRAT) providing for annuity payments payable for one or more measuring lives followed by the distribution of trust assets to one or more charitable remaindermen. The Internal Revenue Service (IRS) will treat the sample provision as a qualified contingency within the meaning of § 664(f) of the Internal Revenue Code. Thus, inclusion of the sample provision in the trust instrument does not cause the trust to fail to qualify as a charitable remainder trust under § 664. Any CRAT containing the sam-

ple provision will not be subject to the “probability of exhaustion” test set forth in Rev. Rul. 70-452, 1970-2 C.B. 199, and applied in Rev. Rul. 77-374, 1977-2 C.B. 329. The “probability of exhaustion” test is used to determine whether a CRAT complies with the regulatory requirement applicable to all contingent charitable transfers that only a negligible chance exists that the charity will receive nothing. See § 1.170A-1(e) of the Income Tax Regulations, § 20.2055-2(b) of the Estate Tax Regulations, and § 25.2522(c)-3(b)(1) of the Gift Tax Regulations.

SECTION 2. BACKGROUND

To qualify as a charitable remainder trust under § 664, a CRAT must satisfy all of the following requirements of § 664(d)(1): (A) a sum certain (not less than 5 percent and not more than 50 percent of the initial fair market value (FMV) of all property placed in trust) is to be paid at least annually to one or more persons (at least one of which is not an organization described in § 170(c) and, in the case of individuals, only to an individual who is living at the time of the creation of the trust) for a term of years (not to exceed 20 years) or for the life or lives of such individual or individuals; (B) no amount other than such payments and other than qualified gratuitous transfers described in § 664(d)(1)(C) may be paid to or for the use of any person other than an organization described in § 170(c); (C) following the termination of such payments, the remainder interest in the trust is to be transferred to or for the use of an organization described in § 170(c) or is to be retained by the trust for such a use or, to the extent the remainder interest is in qualified employer securities (as defined in § 664(g)(4)), all or part of such securities are to be transferred to an employee stock ownership plan (ESOP) (as defined in § 4975(e)(7)) in a qualified gratuitous transfer (as defined by § 664(g)); and (D) the value (determined under § 7520) of the remainder interest is at least 10 percent of the initial FMV of all trust property.

To qualify as a charitable remainder trust under § 664, a CRAT also must satisfy the requirements of § 1.664-1(a)(1)(iii)(a). Section 1.664-1(a)(1)(iii)(a) defines a charitable remainder trust as a trust with respect to which a deduction is

allowable under § 170, § 2055, § 2106, or § 2522. Income or gift tax charitable deductions are not allowable under § 170 or § 2522 if the remainder interest of an *inter vivos* CRAT does not satisfy, *inter alia*, the requirements of § 1.170A-1(e) or § 25.2522(c)-3(b)(1), respectively. Similarly, an estate tax charitable deduction is not allowable under § 2055 or § 2106 if the remainder interest of a testamentary CRAT does not satisfy, *inter alia*, the requirements of § 1.170A-1(e) and § 20.2055-2(b)(1). Sections 1.170A-1(e), 20.2055-2(b)(1), and 25.2522(c)-3(b)(1) provide that if, as of the date of a gift (or the date of decedent’s death for a testamentary transfer), a transfer for charitable purposes is dependent upon the performance of some act or the happening of a precedent event in order that it might become effective, no charitable deduction is allowable unless the possibility that the charitable transfer will not become effective is so remote as to be negligible. If an estate or interest has passed to, or is vested in, a charity at the time of the transfer and the estate or interest would be defeated by the subsequent performance of some act or the happening of some event, the possibility of occurrence of which appeared at the time of the transfer to be so remote as to be negligible, the deduction is allowable.

Rev. Rul. 70-452 applies these rules to a split-interest charitable remainder trust. Rev. Rul. 70-452 holds that, if there is a greater than 5 percent probability that payment of the annuity will defeat the charity’s interest by exhausting the trust assets by the end of the trust term, then the possibility that the charitable transfer will not become effective is not so remote as to be negligible. This determination is referred to as the “probability of exhaustion test.” Rev. Rul. 77-374 applies the probability of exhaustion test to a CRAT. The probability of exhaustion is calculated first by applying the § 7520 assumed rate of return on CRAT assets (§ 7250 rate) against the amount of the annuity payment to determine when the CRAT assets will be exhausted. Then, a mortality table (Mortality Table 2000CM, found in § 2031-7(d)(7)) is used to determine the probability that the income beneficiary or beneficiaries will survive exhaustion of the CRAT assets. If the probability that the life beneficiary or beneficiaries will survive exhaustion of the

CRAT assets is greater than 5 percent, then the charitable remainder interest of the CRAT does not qualify for an income, gift, or estate tax charitable deduction and the CRAT is not exempt from income tax under § 664(c). If the § 7520 rate at creation of a trust providing an annual annuity payment at the end of each year is equal to or greater than the percentage used to determine the annuity payment, then exhaustion will never occur under this test.

Low interest rates in recent years have greatly limited use of a CRAT as an effective charitable-giving vehicle. For example, in May of 2016, the § 7520 rate was 1.8 percent. At this interest rate, the sole life beneficiary of a CRAT that provides for an annual end-of-the-year payment of the minimum allowable annuity (equal to 5 percent of the initial FMV of the trust assets) must be at least 72 years old at the creation of the trust for the trust to satisfy the probability of exhaustion test. The § 7520 rate has not exceeded the minimum 5 percent annuity payout rate since December of 2007, which has necessitated testing for the probability of exhaustion for every CRAT created since that time.

Section 664(f)(1) provides in general that, if a trust would, but for a qualified contingency, meet the requirements of § 664(d)(1)(A) (relating to CRATs) or § 664(d)(2)(A) (relating to charitable remainder unitrusts), the trust is treated as meeting these requirements. Section 664(f)(2) provides that, for purposes of determining the amount of any charitable contribution (or the actuarial value of any interest), a qualified contingency is not taken into account. Section 664(f)(3) defines a qualified contingency for purposes of § 664(f) as any provision of a trust which provides that, upon the happening of a contingency, the payments described in § 664(d)(1)(A) or (d)(2)(A) (as the case may be) will terminate not later than these payments otherwise would terminate under the trust.

SECTION 3. SCOPE

.01 This revenue procedure applies to trusts created after the effective date of this revenue procedure that—

(1) Meet the requirements of § 664(d)(1);

(2) Provide for annuity payments payable for one or more measuring lives; and

(3) Contain in their governing instrument the precise language of the sample provision in section 5 of this revenue procedure.

.02 A CRAT that contains a substantive provision similar but not identical to that provided in section 5 of this revenue procedure will not necessarily be disqualified, but neither will such a provision be assured of treatment as a qualified contingency under § 664(f).

SECTION 4. APPLICATION

.01 The IRS will treat the sample provision contained in section 5 of this revenue procedure as a qualified contingency under § 664(f). Thus, the presence of this provision will not cause the trust to fail to qualify as a charitable remainder trust under § 664.

.02 The sample provision provides an alternative to satisfying the probability of exhaustion test for those CRATs to which this revenue procedure applies. The sample provision causes the early termination of the CRAT, followed by an immediate distribution of the remaining trust assets to the charitable remainder beneficiary. Specifically, this provision provides for early termination of the trust (and thus the end of the ability to make any more annuity payments) on the date immediately before the date on which any annuity payment would be made, if the payment of that annuity amount would result in the value of the trust corpus, when multiplied by a specified discount factor, being less than 10 percent of the value of the initial trust corpus.

.03 The sample provision is designed to ensure that the benefit from the creation of the CRAT will be available only where there is a significant benefit to charity. See Staff of the Joint Comm. on Taxation, 105th Cong., General Explanation of Tax Legislation Enacted in the 105th Congress, JCS-23-97 at 289-290 (1997). This provision also is designed to ensure that the charitable remainder beneficiary will receive an amount that accords with the charitable deduction allowed to the donor on creation of the trust. See H.R. Rep. No. 91-413, pt. 1, at 59 (1969), 1969-3 C.B. 200, 238, and S. Rep. No. 91-552, 88 and 90 (1969), 1969-3 C.B. 423, 480-81. Finally, this provision is designed to expose the charitable remainderman to some, but not all, of the investment performance risk of the CRAT assets.

SECTION 5. SAMPLE PROVISION

.01 The following language is the sample provision designed to be used in an *inter vivos* CRAT for one measuring life:

“The first day of the annuity period shall be the date the property is transferred to the trust and the last day of the annuity period shall be the date of the Recipient’s death or, if earlier, the date of the contingent termination. The date of the contingent termination is the date immediately preceding the payment date of any annuity payment if, after making that payment, the value of the trust corpus, when multiplied by the specified discount factor, would be less than 10 percent of the value of the initial trust corpus. The specified discount factor is equal to $[1 / (1 + i)]^t$, where t is the time from inception of the trust to the date of the annuity payment, expressed in years and fractions of a year, and i is the interest rate determined by the Internal Revenue Service for purposes of section 7520 of the Internal Revenue Code of 1986, as amended (section 7520 rate), that was used to determine the value of the charitable remainder at the inception of the trust. The section 7520 rate used to determine the value of the charitable remainder at the inception of the trust is the section 7520 rate in effect for [insert the month and year], which is [insert the applicable section 7520 rate].”

.02 In a testamentary CRAT, the phrase “the property is transferred to the trust” (the first underlined phrase) in this sample language must be replaced with “of my death”.

.03 If the *inter vivos* or testamentary CRAT is created using the sample form provided in Rev. Proc. 2003-53, 2003-2 C.B. 230, or Rev. Proc. 2003-57, 2003-2 C.B. 257, respectively, the insertion of this sample provision in place of the second sentence of paragraph 2 of that sample *inter vivos* form, or in place of the second sentence of paragraph 1 of the sample testamentary form, respectively, will satisfy the requirements of a qualified contingency as described in section 6.03 of each revenue procedure.

.04 If the CRAT annuity is payable consecutively for two measuring lives, the phrase “the Recipient’s death” (the second underlined phrase) in the sample provision must be replaced with “the death of

the survivor of the Initial Recipient and the Successor Recipient(s)". See Rev. Proc. 2003-55, 2003-2 C.B. 242, and Rev. Proc. 2003-59, 2003-2 C.B. 268. If the CRAT annuity instead is payable concurrently and consecutively for two measuring lives, the second underlined phrase in the sample provision must be replaced with "the Survivor Recipient's death". See Rev. Proc. 2003-56, 2003-2 C.B. 249, and Rev. Proc. 2003-60, 2003-2 C.B. 274.

SECTION 6. EXAMPLE

On January 1, Year 1, Donor transfers property valued at \$1,000,000 to Trust, an *inter vivos* trust providing for an annuity payment of \$50,000 (5 percent of the value of the initial trust corpus) on December 31 of each year to S for S's life followed by the distribution of trust assets to Charity. Trust includes the precise language of the sample provision in section 5 of this revenue procedure providing for an early termination contingency and specifies the § 7520 rate in effect for January, Year 1, which is 3 percent. But for the early termination provision, Trust meets all of the requirements of § 664(d)(1). In accordance with this revenue procedure, the IRS will treat the early termination contingency as a qualified contingency under § 664(f). Therefore, the early termination provision does not cause Trust to fail to qualify as a CRAT under § 664. In addition, Trust qualifies as a CRAT regardless of whether it passes the probability of exhaustion test on January 1, Year 1.

Each year, prior to payment of the annuity to S, the trustee performs the calculations required to determine if Trust will terminate early in accordance with the terms of the qualified contingency. In each year from Year 1 through Year 17, the trustee determines that the value of the trust corpus, minus the \$50,000 annual payment, and then multiplied by the specified discount factor, is greater than 10 percent of the initial trust corpus. The value of the trust corpus as of December 30 in Year 18 is \$210,000. Only in Year 18 does the value of the trust corpus as of December 30, when reduced by the annuity payment and multiplied by the specified discount factor, fall below 10 percent of the value of the initial trust corpus. The calculations required to

determine if Trust will terminate early in Year 18 are as follows:

1. $\$1,000,000 \times 10 \text{ percent} = \$100,000$
2. $(\$210,000 - 50,000) \times [1 / (1 + .03)]^{18}$
 $\$160,000 \times (1/1.03)^{18}$
 $\$160,000 \times 0.970874^{18}$
 $\$160,000 \times 0.587397 = \$93,984.$

Because the value of the trust corpus (\$210,000), when reduced by the annuity payment (\$50,000) and then multiplied by the specified discount factor (0.587397), is less than 10 percent of the value of the initial trust corpus (\$100,000), Trust terminates on December 30, Year 18, and the principal and income remaining in Trust (including the annuity payment for Year 18 that otherwise would have been payable to S) then must be distributed to Charity.

SECTION 7. EFFECT ON OTHER DOCUMENTS

Rev. Rul. 70-452 and Rev. Rul. 77-374 are modified to provide an exception for CRATs that conform to this revenue procedure.

Rev. Proc. 2003-53, Rev. Proc. 2003-55, Rev. Proc. 2003-56, Rev. Proc. 2003-57, Rev. Proc. 2003-59 and Rev. Proc. 2003-60 are amplified.

SECTION 8. EFFECTIVE DATE

This revenue procedure is effective **August 8, 2016** and applies to trusts created on or after that date.

SECTION 9. DRAFTING INFORMATION

The principal author of this revenue procedure is Donna Douglas of the Office of Associate Chief Counsel (Passthroughs & Special Industries). However, other personnel from the Treasury Department and the IRS participated in its development. For further information regarding this revenue procedure, please contact Donna Douglas at (202) 317-6859 (not a toll-free number).

Section 170.—Charitable, etc., Contributions and Gifts.

26 CFR 1.170A-1: Charitable, etc., contributions and gifts, allowance of deduction. The IRS will treat the sample provision in this revenue procedure as a qualified contingency under section 664(f). A CRAT

containing the sample provision will not be subject to the probability of exhaustion test set forth in Rev. Rul. 70-452, 1970-2 C.B.199, and applied in Rev. Rul. 77-374, 1977-2 C.B. 329. See Rev. Proc. 2016-42, page 269.

Section 664.—Charitable Remainder Trusts

26 C.F.R. 1.664-1: Charitable remainder trusts. The IRS will treat the sample provision in this revenue procedure as a qualified contingency under section 664(f). A CRAT containing the sample provision will not be subject to the probability of exhaustion test set forth in Rev. Rul. 70-452, 1970-2 C.B.199, and applied in Rev. Rul. 77-374, 1977-2 C.B. 329. See Rev. Proc. 2016-42, page 269.

Section 2055.—Transfers for Public, Charitable, and Religious Uses

26 C.F.R. 20.2055-2: Transfers not exclusively for charitable purposes. The IRS will treat the sample provision in this revenue procedure as a qualified contingency under section 664(f). A CRAT containing the sample provision will not be subject to the probability of exhaustion test set forth in Rev. Rul. 70-452, 1970-2 C.B.199, and applied in Rev. Rul. 77-374, 1977-2 C.B. 329. See Rev. Proc. 2016-42, page 269.

Section 2106.—Taxable Estate

26 C.F.R. 20.2106-1: Estates of nonresidents not citizens; taxable estate; deductions in general. The IRS will treat the sample provision in this revenue procedure as a qualified contingency under section 664(f). A CRAT containing the sample provision will not be subject to the probability of exhaustion test set forth in Rev. Rul. 70-452, 1970-2 C.B.199, and applied in Rev. Rul. 77-374, 1977-2 C.B. 329. See Rev. Proc. 2016-42, page 269.

Section 2522.—Charitable and Similar Gifts

26 C.F.R. 2522(c)-3: Transfers not exclusively for charitable, etc., purposes in the case of gifts made after July 31, 1969. The IRS will treat the sample provision in this revenue procedure as a qualified contingency under section 664(f). A CRAT containing the sample provision will not be subject to the probability of exhaustion test set forth in Rev. Rul. 70-452, 1970-2 C.B.199, and applied in Rev. Rul. 77-374, 1977-2 C.B. 329. See Rev. Proc. 2016-42, page 269.

Part IV. Items of General Interest

Deletions From Cumulative List of Organizations, Contributions to Which are Deductible Under Section 170 of the Code

Announcement 2016–28

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The Internal Revenue Service has revoked its determination that the organizations listed below qualify as organizations described in sections 501(c)(3) and 170(c)(2) of the Internal Revenue Code of 1986.

Generally, the IRS will not disallow deductions for contributions made to a listed organization on or before the date of announcement in the Internal Revenue Bulletin that an organization no longer qualifies. However, the IRS is not precluded from disallowing a deduction for any contributions made after an organization ceases to qualify under section 170(c)(2) if the organization has not timely filed a suit for declaratory judgment under section 7428 and if the contributor (1) had knowledge of the revocation of the ruling or determination letter, (2) was aware that such revocation was imminent, or (3) was in part responsible for or was aware of the activities or omissions of the organization that brought about this revocation.

If on the other hand a suit for declaratory judgment has been timely filed, contributions from individuals and organizations described in section 170(c)(2) that are otherwise allowable will continue to be deductible. Protection under section 7428(c) would begin on August 22, 2016 and would end on the date the court first determines the organization is not described in section 170(c)(2) as more particularly set for in section 7428(c)(1). For individual contributors, the maximum deduction protected is \$1,000, with a husband and wife treated as one contributor. This benefit is not extended to any individual, in whole or in part, for the acts or omissions of the organization that were the basis for revocation.

NAME OF ORGANIZATION	Effective Date of Revocation	LOCATION
Workshops Unlimited, Inc.	July 1, 2012	West Palm Beach, FL
Samaritan Housing Foundation, IV, Inc.	July 1, 2012	Atlanta, GA
Women in Architecture	June 17, 2014	Salt Lake City, UT
CSRA Happy Tails Rescue Inc.	January 1, 2013	Appling, GA
Armenian Charitable Foundation	January 1, 2012	Fresno, CA

Correction to Notice 2016–44, I.R.B. 2016–29

In particular, this announcement corrects the following administrative item.

\$46.01 is incorrect. The calculation should instead state that \$28 multiplied by 1.6464 = \$46.10.

Announcement 2016–29

This document contains corrections to Notice 2016–44, as published on Monday, July 18, 2016 (I.R.B. 2016–29, 132).

Correction 1:

In the third paragraph, the calculation providing that \$28 multiplied by 1.6464 =

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 2016–01 through 2016–26 is in Internal Revenue Bulletin 2016–26, dated June 27, 2016.

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¹A cumulative list of all revenue rulings, revenue procedures, Treasury decisions, etc., published in Internal Revenue Bulletins 2016–01 through 2016–26 is in Internal Revenue Bulletin 2016–26, dated June 27, 2016.

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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/*.

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