

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.

ADMINISTRATIVE

Announcement 2020-12, page 893.

This document is an announcement that lenders who make paycheck protection program (PPP) loans that are later forgiven under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) do not need to and should not file information returns or furnish payee statements to report the forgiveness under section 6050P of the Code.

Rev. Proc. 2020-42, page 891.

This procedure publishes the amounts of unused housing credit carryovers allocated to qualified states under section 42(h)(3)(D) of the Code for calendar year 2020.

INCOME TAX

Rev. Rul. 2020-20, page 880.

Federal rates; adjusted federal rates; adjusted federal long-term rate, and the long-term tax exempt rate. For purposes of sections 382, 1274, 1288, 7872 and other sections of the Code, tables set forth the rates for October 2020.

Rev. Rul. 2020-21, page 882.

Fringe benefits aircraft valuation formula. For purposes of section 1.61-21(g) of the Income Tax Regulations, relating to the rule for valuing non-commercial flights on employer-provided aircraft, the Standard Industry Fare Level (SIFL) cents-per-mile rates and terminal charge in effect for the second half of 2020 are set forth.

T.D. 9915, page 882.

These final regulations provide guidance regarding allocation of the rehabilitation credit over a 5-year period, as the rehabili-

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October 5, 2020

tation credit is no longer fully allowed in the taxable year that a qualified rehabilitated building is placed in service. These final regulations include rules to coordinate with the other special rules for investment credit property. These final regulations affect taxpayers that claim the rehabilitation credit. This guidance relates to changes made to the applicable law by the Tax Cuts and Jobs Act, which was enacted on December 22, 2017

Notice 2020-73, page 886.

This Notice announces that the Department of the Treasury (Treasury Department) and the Internal Revenue Service (IRS) intend to amend the regulations under section 987 to defer the applicability date of the final regulations under section 987, as well as certain related final regulations, by one additional year. The applicability date of these regulations has been deferred under prior notices to taxable years beginning after December 7, 2020. The Treasury Department and the IRS intend to amend §§1.861-9T, 1.985-5, 1.987-11, 1.988-1, 1.988-4, and 1.989(a)-1 of the 2016 final regulations and §§1.987-2 and 1.987-4 of the 2019 final regulations (the related 2019 final regulations) to provide that the 2016 final regulations and the related 2019 final regulations apply to taxable years beginning after December 7, 2021. The Notice also states that taxpayers may rely on certain related proposed regulations that cross-reference temporary regulations which have expired.

Notice 2020-74, page 887.

This notice explains the circumstances under which the four-year replacement period under section 1033(e)(2) is extended for livestock sold on account of drought. The Appendix to this notice contains a list of counties that experienced exceptional, extreme, or severe drought conditions during the 12-month period ending August 31, 2020. Taxpayers may use this list to determine if any extension is available.

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

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

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

Rev. Rul. 2020-20

This revenue ruling provides various prescribed rates for federal income tax

purposes for October 2020 (the current month). Table 1 contains the short-term, mid-term, and long-term applicable federal rates (AFR) for the current month for purposes of section 1274(d) of the Internal Revenue Code. Table 2 contains the short-term, mid-term, and long-term adjusted applicable federal rates (adjusted AFR) for the current month for purposes of section 1288(b). Table 3 sets forth the adjusted federal long-term rate and the long-term tax-exempt rate described in section 382(f). Table 4 contains the appro-

priate percentages for determining the low-income housing credit described in section 42(b)(1) for buildings placed in service during the current month. However, under section 42(b)(2), the applicable percentage for non-federally subsidized new buildings placed in service after July 30, 2008, shall not be less than 9%. Finally, Table 5 contains the federal rate for determining the present value of an annuity, an interest for life or for a term of years, or a remainder or a reversionary interest for purposes of section 7520.

REV. RUL. 2020-20 TABLE 1
Applicable Federal Rates (AFR) for October 2020
Period for Compounding

	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
<i>Short-term</i>				
AFR	0.14%	0.14%	0.14%	0.14%
110% AFR	0.15%	0.15%	0.15%	0.15%
120% AFR	0.17%	0.17%	0.17%	0.17%
130% AFR	0.18%	0.18%	0.18%	0.18%
<i>Mid-term</i>				
AFR	0.38%	0.38%	0.38%	0.38%
110% AFR	0.42%	0.42%	0.42%	0.42%
120% AFR	0.46%	0.46%	0.46%	0.46%
130% AFR	0.49%	0.49%	0.49%	0.49%
150% AFR	0.57%	0.57%	0.57%	0.57%
175% AFR	0.67%	0.67%	0.67%	0.67%
<i>Long-term</i>				
AFR	1.12%	1.12%	1.12%	1.12%
110% AFR	1.23%	1.23%	1.23%	1.23%
120% AFR	1.34%	1.34%	1.34%	1.34%
130% AFR	1.47%	1.46%	1.46%	1.46%

REV. RUL. 2020-20 TABLE 2
Adjusted AFR for October 2020
Period for Compounding

	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
Short-term adjusted AFR	0.11%	0.11%	0.11%	0.11%
Mid-term adjusted AFR	0.29%	0.29%	0.29%	0.29%
Long-term adjusted AFR	0.85%	0.85%	0.85%	0.85%

REV. RUL. 2020-20 TABLE 3

Rates Under Section 382 for October 2020

Adjusted federal long-term rate for the current month	.85%
Long-term tax-exempt rate for ownership changes during the current month (the highest of the adjusted federal long-term rates for the current month and the prior two months.)	.85%

REV. RUL. 2020-20 TABLE 4

Appropriate Percentages Under Section 42(b)(1) for October 2020

Note: Under section 42(b)(2), the applicable percentage for non-federally subsidized new buildings placed in service after July 30, 2008, shall not be less than 9%.

Appropriate percentage for the 70% present value low-income housing credit	7.17%
Appropriate percentage for the 30% present value low-income housing credit	3.07%

REV. RUL. 2020-20 TABLE 5

Rate Under Section 7520 for October 2020

Applicable federal rate for determining the present value of an annuity, an interest for life or a term of years, or a remainder or reversionary interest	.4%
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Section 42.—Low-Income Housing Credit

The applicable federal short-term, mid-term, and long-term rates are set forth for the month of October 2020. See Rev. Rul. 2020-20, page 880.

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

The applicable federal short-term, mid-term, and long-term rates are set forth for the month of October 2020. See Rev. Rul. 2020-20, page 880.

Section 483.—Interest on Certain Deferred Payments

The applicable federal short-term, mid-term, and long-term rates are set forth for the month of October 2020. See Rev. Rul. 2020-20, page 880.

Section 280G.—Golden Parachute Payments

The applicable federal short-term, mid-term, and long-term rates are set forth for the month of October 2020. See Rev. Rul. 2020-20, page 880.

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

The applicable federal short-term rates are set forth for the month of October 2020. See Rev. Rul. 2020-20, page 880.

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

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of October 2020. See Rev. Rul. 2020-20, page 880.

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

The adjusted applicable federal long-term rate is set forth for the month of October 2020. See Rev. Rul. 2020-20, page 880.

Section 482.—Allocation of Income and Deductions Among Taxpayers

The applicable federal short-term, mid-term, and long-term rates are set forth for the month of October 2020. See Rev. Rul. 2020-20, page 880.

Section 7520.—Valuation Tables

The applicable federal mid-term rates are set forth for the month of October 2020. See Rev. Rul. 2020-20, page 880.

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

The applicable federal short-term, mid-term, and long-term rates are set forth for the month of October 2020. See Rev. Rul. 2020-20, page 880.

Section 61. Gross Income Defined

26 CFR 1.61-21: Taxation of fringe benefits.

Rev. Rul. 2020-21

For purposes of the taxation of fringe benefits under section 61 of the Internal Rev-

enue Code, section 1.61-21(g) of the Income Tax Regulations provides a rule for valuing noncommercial flights on employer-provided aircraft. Section 1.61-21(g)(5) provides an aircraft valuation formula to determine the value of such flights. The value of a flight is determined under the base aircraft valuation formula (also known as the Standard Industry Fare Level formula or SIFL) by multiplying the SIFL cents-per-mile rates

applicable for the period during which the flight was taken by the appropriate aircraft multiple provided in section 1.61-21(g)(7) and then adding the applicable terminal charge. The SIFL cents-per-mile rates in the formula and the terminal charge are calculated by the Department of Transportation and are reviewed semi-annually.

The following chart sets forth the terminal charge and SIFL mileage rates:

<i>Period During Which the Flight Is Taken</i>	<i>Terminal Charge</i>	<i>SIFL Mileage Rates</i>
7/1/20 - 12/31/20	\$42.62	Up to 500 miles = \$.2331 per mile 501-1500 miles = \$.1778 per mile Over 1500 miles = \$.1709 per mile

DRAFTING INFORMATION

The principal author of this revenue ruling is Kathleen Edmondson of the Office of Associate Chief Counsel (Employee Benefits, Exempt Organizations and Employment Taxes). For further information regarding this revenue ruling, contact Ms. Edmondson at (202) 317-6798 (not a toll-free number).

T.D. 9915

DEPARTMENT OF THE TREASURY Internal Revenue Service 26 CFR Part 1

Rehabilitation Credit Allocated Over a 5-Year Period

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Final regulations.

SUMMARY: This document contains final regulations concerning the rehabilitation credit, including rules to coordinate the new 5-year period over which the credit may be claimed with other special rules for investment credit property. These final regulations affect taxpayers that claim the rehabilitation credit.

DATES: *Effective Date:* These regulations are effective on September 18, 2020.

Applicability Date: For date of applicability, see §1.47-7(f).

FOR FURTHER INFORMATION CONTACT: Barbara J. Campbell, (202) 317-4137.

SUPPLEMENTARY INFORMATION:

Background

This document amends the Income Tax Regulations (26 CFR part 1) to finalize rules under section 47 of the Internal Revenue Code (Code). On May 22, 2020, the Department of the Treasury (Treasury Department) and the IRS published a notice of proposed rulemaking (REG-124327-19) in the **Federal Register** (85 FR 31096) (proposed regulations). The proposed regulations were necessary to

address the amendments to section 47 by section 13402 of Public Law 115-97, 131 Stat. 2054 (2017), commonly referred to as the Tax Cuts and Jobs Act (TCJA). The proposed regulations provide that the rehabilitation credit is properly determined in the year the qualified rehabilitated building (QRB) is placed in service but allocated ratably over the 5-year period beginning in such year as required by the TCJA, rather than being allocated entirely to the taxable year the QRB is placed in service as under section 47 prior to the TCJA. The proposed regulations add §1.47-7(a) through (f) and include: a general rule for calculating the rehabilitation credit; definitions of *ratable share* and *rehabilitation credit determined*; and a rule coordinating the changes to section 47 with the special rules in section 50. The proposed regulations also contain examples, including examples illustrating the interaction of section 47 with rules in section 50(a) (recapture in case of dispositions, etc.), section 50(c) (basis adjustment to investment credit property), and section 50(d)(5) (relating to certain leased property when the lessee is treated as owner and subject to an income inclusion requirement). The preamble to the proposed regulations contains a detailed explanation regarding the amend-

ment of section 47 by the TCJA and the addition of §1.47-7(a) through (f).

The Treasury Department and the IRS received three written comments on the proposed regulations. No requests for a public hearing were made, and no public hearing was held. After consideration of the comments, this Treasury decision adopts the proposed regulations without modification.

Summary of Comments

The three comments submitted in response to the proposed regulations are available at www.regulations.gov or upon request.

Two of the comments were supportive of the proposed regulations and did not provide any suggested revisions or additions. This summary of comments does not further address those comments.

The other comment did not disagree with or suggest revision to any of the rules in the proposed regulations. The comment raised issues that the commenter believes the proposed regulations did not address. These include the potential impact of the new 5-year period on a partner's capital account under §1.704-1 (partner's distributive share) when a partnership directly owns the property, whether and how the partnership allocates the rehabilitation credit to partners, potential reporting obligations by a partnership on Schedule K-1 (Form 1065), the treatment of the remaining ratable share when a partner sells a partnership interest within the 5-year credit period, and the interaction of §1.704-1 with §1.50-1 (lessee's income inclusion following election of lessor of investment credit property to treat lessee as acquirer).

With respect to the potential impact of the new 5-year period on a partner's capital account under §1.704-1 when the partnership directly owns the QRB, the comment concluded that for partners "there would be a capital account effect that would not take into account the 5-year allocation of the credit." Partnership capital accounting rules are addressed in the regulations to section 704, and therefore are not included in these final regulations. However, for clarification, the Treasury Department and the IRS agree that there would be a capital account adjustment that would not take

into account the 5-year credit period. In other words, the full amount of the capital account adjustment under §1.704-1 is reflected in a partner's capital account in the year the rehabilitation credit is determined.

With respect to whether and how the partnership allocates the rehabilitation credit to partners, the comment specifically asked "whether the partners are allocated 20 percent of the credit each year although all of the credit basis is reduced in the first year when the property is placed in service or whether, after the first year, the remaining four years over which the credit is spread is taken into account and applied solely at the partner level over those remaining years, consistent with the section 1.50-1 regulations." Partnership allocation rules of general business credits are specifically addressed in the regulations to section 704, and therefore are not included in these final regulations. However, for clarification, the rehabilitation credit is not allocated by the partnership, but is calculated at the partner level and claimed by the partner ratably over the 5-year credit period. As under section 47 prior to the TCJA, the partnership allocates qualified rehabilitation expenditures (QREs) to its partners. Under section 47(b), QREs with respect to any QRB are taken into account for the taxable year in which the QRB is placed in service.

By way of further explanation, the calculation of the rehabilitation credit at the partner level is made as part of calculating the investment credit under section 46, which is listed as a current year general business credit under section 38. Section 1.704-1(b)(4)(ii), which requires allocations with respect to the investment tax credit provided by section 38 to be made in accordance with the partners' interests in the partnership, provides that allocations of cost or qualified investment (as opposed to the investment credit itself, which is not determined at the partnership level) that are made in accordance with §1.46-3(f) shall be deemed to be made in accordance with the partners' interests in the partnership. For purposes of the investment credit, part of those allocations to partners would include QREs to calculate the rehabilitation credit. Partners then compute the investment credit at the partner level based

on partner level limitations. *See also* TD 9872 (84 FR 34775) and TD 9776 (81 FR 47701) (these Treasury decisions relate to §1.50-1 and both preambles contain relevant descriptions of how the rehabilitation credit is calculated in the context of passthrough entities, including that the calculation is done at the partner level in the case of partnerships and the S corporation shareholder level in the case of subchapter S corporations).

Lastly, addressing issues related to potential reporting obligations by a partnership on Schedule K-1, the sale of a partnership interest within the 5-year credit period, and the interaction of §1.704-1 with §1.50-1 (including amending §1.704-1 as recommended in the comment) is beyond the scope of the final regulations.

Applicability Date

These final regulations apply to taxable years beginning on or after September 18, 2020. However, taxpayers may choose to apply these final regulations for QREs paid or incurred after December 31, 2017, in taxable years beginning before September 18, 2020, provided the taxpayers apply the final regulations in their entirety and in a consistent manner. See section 7805(b)(7).

Special Analyses

This regulation is not subject to review under section 6(b) of Executive Order 12866 pursuant to the Memorandum of Agreement (April 11, 2018) between the Treasury Department and the Office of Management and Budget regarding review of tax regulations.

In accordance with the Regulatory Flexibility Act (5 U.S.C. chapter 6), it is hereby certified that these final regulations will not have a significant economic impact on a substantial number of small entities. Although the rules may affect small entities, data are not readily available about the number of taxpayers affected. The economic impact of these regulations is not likely to be significant, however, because these final regulations substantially incorporate statutory changes made to section 47 by the TCJA that have been effective for QREs paid or incurred after

December 31, 2017. The final regulations will assist taxpayers in understanding the changes to section 47 and make it easier for taxpayers to comply with those changes and section 50, which was not changed by the TCJA.

Pursuant to section 7805(f) of the Internal Revenue Code, these regulations were submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on their impact on small business. No comments were received from the Small Business Administration.

Drafting Information

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

List of Subjects in 26 CFR Part 1

Income taxes, Reporting and record-keeping requirements.

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 continues to read in part as follows:

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

Par. 2. Section 1.47-7 is added to read as follows:

§1.47-7 Rehabilitation credit allocated over a 5-year period.

(a) *In general.* For purposes of section 46, for any taxable year during the 5-year period beginning in the taxable year in which a qualified rehabilitated building, as defined in section 47(c)(1) and §1.48-12(b), is placed in service, the rehabilitation credit for the taxable year is an amount equal to the ratable share for the taxable year, provided the requirements of section 47 are satisfied.

Except as provided by section 13402(c)(2) of Public Law 115-97, 131 Stat. 2054 (2017), this section applies with respect to qualified rehabilitation expenditures, as defined in section 47(c)(2) and §1.48-12(c), paid or incurred after December 31, 2017.

(b) *Ratable share.* For purposes of paragraph (a) of this section, the term *ratable share* means, for any taxable year during the 5-year period described in such paragraph, the amount equal to 20 percent of the rehabilitation credit determined with respect to the qualified rehabilitated building, allocated ratably to each year during such period.

(c) *Rehabilitation credit determined.* The term *rehabilitation credit determined* means the amount equal to 20 percent of the qualified rehabilitation expenditures, as defined in section 47(c)(2) and §1.48-12(c), taken into account under section 47(b)(1) for the taxable year in which the qualified rehabilitated building is placed in service. However, if the taxpayer claims the additional first year depreciation for the qualified rehabilitation expenditures pursuant to §1.168(k)-2(g)(9), the term *rehabilitation credit determined* means the amount equal to 20 percent of the remaining rehabilitated basis, as defined in §1.168(k)-2(g)(9)(i)(B), of the qualified rehabilitated building for the taxable year in which such building is placed in service.

(d) *Coordination with section 50.* For purposes of section 50 and §1.50-1, the amount of the rehabilitation credit determined is the amount defined in paragraph (c) of this section.

(e) *Examples.* The provisions of paragraphs (a) through (d) of this section are illustrated by the following examples. Assume that the additional first year depreciation deduction provided by section 168(k) is not allowed or allowable for the qualified rehabilitation expenditures.

(1) *Example 1: Rehabilitation Credit Determined and Ratable Share.* Between February 1, 2021 and October 1, 2021, X, a calendar year C corporation, incurred qualified rehabilitation expenditures of \$200,000 with respect to a qualified rehabilitated building. X placed the building in service on October 15, 2021. X's rehabilitation credit determined in 2021 under paragraph (c) of this section is \$40,000 (\$200,000 x 0.20). For purposes of section 46, for each taxable year during the 5-year period beginning in 2021, the ratable share allocated under paragraph

(b) of this section for the year is \$8,000 (\$40,000 x 0.20).

(2) *Example 2: Coordination with section 50(c).* The facts are the same as in paragraph (e)(1) of this section (Example 1). For purposes of determining the amount of X's basis adjustment in 2021 under section 50(c), the amount of the rehabilitation credit determined under paragraph (c) of this section is \$40,000.

(3) *Example 3: Coordination with section 50(a).* The facts are the same as in paragraph (e)(1) of this section (Example 1). In 2021 and 2022, X claimed the full amount of the ratable share allowed under section 46, or \$8,000 per taxable year. X's total allowable ratable share for 2023 through 2025 is \$24,000 (\$8,000 allowable per taxable year). On November 1, 2023, X disposes of the qualified rehabilitated building. Under section 50(a)(1)(B)(iii), because the period of time between when the qualified rehabilitated building was placed in service is more than two, but less than 3 full years, the applicable recapture percentage is 60%. Based on these facts, X has an increase in tax of \$9,600 under section 50(a) (\$16,000 of credit claimed in 2021 and 2022 x 0.60) and has \$3,200 of credits remaining in each of 2023 through 2025, after forgoing \$4,800 in credits in each of the years 2023 through 2025 (\$8,000 x 0.60).

(4) *Example 4: Coordination with section 50(d)(5) and §1.50-1; C corporation lessee.* X, a calendar year C corporation, leases nonresidential real property from Y. The property is a qualified rehabilitated building that is placed in service on October 15, 2021. Under paragraph (c) of this section, the amount of the rehabilitation credit determined is \$100,000. Y elects under §1.48-4 to treat X as having acquired the property. The shortest recovery period that could be available to the property under section 168 is 39 years. Because Y has elected to treat X as having acquired the property, Y does not reduce its basis in the property under section 50(c). Instead, pursuant to section 50(d)(5) and §1.50-1, X, the lessee of the property, must include ratably in gross income over 39 years an amount equal to the rehabilitation credit determined with respect to such property.

(5) *Example 5: Coordination with section 50(d)(5) and §1.50-1; partnership lessee.* A and B, calendar year taxpayers, form a partnership, the AB partnership, that leases nonresidential real property from Y. The property is a qualified rehabilitated building that is placed in service on October 15, 2021. Under paragraph (c) of this section, the amount of the rehabilitation credit determined is \$200,000. Y elects under §1.48-4 to treat the AB partnership as having acquired the property. The shortest recovery period that could be available to the property under section 168 is 39 years. Because Y has elected to treat the AB partnership as having acquired the property, Y does not reduce its basis in the building under section 50(c). Instead, A and B, the ultimate credit claimants, as defined in §1.50-1(b)(3)(ii), must include the amount of the rehabilitation credit determined under paragraph (c) of this section with respect to A and B ratably in gross income over 39 years, the shortest recovery period available with respect to such property.

(f) *Applicability date.*

This section applies to taxable years beginning on or after September 18, 2020. Taxpayers may choose to apply this section for taxable years beginning before September 18, 2020, provided the taxpayer applies this section in its entirety and in a consistent manner.

Sunita Lough,
*Deputy Commissioner for Services
and Enforcement.*

Approved: September 4, 2020.

David J. Kautter,
*Assistant Secretary of the Treasury
(Tax Policy).*

(Filed by the Office of the Federal Register on September 16, 2020, 4:15 p.m., and published in the issue of the Federal Register for September 18, 2020, 85 F.R. 58266)

Part III

Deferred Applicability Dates for Foreign Currency Guidance

Notice 2020-73

SECTION 1. PURPOSE

This Notice announces that the Department of the Treasury (Treasury Department) and the Internal Revenue Service (IRS) intend to amend the regulations under section 987 to defer the applicability date of certain final regulations under section 987 and certain related final regulations by one additional year.

On December 8, 2016, the Treasury Department and the IRS published Treasury Decision 9794 (81 Fed. Reg. 88806), which contained final regulations under section 987 and amendments to existing regulations under sections 861, 985, 988, and 989. *See* §§1.861-9T(g)(2)(ii)(A)(I) and (g)(2)(vi); 1.985-5; 1.987-0 through 1.987-11; 1.988-0; 1.988-1(a)(4), (a)(10)(ii), and (i); 1.988-4(b)(2); and 1.989(a)-1(b)(2)(i), (b)(4), (d)(3), and (d)(4) (the 2016 final regulations). The same day, the Treasury Department and the IRS also published Treasury Decision 9795 (81 Fed. Reg. 88854), which contained temporary regulations under sections 987 and 988 (the temporary regulations), and concurrently published a notice of proposed rulemaking by cross-reference to the temporary regulations (the proposed regulations). *See* REG-128276-12, 81 Fed. Reg. 88882.

On May 13, 2019, the Treasury Department and the IRS published Treasury Decision 9857 (84 Fed. Reg. 20790), which adopted in final form §§1.987-2T(c)(9), 1.987-4T(c)(2) and (f), and 1.987-12T and withdrew §1.987-7T. The other temporary regulations expired on December 6, 2019. The proposed regulations that were not finalized in 2019 remain outstanding.

Earlier notices deferred the applicability dates of the 2016 final regulations, §§1.987-1T (other than §§1.987-1T(g)(2)(i)(B) and (g)(3)(i)(H)) through 1.987-4T, 1.987-6T, 1.987-7T, 1.988-1T, and

1.988-2T(i) of the temporary regulations (the related temporary regulations), and §§1.987-2(c)(9) and 1.987-4(c)(2) and (f) of the 2019 final regulations (the related 2019 final regulations). Most recently, on December 23, 2019, Notice 2019-65, 2019-52 I.R.B. 1507 announced that future guidance would defer the applicability date of the 2016 final regulations and the related 2019 final regulations by one additional year to taxable years beginning after December 7, 2020.

SECTION 2. AMENDED APPLICABILITY DATE

The Treasury Department and the IRS intend to amend the applicability dates in §§1.861-9T, 1.985-5, 1.987-11, 1.988-1, 1.988-4, and 1.989(a)-1 of the 2016 final regulations and §§1.987-2 and 1.987-4 of the related 2019 final regulations to provide that the 2016 final regulations and the related 2019 final regulations apply to taxable years beginning after December 7, 2021 (the amended applicability date). *See* §§1.861-9T(g)(2)(vi); 1.985-5(g); 1.987-2(e)(2); 1.987-4(h)(2); 1.987-11(a); 1.988-1(i); 1.988-4(b)(2)(ii); 1.989(a)-1(b)(4); 1.989(a)-1(d)(4). Thus, following the amendments described in this Notice, the 2016 final regulations and the related 2019 final regulations would apply to the taxable year beginning on January 1, 2022 for calendar-year taxpayers. The Treasury Department and the IRS do not intend to amend the applicability date of §1.987-12. *See* §1.987-12(j).

A taxpayer may choose to apply the 2016 final regulations, the related temporary regulations (until they were revoked on May 13, 2019 or expired on December 6, 2019, as applicable), and the related 2019 final regulations (beginning on May 13, 2019) to taxable years beginning after December 7, 2016 and before the amended applicability date provided the taxpayer consistently applies those regulations to such taxable years with respect to all section 987 QBUs directly or indirectly owned by the taxpayer on the transition date as well as all section 987 QBUs directly or indirectly owned on the transition date by members that file a consolidated return with the tax-

payer or by any controlled foreign corporation, as defined in section 957, in which a member owns more than 50 percent of the voting power or stock value, as determined under section 958(a) (collectively, related parties). A taxpayer and its related parties are not, however, required to apply §1.987-7T of the related temporary regulations to any part of a taxable year ending on or after May 13, 2019. For example, a calendar-year taxpayer applying the regulations in accordance with this paragraph is not required to apply §1.987-7T to the period beginning on January 1, 2019 and ending on May 13, 2019 (when §1.987-7T was revoked).

The transition date is the first day of the first taxable year to which §§1.987-1 through 1.987-10 are applicable with respect to a taxpayer under §1.987-11. Section 1.987-11(c). Therefore, if a taxpayer chooses to apply §§1.987-1 through 1.987-10 to a taxable year beginning before the amended applicability date, the transition date is the first day of the first taxable year in which the taxpayer chooses to apply §§1.987-1 through 1.987-10.

For periods following the expiration of the temporary regulations, a taxpayer may rely on §§1.987-1 (other than §§1.987-1(g)(2)(i)(B) and (g)(3)(i)(H)), 1.987-3, 1.987-6, 1.988-1, and 1.988-2(i) of the proposed regulations, provided that the taxpayer and its related parties consistently follow those proposed regulations in their entirety and apply the 2016 final regulations and the related 2019 final regulations for the same taxable year. In addition, a taxpayer may rely on §§1.987-1(g)(2)(i)(B) and (g)(3)(i)(H) and 1.987-8 of the proposed regulations, provided that the taxpayer and its related parties consistently follow those proposed regulations in their entirety. A taxpayer may rely on §1.987-7 or 1.988-2(b)(16) of the proposed regulations, provided that the taxpayer and its related parties consistently follow each section of those proposed regulations on which it relies.

SECTION 3. TAXPAYER RELIANCE

Before the regulations under section 987 are amended as described in section 2

of this Notice, taxpayers may rely on the provisions of this Notice.

SECTION 4. DRAFTING INFORMATION

The principal author of this Notice is Raphael J. Cohen of the Office of Associate Chief Counsel (International). For further information regarding this Notice, contact Raphael J. Cohen at (202) 317-6938 (not a toll-free number).

Extension of Replacement Period for Livestock Sold on Account of Drought

Notice 2020-74

SECTION 1. PURPOSE

This notice provides guidance regarding an extension of the replacement period under § 1033(e) of the Internal Revenue Code for livestock sold on account of drought in specified counties.

SECTION 2. BACKGROUND

.01 *Nonrecognition of Gain on Involuntary Conversion of Livestock.* Section 1033(a) generally provides for nonrecognition of gain when property is involuntarily converted and replaced with property that is similar or related in service or use. Section 1033(e)(1) provides that a sale or exchange of livestock (other than poultry) held by a taxpayer for draft, breeding, or dairy purposes in excess of the number that would be sold following the taxpayer's usual business practices is treated as an involuntary conversion if the livestock is sold or exchanged solely on account of drought, flood, or other weather-related conditions.

.02 *Replacement Period.* Section 1033(a)(2)(A) generally provides that gain from an involuntary conversion is recognized only to the extent the amount realized on the conversion exceeds the cost of replacement property purchased during the

replacement period. If a sale or exchange of livestock is treated as an involuntary conversion under § 1033(e)(1) and is solely on account of drought, flood, or other weather-related conditions that result in the area being designated as eligible for assistance by the federal government, § 1033(e)(2)(A) provides that the replacement period ends four years after the close of the first taxable year in which any part of the gain from the conversion is realized. Section 1033(e)(2)(B) provides that the Secretary may extend this replacement period on a regional basis for such additional time as the Secretary determines appropriate if the weather-related conditions that resulted in the area being designated as eligible for assistance by the federal government continue for more than three years. Section 1033(e)(2) is effective for any taxable year with respect to which the due date (without regard to extensions) for a taxpayer's return is after December 31, 2002.

SECTION 3. EXTENSION OF REPLACEMENT PERIOD UNDER § 1033(e)(2)(B)

Notice 2006-82, 2006-2 C.B. 529, provides for extensions of the replacement period under § 1033(e)(2)(B). If a sale or exchange of livestock is treated as an involuntary conversion on account of drought and the taxpayer's replacement period is determined under § 1033(e)(2)(A), the replacement period will be extended under § 1033(e)(2)(B) and Notice 2006-82 until the end of the taxpayer's first drought-free year for the applicable region. For this purpose, the first drought-free year for the applicable region is the first 12-month period that (1) ends August 31; (2) ends in or after the last year of the taxpayer's four-year replacement period determined under § 1033(e)(2)(A); and (3) does not include any weekly period for which exceptional, extreme, or severe drought is reported for any location in the applicable region. The applicable region is the county that experienced the drought conditions on account of which the livestock was sold or exchanged and all counties that are contiguous to that county.

A taxpayer may determine whether exceptional, extreme, or severe drought is reported for any location in the applicable region by reference to U.S. Drought Monitor maps that are produced on a weekly basis by the National Drought Mitigation Center. U.S. Drought Monitor maps are archived at <http://droughtmonitor.unl.edu/Maps/MapArchive.aspx>.

In addition, Notice 2006-82 provides that the Internal Revenue Service will publish in September of each year a list of counties¹ for which exceptional, extreme, or severe drought was reported during the preceding 12 months. Taxpayers may use this list instead of U.S. Drought Monitor maps to determine whether exceptional, extreme, or severe drought has been reported for any location in the applicable region.

The Appendix to this notice contains the list of counties for which exceptional, extreme, or severe drought was reported during the 12-month period ending August 31, 2020. Under Notice 2006-82, the 12-month period ended on August 31, 2020, is not a drought-free year for an applicable region that includes any county on this list. Accordingly, for a taxpayer who qualified for a four-year replacement period for livestock sold or exchanged on account of drought and whose replacement period is scheduled to expire at the end of 2020 (or, in the case of a fiscal year taxpayer, at the end of the taxable year that includes August 31, 2020), the replacement period will be extended under § 1033(e)(2) and Notice 2006-82 if the applicable region includes any county on this list. This extension will continue until the end of the taxpayer's first taxable year ending after a drought-free year for the applicable region.

SECTION 4. DRAFTING INFORMATION

The principal author of this notice is Lewis Saideman of the Office of Associate Chief Counsel (Income Tax & Accounting). For further information regarding this notice, please contact Mr. Saideman at (202) 317-7006 (not a toll-free number).

¹The term "counties" in this notice includes boroughs, census areas, counties, islands, municipalities, or parishes.

APPENDIX

Alabama

Counties of Autauga, Baldwin, Barbour, Bibb, Bullock, Butler, Chambers, Cherokee, Chilton, Clay, Coffee, Conecuh, Coosa, Covington, Crenshaw, Dale, Dallas, DeKalb, Elmore, Escambia, Geneva, Henry, Houston, Jackson, Jefferson, Lee, Limestone, Lowndes, Macon, Madison, Marshall, Mobile, Montgomery, Pike, Randolph, Russell, Shelby, Talladega, and Tallapoosa.

Alaska

Municipality of Anchorage. Boroughs of Kenai Peninsula, Ketchikan Gateway, Kodiak Island, Lake and Peninsula, and Matanuska-Susitna. Census Areas of Prince of Wales-Outer Ketchikan, Valdez-Cordova, and Wrangell-Petersburg.

Arizona

Counties of Apache, Cochise, Coconino, Gila, Graham, Greenlee, La Paz, Maricopa, Mohave, Navajo, Pima, Pinal, Santa Cruz, and Yavapai.

Arkansas

Counties of Ashley, Bradley, Calhoun, Columbia, Lafayette, Miller, Nevada, Ouachita, and Union.

California

Counties of Alameda, Butte, Colusa, Contra Costa, Del Norte, Glenn, Humboldt, Lake, Lassen, Marin, Mendocino, Modoc, Napa, Nevada, Placer, Plumas, Sacramento, San Bernardino, San Francisco, San Joaquin, San Mateo, Santa Clara, Shasta, Sierra, Siskiyou, Solano, Sonoma, Sutter, Tehama, Trinity, Yolo, and Yuba.

Colorado

Counties of Adams, Alamosa, Arapahoe, Archuleta, Baca, Bent, Boulder, Broomfield, Chaffee, Cheyenne, Clear Creek, Conejos, Costilla, Crowley, Custer, Delta, Denver, Dolores, Douglas, Eagle, Elbert, El Paso, Fremont, Garfield, Gilpin, Grand, Gunnison, Hinsdale, Huerfano,

Jackson, Jefferson, Kiowa, Kit Carson, Lake, La Plata, Larimer, Las Animas, Lincoln, Logan, Mesa, Mineral, Moffat, Montezuma, Montrose, Morgan, Otero, Ouray, Park, Phillips, Pitkin, Prowers, Pueblo, Rio Blanco, Rio Grande, Routt, Saguache, San Juan, San Miguel, Sedgwick, Summit, Teller, Washington, Weld, and Yuma.

Connecticut

Counties of Hartford, Litchfield, Middlesex, New Haven, New London, Tolland, and Windham.

Delaware

Counties of Kent and New Castle.

District of Columbia

District of Columbia.

Florida

Counties of Alachua, Baker, Bay, Bradford, Broward, Calhoun, Charlotte, Citrus, Clay, Collier, Columbia, Duval, Escambia, Flagler, Franklin, Gadsden, Glades, Gulf, Hamilton, Hardee, Hendry, Hernando, Hillsborough, Holmes, Jackson, Jefferson, Lake, Lee, Leon, Levy, Liberty, Madison, Manatee, Marion, Miami-Dade, Monroe, Nassau, Okaloosa, Orange, Pasco, Pinellas, Polk, Putnam, Saint Johns, Santa Rosa, Sarasota, Seminole, Sumter, Suwannee, Taylor, Union, Volusia, Wakulla, Walton, and Washington.

Georgia

Counties of Appling, Atkinson, Bacon, Baker, Baldwin, Banks, Barrow, Bartow, Ben Hill, Berrien, Bibb, Bleckley, Brantley, Brooks, Bryan, Bulloch, Burke, Butts, Calhoun, Camden, Candler, Carroll, Catoosa, Charlton, Chatham, Chattahoochee, Chattooga, Cherokee, Clarke, Clay, Clayton, Clinch, Cobb, Coffee, Colquitt, Columbia, Cook, Coweta, Crawford, Crisp, Dade, Dawson, Decatur, DeKalb, Dodge, Dooly, Dougherty, Douglas, Early, Echols, Effingham, Elbert, Evans, Fannin, Fayette, Floyd, Forsyth, Franklin, Fulton, Gilmer, Glas-

cock, Gordon, Grady, Greene, Gwinnett, Habersham, Hall, Hancock, Harris, Hart, Heard, Henry, Houston, Irwin, Jackson, Jasper, Jeff Davis, Jefferson, Jenkins, Johnson, Jones, Lamar, Lanier, Laurens, Lee, Liberty, Lincoln, Long, Lowndes, Lumpkin, McDuffie, Macon, Madison, Marion, Meriwether, Miller, Mitchell, Monroe, Montgomery, Morgan, Murray, Muscogee, Newton, Oconee, Oglethorpe, Paulding, Peach, Pickens, Pierce, Pike, Polk, Pulaski, Putnam, Quitman, Rabun, Randolph, Rockdale, Schley, Screven, Seminole, Spalding, Stephens, Stewart, Sumter, Talbot, Taliaferro, Tattall, Taylor, Telfair, Terrell, Thomas, Tift, Toombs, Towns, Treutlen, Troup, Turner, Twiggs, Union, Upson, Walker, Walton, Ware, Warren, Washington, Wayne, Webster, Wheeler, White, Whitfield, Wilcox, Wilkes, Wilkinson, and Worth.

Hawaii

Counties of Hawaii, Kalawao, and Maui.

Idaho

Counties of Blaine, Butte, Camas, and Custer.

Illinois

Counties of Gallatin, Hardin, and White.

Indiana

Counties of Clark, Crawford, Dubois, Floyd, Harrison, Jefferson, Perry, Posey, Scott, Spencer, Switzerland, Vanderburgh, and Warrick.

Iowa

Counties of Adair, Adams, Audubon, Benton, Boone, Buena Vista, Calhoun, Carroll, Cass, Cherokee, Clay, Crawford, Dallas, Emmet, Franklin, Greene, Grundy, Guthrie, Hamilton, Hardin, Harrison, Humboldt, Ida, Iowa, Jasper, Keokuk, Kossuth, Lyon, Madison, Mahaska, Marshall, Mills, Monona, Montgomery, O'Brien, Palo Alto, Plymouth, Pocahontas, Polk, Pottawattamie, Poweshiek, Sac, Shelby, Sioux, Story, Tama, Warren, Webster, Woodbury, and Wright.

Kansas

Counties of *Cheyenne, Clark, Ellis, Finney, Gove, Grant, Gray, Greeley, Hamilton, Harvey, Haskell, Hodgeman, Kearny, Kingman, Lane, Logan, McPherson, Marion, Meade, Morton, Ness, Pawnee, Rawlins, Reno, Rush, Scott, Sedgwick, Seward, Sherman, Stanton, Stevens, Trego, Wallace, and Wichita.*

Kentucky

Counties of *Adair, Barren, Bell, Bourbon, Boyle, Breathitt, Breckinridge, Bullitt, Butler, Carroll, Casey, Christian, Clark, Clay, Clinton, Crittenden, Cumberland, Daviess, Edmonson, Estill, Fayette, Floyd, Gallatin, Garrard, Grayson, Green, Hancock, Hardin, Harlan, Hart, Henderson, Henry, Hopkins, Jackson, Jefferson, Jessamine, Johnson, Knott, Knox, Larue, Laurel, Lawrence, Lee, Leslie, Letcher, Lincoln, Logan, McCreary, McLean, Madison, Magoffin, Marion, Martin, Meade, Menifee, Mercer, Metcalfe, Monroe, Morgan, Muhlenberg, Nelson, Ohio, Oldham, Owen, Owsley, Perry, Pike, Powell, Pulaski, Rockcastle, Russell, Scott, Shelby, Taylor, Todd, Trimble, Union, Warren, Washington, Wayne, Webster, Whitley, Wolfe, and Woodford.*

Louisiana

Parishes of *Assumption, Avoyelles, Bienville, Bossier, Caddo, Caldwell, Catahoula, Claiborne, Concordia, Franklin, Jefferson, Lafourche, La Salle, Madison, Plaquemines, Rapides, Richland, Saint Bernard, Saint Charles, Saint James, Saint John the Baptist, Saint Tammany, Tensas, Terrebonne, Union, and Webster.*

Maine

Counties of *Aroostook, Penobscot, Piscataquis, Somerset, Washington, and York.*

Maryland

City of *Baltimore.* Counties of *Anne Arundel, Baltimore, Calvert, Caroline, Carroll, Cecil, Charles, Dorchester, Harford, Howard, Kent, Montgomery, Prince George's, Queen Anne's, Saint Mary's, and Talbot.*

Massachusetts

Counties of *Barnstable, Berkshire, Bristol, Dukes, Essex, Hampden, Middlesex, Nantucket, Norfolk, Plymouth, and Worcester.*

Minnesota

County of *Aitkin, Carlton, Cass, Crow Wing, Itasca, Lake, and Saint Louis.*

Mississippi

Counties of *Adams, Claiborne, George, Hancock, Harrison, Jackson, Jefferson, and Stone.*

Missouri

Counties of *Christian, Douglas, Greene, Lawrence, Stone, and Webster.*

Montana

Counties of *Beaverhead, Broadwater, Gallatin, Jefferson, Madison, and Powder River.*

Nebraska

Counties of *Adams, Arthur, Banner, Box Butte, Buffalo, Burt, Cass, Cheyenne, Clay, Colfax, Cuming, Dakota, Dawes, Deuel, Dodge, Douglas, Dundy, Garden, Grant, Hall, Hitchcock, Kearney, Keith, Kimball, Madison, Morrill, Perkins, Phelps, Pierce, Platte, Sarpy, Saunders, Scotts Bluff, Sheridan, Sioux, Stanton, Thurston, Washington, and Wayne.*

Nevada

Counties of *Churchill, Clark, Douglas, Elko, Esmeralda, Eureka, Humboldt, Lander, Lincoln, Lyon, Mineral, Nye, Pershing, Storey, Washoe, and White Pine.*

New Hampshire

Counties of *Belknap, Carroll, Grafton, Hillsborough, Merrimack, Rockingham, Strafford, and Sullivan.*

New Jersey

County of *Salem.*

New Mexico

Counties of *Bernalillo, Catron, Chaves, Cibola, Colfax, Curry, DeBaca, Dona Ana, Eddy, Grant, Guadalupe, Harding, Hidalgo, Lea, Lincoln, Los Alamos, Luna, McKinley, Mora, Otero, Quay, Rio Arriba, Roosevelt, Sandoval, San Juan, San Miguel, Santa Fe, Sierra, Taos, Torrance, Union, and Valencia.*

New York

Counties of *Franklin and Saint Lawrence.*

North Carolina

Counties of *Alexander, Avery, Burke, Caldwell, Catawba, Cherokee, Clay, Cleveland, Davie, Forsyth, Gaston, Graham, Granville, Haywood, Henderson, Iredell, Jackson, Lincoln, Macon, Madison, Mecklenburg, Mitchell, Person, Polk, Rowan, Stokes, Surry, Union, Vance, Warren, Watauga, Wilkes, Yadkin, and Yancey.*

North Dakota

Counties of *Benson, Burleigh, Morton, Oliver, and Pierce.*

Oklahoma

Counties of *Alfalfa, Atoka, Beaver, Beckham, Blaine, Caddo, Choctaw, Cimarron, Comanche, Cotton, Creek, Custer, Dewey, Ellis, Garfield, Grady, Grant, Greer, Harmon, Harper, Jackson, Jefferson, Kay, Kingfisher, Kiowa, Lincoln, Logan, McCurtain, Major, Noble, Osage, Pawnee, Payne, Pushmataha, Roger Mills, Stephens, Texas, Tillman, Tulsa, Washita, and Woodward.*

Oregon

Counties of *Benton, Clackamas, Columbia, Coos, Crook, Curry, Deschutes, Douglas, Gilliam, Grant, Harney, Jackson, Jefferson, Josephine, Klamath, Lake, Lane, Lincoln, Linn, Malheur, Marion, Morrow, Multnomah, Polk, Sherman, Umatilla, Wasco, Washington, Wheeler, and Yamhill.*

Rhode Island

Counties of Bristol, Kent, Newport, Providence, and Washington.

South Carolina

Counties of Abbeville, Aiken, Allendale, Anderson, Bamberg, Barnwell, Calhoun, Cherokee, Chester, Colleton, Dorchester, Fairfield, Greenville, Greenwood, Hampton, Jasper, Kershaw, Lancaster, Laurens, Lexington, McCormick, Oconee, Orangeburg, Pickens, Richland, Spartanburg, Sumter, Union, and York.

South Dakota

Counties of Bennett, Fall River, Lincoln, Oglala Lakota, and Union.

Tennessee

Counties of Anderson, Bledsoe, Bradley, Campbell, Cannon, Carter, Cheatham, Claiborne, Clay, Cocke, Cumberland, Davidson, DeKalb, Dickson, Franklin, Giles, Greene, Grundy, Hamblen, Hamilton, Hickman, Jefferson, Johnson, Lincoln, Loudon, McMinn, Marion, Marshall, Maury, Meigs, Monroe, Morgan, Pickett, Polk, Putnam, Rhea, Roane, Rutherford, Scott, Sequatchie, Sullivan, Unicoi, Van Buren, Warren, Washington, White, Williamson, and Wilson.

Texas

Counties of Anderson, Andrews, Aransas, Archer, Armstrong, Atascosa, Austin, Bailey, Bandera, Bastrop, Baylor, Bee, Bell, Bexar, Blanco, Borden, Bosque, Bowie, Brazoria, Brazos, Brewster, Briscoe, Brooks, Brown, Burleson, Burnet, Caldwell, Calhoun, Callahan, Cameron, Camp, Carson, Cass, Castro, Cherokee, Childress, Clay, Cochran, Coke, Coleman, Collin, Collingsworth, Colorado, Comal, Comanche, Concho, Coryell, Cottle, Crane, Crockett, Crosby, Culberson, Dallam, Dallas, Dawson, Deaf Smith, Denton, DeWitt, Dickens, Dimmit, Donley, Duval, Eastland, Ector, Edwards, Ellis, Erath, Falls, Fayette, Fisher, Floyd, Foard, Fort Bend, Franklin, Freestone, Frio, Gaines, Galveston, Garza, Gillespie, Glasscock, Goliad, Gonzales, Gray, Gregg, Grimes, Guada-

lupe, Hale, Hall, Hansford, Hardeman, Harris, Harrison, Hartley, Haskell, Hays, Hemphill, Henderson, Hidalgo, Hill, Hockley, Hood, Houston, Howard, Hudspeth, Hunt, Hutchinson, Irion, Jack, Jackson, Jeff Davis, Jim Hogg, Jim Wells, Johnson, Jones, Karnes, Kaufman, Kendall, Kenedy, Kent, Kerr, Kimble, King, Kinney, Kleberg, Knox, Lamb, Lampasas, La Salle, Lavaca, Lee, Leon, Liberty, Limestone, Lipscomb, Live Oak, Llano, Loving, Lubbock, Lynn, McCulloch, McLennan, McMullen, Madison, Marion, Martin, Mason, Matagorda, Maverick, Medina, Menard, Midland, Milam, Mills, Mitchell, Moore, Morris, Motley, Nacogdoches, Navarro, Nolan, Nueces, Ochiltree, Oldham, Palo Pinto, Parker, Parmer, Pecos, Potter, Presidio, Rains, Randall, Reagan, Real, Red River, Reeves, Refugio, Roberts, Robertson, Rockwall, Runnels, Rusk, San Patricio, San Saba, Schleicher, Scurry, Shackelford, Sherman, Smith, Somervell, Starr, Stephens, Sterling, Stonewall, Sutton, Swisher, Tarrant, Taylor, Terrell, Terry, Throckmorton, Titus, Tom Green, Travis, Trinity, Upshur, Upton, Uvalde, Val Verde, Van Zandt, Victoria, Walker, Waller, Ward, Washington, Webb, Wharton, Wheeler, Wichita, Wilbarger, Willacy, Williamson, Wilson, Winkler, Wise, Wood, Yoakum, Young, Zapata, and Zavala.

Utah

Counties of Beaver, Box Elder, Cache, Carbon, Daggett, Davis, Duchesne, Emery, Garfield, Grand, Iron, Juab, Kane, Millard, Morgan, Piute, Rich, Salt Lake, San Juan, Sanpete, Sevier, Summit, Tooele, Uintah, Utah, Wasatch, Washington, Wayne, and Weber.

Virginia

Cities of Alexandria, Bedford, Buena Vista, Fairfax, Falls Church, Richmond, and Roanoke. Counties of Alleghany, Amelia, Amherst, Arlington, Bath, Bedford, Bland, Botetourt, Buchanan, Buckingham, Caroline, Charlotte, Chesterfield, Craig, Culpeper, Cumberland, Dickenson, Dinwiddie, Fairfax, Fauquier, Floyd, Franklin, Giles, Goochland, Halifax, Hanover, Henrico, Henry, Lee, Loudoun, Louisa, Mecklenburg, Nottoway, Orange, Patrick, Powhatan, Prince Edward, Prince

William, Pulaski, Roanoke, Rockbridge, Spotsylvania, Stafford, Tazewell, Wise, and Wythe.

Washington

Counties of Adams, Benton, Chelan, Clallam, Clark, Cowlitz, Douglas, Franklin, Grant, Grays Harbor, Jefferson, King, Kittitas, Klickitat, Lewis, Mason, Okanogan, Pacific, Pierce, San Juan, Skagit, Snohomish, Thurston, Wahkiakum, Walla Walla, Whatcom, and Yakima.

West Virginia

Counties of Boone, Clay, Fayette, Greenbrier, Kanawha, Lincoln, Logan, McDowell, Mercer, Mingo, Monroe, Nicholas, Pocahontas, Putnam, Raleigh, Summers, Wayne, and Wyoming.

Wisconsin

County of Douglas.

Wyoming

Counties of Albany, Big Horn, Campbell, Carbon, Converse, Fremont, Goshen, Hot Springs, Johnson, Laramie, Natrona, Niobrara, Platte, Sheridan, Sweetwater, Uinta, and Washakie.

Guam

Island of Guam.

Commonwealth of the Northern Mariana Islands

Islands of Rota and Saipan.

Commonwealth of Puerto Rico

Municipalities of Adjuntas, Aguas Buenas, Aibonito, Arroyo, Barranquitas, Cabo Rojo, Caguas, Canovanas, Carolina, Cayey, Cidra, Coamo, Guanica, Guayama, Guayanilla, Guaynabo, Gurabo, Humacao, Juana Diaz, Juncos, Lajas, Las Piedras, Loiza, Maricao, Maunabo, Naguabo, Patillas, Penuelas, Ponce, Rio Grande, Sabana Grande, Salinas, San German, San Juan, San Lorenzo, Santa Isabel, Trujillo Alto, Vieques, Villalba, Yabucoa, and Yauco.

United States Virgin Islands

Islands of Saint Croix, Saint John, and Saint Thomas.

Rev. Proc. 2020-42

SECTION 1. PURPOSE

This revenue procedure publishes the amounts of unused housing credit carry-

overs allocated to qualified states under § 42(h)(3)(D) of the Internal Revenue Code for calendar year 2020.

SECTION 2. BACKGROUND

Rev. Proc. 2019-45, 2019-48 I.R.B. 524, provides guidance to state housing credit agencies of qualified states on the procedure for requesting an allocation of unused housing credit carryovers under § 42(h)(3)(D). Section 5.04 of Rev. Proc. 2019-45 provides that the Internal Revenue Service will publish in the Internal

Revenue Bulletin the amount of unused housing credit carryovers allocated to qualified states for a calendar year from a national pool of unused credit authority (the National Pool). This revenue procedure publishes these amounts for calendar year 2020.

SECTION 3. PROCEDURE

The unused housing credit carryover amount allocated from the National Pool by the Secretary to each qualified state for calendar year 2020 is as follows:

<i>Qualified State</i>	<i>Amount Allocated</i>
Alabama	58,538
Arizona	86,900
California	471,731
Connecticut	42,565
Delaware	11,626
Florida	256,420
Georgia	126,760
Idaho	21,336
Illinois	151,287
Kentucky	53,339
Maine	16,048
Maryland	72,179
Massachusetts	82,289
Michigan	119,232
Minnesota	67,331
Missouri	73,274
Montana	12,760
Nebraska	23,095
New Jersey	106,043
New Mexico	25,034
New York	232,253
North Carolina	125,216
North Dakota	9,098
Oklahoma	47,242
Pennsylvania	152,841
Rhode Island	12,648
South Dakota	10,562
Texas	346,178
Vermont	7,450
Virginia	101,904
Washington	90,913
West Virginia	21,396
Wisconsin	69,513

EFFECTIVE DATE

This revenue procedure is effective for allocations of housing credit dollar amounts attributable to the National Pool component of a qualified state's housing credit ceiling for calendar year 2020.

DRAFTING INFORMATION

The principal author of this revenue procedure is YoungNa Lee of the Office of Associate Chief Counsel (Passthroughs and Special Industries). For further information regarding this revenue procedure,

contact Ms. Lee at (202) 317-4137 (not a toll-free number).

Section 42 — Low-Income Housing Credit.

26 CFR 1.42-14. Allocation rules for post-1989 State housing credit ceiling amounts.

Guidance is provided to state housing credit agencies of qualified states that request an allocation of unused housing credit carryover under section 42(h)(3)(D) of the Internal Revenue Code. See Rev. Proc. 2020-42

Part IV

Information Reporting Requirements for Paycheck Protection Program Loans Forgiven under the CARES Act

Announcement 2020-12

This announcement notifies lenders that they should not file information returns or furnish payee statements under section 6050P of the Internal Revenue Code (Code) to report the amount of qualifying forgiveness with respect to covered loans made under the Paycheck Protection Program (PPP) administered by the Small Business Administration (SBA), in consultation with the Department of the Treasury, under Title I of the Coronavirus Aid, Relief, and Economic Security Act, Pub. L. No. 116-136, 134 Stat. 281 (March 27, 2020), as amended by the Paycheck Protection Program Flexibility Act of 2020, Pub. L. No. 116-142, 134 Stat. 641 (June 5, 2020) (collectively, CARES Act).

Section 1102 of the CARES Act established the PPP, which allowed qualifying

small businesses (eligible recipients) to obtain loans guaranteed by the SBA under section 7(a)(36) of the Small Business Act (15 U.S.C. § 636(a)(36)) (covered loans). Under section 1106 of the CARES Act, an eligible recipient is eligible for forgiveness of indebtedness for all or a portion of the stated principal amount of a covered loan if certain conditions are satisfied (qualifying forgiveness). Under section 1106(i) of the CARES Act, for purposes of the Code, any amount that (but for section 1106(i)) would be includible in gross income of the eligible recipient by reason of the qualifying forgiveness is excluded from gross income.

Generally, section 6050P of the Code and §§ 1.6050P-1 and 1.6050P-2 of the Income Tax Regulations require an applicable entity (as defined in section 6050P(c)(1) of the Code) that discharges at least \$600 of a borrower's indebtedness to file a Form 1099-C, Cancellation of Debt, with the Internal Revenue Service (IRS), and to furnish a payee statement to the borrower. For purposes of this reporting requirement, § 1.6050P-1(c) provides that "indebtedness" means any amount owed to an

applicable entity, including stated principal, fees, stated interest, penalties, administrative costs, and fines.

When all or a portion of the stated principal amount of a covered loan is forgiven because the eligible recipient satisfies the forgiveness requirements under section 1106 of the CARES Act, an applicable entity is not required to, for federal income tax purposes only, and should not, file a Form 1099-C information return with the IRS or provide a payee statement to the eligible recipient under section 6050P of the Code as a result of the qualifying forgiveness. The filing of such information returns with the IRS could result in the issuance of underreporter notices (IRS Letter CP2000) to eligible recipients, and the furnishing of such payee statements to eligible recipients could cause confusion. This announcement is intended to prevent any such confusion.

The principal author of this announcement is Marshall French of the Office of the Associate Chief Counsel (Procedure & Administration). For further information regarding this announcement, contact Marshall French at (202) 317-5411 (not a toll-free number).

Definition of Terms

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

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

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

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

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

new ruling holds that it applies to both A and B, the prior ruling is modified because it corrects a published position. (Compare with *amplified* and *clarified*, above).

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

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

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

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

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

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

Abbreviations

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

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

ERISA—Employee Retirement Income Security Act.
EX—Executor.
F—Fiduciary.
FC—Foreign Country.
FICA—Federal Insurance Contributions Act.
FISC—Foreign International Sales Company.
FPH—Foreign Personal Holding Company.
FR.—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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¹ A cumulative list of all revenue rulings, revenue procedures, Treasury decisions, etc., published in Internal Revenue Bulletins 2019–27 through 2019–52 is in Internal Revenue Bulletin 2019–52, dated December 27, 2019.

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