

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.

SPECIAL ANNOUNCEMENT

Announcement 96-54, page 12.

A public hearing will be held on July 24, 1996, on proposed regulations relating, in part, to information reporting and backup withholding under the Interest and Dividend Tax Compliance Act of 1983.

INCOME TAX

T.D. 8662, page 5.

Final regulations under section 584 of the Code relate to the diversification of common trust funds at the time of a combination or division.

T.D. 8663, page 4.

Final regulations under section 351 of the Code relate to transfers to investment companies.

T.D. 8669, page 6.

Final regulations under section 936 of the Code relate to the computation of combined taxable income under the profit split method.

EMPLOYEE PLANS

Announcement 96-53, page 12.

The application forms used to request determination letters for qualified employee benefit plans have been revised. Application forms having revision dates before January 1, 1996, may be used until October 1, 1996.

EXEMPT ORGANIZATIONS

Announcement 96-55, page 12.

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

Finding Lists begin on page 18.

Announcement of Disbarments and Suspensions begins on page 15.

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Mission of the Service

The purpose of the Internal Revenue Service is to collect the proper amount of tax revenue at the least cost; serve the public by continually improving the

quality of our products and services; and perform in a manner warranting the highest degree of public confidence in our integrity, efficiency and fairness.

Statement of Principles of Internal Revenue Tax Administration

The function of the Internal Revenue Service is to administer the Internal Revenue Code. Tax policy for raising revenue is determined by Congress.

With this in mind, it is the duty of the Service to carry out that policy by correctly applying the laws enacted by Congress; to determine the reasonable meaning of various Code provisions in light of the Congressional purpose in enacting them; and to perform this work in a fair and impartial manner, with neither a government nor a taxpayer point of view.

At the heart of administration is interpretation of the Code. It is the responsibility of each person in the Service, charged with the duty of interpreting the law, to try to find the true meaning of the statutory provision and not to adopt a strained construction in the belief that he or she is "protecting the revenue." The revenue is properly protected only when we ascertain and apply the true meaning of the statute.

The Service also has the responsibility of applying and administering the law in a reasonable, practical manner. Issues should only be raised by examining officers when they have merit, never arbitrarily or for trading purposes. At the same time, the examining officer should never hesitate to raise a meritorious issue. It is also important that care be exercised not to raise an issue or to ask a court to adopt a position inconsistent with an established Service position.

Administration should be both reasonable and vigorous. It should be conducted with as little delay as possible and with great courtesy and considerateness. It should never try to overreach, and should be reasonable within the bounds of law and sound administration. It should, however, be vigorous in requiring compliance with law and it should be relentless in its attack on unreal tax devices and fraud.

Introduction

The Internal Revenue Bulletin is the authoritative instrument of the Commissioner of Internal Revenue for announcing official rulings and procedures of the Internal Revenue Service and for publishing Treasury Decisions, Executive Orders, Tax Conventions, legislation, court decisions, and other items of general interest. It is published weekly and may be obtained from the Superintendent of Documents on a subscription basis. Bulletin contents of a permanent nature are consolidated semiannually into Cumulative Bulletins, which are sold on a single-copy basis.

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

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

Rulings and procedures reported in the Bulletin do not have the force and effect of Treasury Department Regulations, but they may be used as precedents. Unpublished rulings will not be relied on, used, or cited as precedents by Service personnel in the disposition of

other cases. In applying published rulings and procedures, the effect of subsequent legislation, regulations, court decisions, rulings, and 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 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.

With the exception of the Notice of Proposed Rulemaking and the disbarment and suspension list included in this part, none of these announcements are consolidated in the Cumulative Bulletins.

The first Bulletin for each month includes an index for the matters published during the preceding month. These monthly indexes are cumulated on a quarterly and semiannual basis, and are published in the first Bulletin of the succeeding quarterly and semi-annual period, respectively.

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.

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

Section 351.—Transfer to Corporation Controlled by Transferor

26 CFR 1.351-1: Transfer to corporation controlled by transferor.

T.D. 8663

DEPARTMENT OF THE TREASURY Internal Revenue Service 26 CFR Part 1

Transfers to Investment Companies

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Final regulations.

SUMMARY: This document contains final regulations amending regulations under section 351(e) of the Internal Revenue Code relating to transfers to investment companies. The final regulations concern the treatment of certain transfers to a controlled corporation. Generally, the final regulations amend the regulations to provide when certain transfers will not cause a diversification of the transferors' interests.

EFFECTIVE DATE: These regulations are effective May 2, 1996.

FOR FURTHER INFORMATION CONTACT: Andrew M. Eisenberg, (202) 622-7790 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

1. Background

This document contains final regulations under section 351. The final regulations provide for the treatment of certain transfers to a controlled corporation. Section 351(a) provides that no gain or loss will be recognized if one or more persons transfer property to a corporation solely in exchange for stock in the corporation and immediately after the exchange such person or persons are in control of the corporation. Section 351(e)(1) provides that section 351(a) will not apply to a transfer of property to an investment company.

On August 10, 1995, the **Federal Register** published a notice of proposed rulemaking (CO-19-95), amending regulations under section 351 of the Internal Revenue Code relating to transfers of property to an investment company (60 FR 40794). The proposed rules were based on the conclusion that transfers of diversified portfolios are not inconsistent with the Congressional purpose of section 351(e)(1).

2. Public Comments and the Final Regulations

The IRS received comments from the public on the proposed regulations. No public hearing was requested and none was held. The comments received were generally supportive of the proposed regulations. After consideration of all the comments, the regulations proposed by CO-19-95 are adopted as revised by this Treasury decision. The principal comments on the proposed regulations are discussed below.

Government securities are not treated as securities of an issuer for purposes of the 25 and 50-percent tests. Several commentators suggested that the final regulations include specific assurance that Government securities are not treated as securities of an issuer in applying the 25 and 50-percent tests contained in section 368(a)(2)(F)(ii). The proposed regulations generally adopt the section 368(a)(2)(F)(ii) tests for purposes of determining whether a portfolio of stocks and securities is diversified. However, the proposed regulations modify the 25 and 50-percent tests of section 368(a)(2)(F)(ii) by including Government securities in total assets (clause (iv) of section 368(a)(2)(F) excludes Government securities from total assets for purposes of the 25 and 50-percent tests in clause (ii) of section 368(a)(2)(F)). The final regulations clarify that Government securities, while included in total assets, are not treated as securities of an issuer for purposes of the numerator of the 25 and 50-percent tests of section 368(a)(2)(F)(ii).

The transfer of a diversified portfolio of stocks and securities by any transferor satisfies the modified diversification test. One commentator suggested that the final regulations should clarify that any person, rather than corporate transferors only, may satisfy the modi-

fied diversification test. The commentator is concerned that the use of the section 368(a)(2)(F)(ii) tests, which are adopted from a provision that applies only to transfers by corporations, may imply that the tests as applied in section 351 are limited to corporate transferors.

The Treasury and IRS do not intend to limit application of the final regulations solely to corporate transferors. The final regulations provide that a portfolio will be diversified if it satisfies the 25 and 50-percent tests of section 368(a)(2)(F)(ii) (as modified), rather than section 368(a)(2)(F)(ii), generally.

Transfers of interests in real property to an investment company. One commentator suggested that the final regulations adopt a rule whereby transfers of real property would not result in the diversification of the transferors' interests if each transferor transfers a diversified portfolio of real property to a Real Estate Investment Trust. The subject of real property transfers is beyond the scope of these final regulations.

Retroactive effect of the final regulations. Several commentators suggested that the final regulations include a retroactive effective date. The final regulations allow taxpayers who transfer diversified, but nonidentical, portfolios of stocks and securities before May 2, 1996, to choose to treat the transfers consistent with the final regulations or as transfers resulting in diversification. However, transfers completed on or after May 2, 1996 are subject to the final regulations.

Special Analyses

It has been determined that this Treasury decision is not a significant regulatory action as defined in EO 12866. Therefore, a regulatory assessment is not required. It also has been determined that section 553(b) of the Administrative Procedure Act (5 U.S.C. chapter 5) and the Regulatory Flexibility Act (5 U.S.C. chapter 6) do not apply to these regulations, and, therefore, a Regulatory Flexibility Analysis is not required. Pursuant to section 7805(f) of the Internal Revenue Code, the notice of proposed rulemaking preceding these regulations was submit-

ted to the Chief Counsel for Advocacy of the Small Business Administration for comment on its impact on small business.

Drafting Information

The principal author of these regulations is Andrew M. Eisenberg, Office of Assistant Chief Counsel (Corporate), IRS. However, other personnel from the IRS and Treasury Department participated in their development.

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Adoption of Amendment to the Regulations

Accordingly, 26 CAR 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 1.351-1 is amended by:

- 1. Redesignating paragraph (c)(6) as paragraph (c)(7).
- 2. Adding new paragraph (c)(6) to read as set forth below.

§1.351-1 Transfer to corporation controlled by transferor.

* * * * *

(c) * * *

(6)(i) For purposes of paragraph (c)(5) of this section, a transfer of stocks and securities will not be treated as resulting in a diversification of the transferors' interests if each transferor transfers a diversified portfolio of stocks and securities. For purposes of this paragraph (c)(6), a portfolio of stocks and securities is diversified if it satisfies the 25 and 50-percent tests of section 368(a)(2)(F)(ii), applying the relevant provisions of section 368(a)(2)(F). However, Government securities are included in total assets for purposes of the denominator of the 25 and 50-percent tests (unless the Government securities are acquired to meet the 25 and 50-percent tests), but are not treated as securities of an issuer for purposes of the numerator of the 25 and 50-percent tests.

(ii) Paragraph (c)(6)(i) of this section is effective for transfers completed

on or after May 2, 1996. Transfers of diversified (within the meaning of paragraph (c)(6)(i) of this section), but nonidentical, portfolios of stocks and securities completed before May 2, 1996, may be treated either—

(A) Consistent with paragraph (c)(6)(i) of this section; or

(B) As resulting in diversification of the transferors' interests.

* * * * *

Margaret Milner Richardson,
Commissioner of Internal Revenue.

Approved March 6, 1996.

Leslie Samuels,
Assistant Secretary of Treasury.

(Filed by the Office of the Federal Register on May 1, 1996, 8:45 a.m., and published in the issue of the Federal Register for May 2, 1996, 61 F.R. 19544)

Section 584.—Common Trust Funds

26 CFR 1.584-4: Admission and withdrawal of participants in the common trust fund.

T.D. 8662

**DEPARTMENT OF THE TREASURY
Internal Revenue Service
26 CFR Part 1**

Diversification of Common Trust Funds

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Final regulations.

SUMMARY: This document contains final regulations relating to the diversification of common trust funds at the time of a combination or division. The final regulations affect common trust funds and their participants.

EFFECTIVE DATE: May 2, 1996.

FOR FURTHER INFORMATION CONTACT: Steven Schneider, (202) 622-3060 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

On August 10, 1995, a notice of proposed rulemaking (PS-29-92

[1996-36 I.R.B. 32]) was published in the **Federal Register** (60 FR 40796) proposing amendments to the Income Tax Regulations (26 CFR part 1) under section 584 of the Internal Revenue Code. Written comments responding to this notice were received. No public hearing was held because no hearing was requested. After consideration of all comments received, the proposed regulations under section 584 are adopted as revised by this Treasury decision.

Explanation of Provisions

The final regulations modify the diversification test applied to combining, dividing, and resulting common trust funds at the time of a combination or division. Under the existing regulations, which incorporate the diversification test of section 368(a)(2)(F)(ii), Government securities are excluded in determining total assets. These final regulations modify the diversification test so that Government securities are included in determining total assets when applying section 368(a)(2)(F)(ii).

This modified diversification test is the same as that in the final regulations under section 351(e), which deals with transfers to investment companies. These corresponding modifications ensure that a uniform diversification test will be applied to common trust funds and similar investment entities.

The final regulations also update the regulations under section 584 to conform to changes in the law.

Changes to the Proposed Regulations in Response to Comments

I. Clarification that Government securities are not treated as securities of an issuer

Two commentators suggested that the final regulations include specific assurance that Government securities are not treated as securities of an issuer in applying the 25 and 50-percent tests contained in section 368(a)(2)(F)(ii) to mergers and divisions of common trust funds. The proposed regulations provide that Government securities are included in total assets in applying the 25 and 50-percent tests to common trust fund combinations and divisions, but do not specifically state that Government securities are not treated as securities of an issuer. The final

regulations clarify that Government securities, while included in total assets, are not treated as securities of an issuer for purposes of the numerator of the 25 and 50-percent tests of section 368(a)(2)(F)(ii).

II. Clarification of the definition of Government securities

One commentator suggested that the regulations broaden the definition of the term *Government securities* to include state and local government obligations. The final regulations do not adopt the suggestion.

Effective Date

These regulations apply to combinations and divisions of common trust funds completed on or after May 2, 1996.

Special Analyses

It has been determined that this Treasury decision is not a significant regulatory action as defined in EO 12866. Therefore, a regulatory assessment is not required. It has also been determined that section 553(b) of the Administrative Procedure Act (5 U.S.C. chapter 5) and the Regulatory Flexibility Act (5 U.S.C. chapter 6) do not apply to these regulations and, therefore, a Regulatory Flexibility Analysis is not required. Pursuant to section 7805(f) of the Internal Revenue Code, the notice of proposed rulemaking preceding these regulations was submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on its impact on small business.

Drafting Information

The principal author of this regulation is Brian J. O'Connor, formerly of the Office of Assistant Chief Counsel (Passthroughs and Special Industries). However, other personnel from the IRS and Treasury Department participated in their development.

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Adoption of Amendments to the Regulations

Accordingly, 26 CFR part 1 is amended as follows:

PART 1—INCOME TAXES

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

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

§1.584-2 [Amended]

Par. 2. Section 1.584-2 is amended by:

- 1. Removing paragraph (b)(1).
2. Removing the paragraph designation (b)(2).

Par. 3. Section 1.584-4 is amended by:

- 1. Removing paragraphs (a)(1) and (a)(2).
2. Removing the last sentence in paragraph (a) and adding 6 sentences in its place.
3. Adding paragraph (e).

The additions read as follows:

§1.584-4 Admission and withdrawal of participants in the common trust fund.

(a) * * * When a participating interest is transferred by a bank, or by two or more banks that are members of the same affiliated group (within the meaning of section 1504), as a result of the combination of two or more common trust funds or the division of a single common trust fund, the transfer to the surviving or divided fund is not considered to be an admission or a withdrawal if the combining, dividing, and resulting common trust funds have diversified portfolios. For purposes of this paragraph (a), a common trust fund has a diversified portfolio if it satisfies the 25 and 50-percent tests of section 368(a)(2)(F)(ii), applying the relevant provisions of section 368(a)(2)(F). However, Government securities are included in total assets for purposes of the denominator of the 25 and 50-percent tests (unless the Government securities are acquired to meet the 25 and 50-percent tests), but are not treated as securities of an issuer for purposes of the numerator of the 25 and 50-percent tests. In addition, for a transfer of a participating interest in a division of a common trust fund not to be considered an admission or withdrawal, each participant's pro rata interest in each of the resulting common trust funds must be substantially the same as was the participant's pro

rata interest in the dividing fund. However, in the case of the division of a common trust fund maintained by two or more banks that are members of the same affiliated group resulting from the termination of such affiliation, the division will be treated as meeting the requirements of the preceding sentence if the written plans of operation of the resulting common trust funds are substantially identical to the plan of operation of the dividing common trust fund, each of the assets of the dividing common trust fund are distributed substantially pro rata to each of the resulting common trust funds, and each participant's aggregate interest in the assets of the resulting common trust funds of which he or she is a participant in substantially the same as was the participant's pro rata interest in the assets of the dividing common trust fund. The plan of operation of a resulting common trust fund will not be considered to be substantially identical to that of the dividing common trust fund where, for example, the plan of operation of the resulting common trust fund contains restrictions as to the types of participants that may invest in the common trust fund where such restrictions were not present in the plan of operation of the dividing common trust fund.

* * * * *

(e) Effective date. The eighth sentence of paragraph (a) of this section is effective for combinations and divisions of common trust funds completed on or after May 2, 1996.

Margaret Milner Richardson, Commissioner of Internal Revenue.

Approved March 6, 1996.

Leslie Samuels, Assistant Secretary of the Treasury.

(Filed by the Office of the Federal Register on May 1, 1996, 8:45 a.m., and published in the issue of the Federal Register for May 2, 1996, 61 F.R. 19546)

Section 936.—Puerto Rico and Possession Tax Credit

26 CFR 1.936-6: Intangible property income when an election out is made; cost sharing and profit split options; covered intangibles.

T.D. 8669

DEPARTMENT OF THE TREASURY

Computation of Combined Taxable Income Under the Profit Split Method When the Possession Product Is a Component Product or an End-Product Form for Purposes of the Possessions Credit Under Section 936

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Final regulations.

SUMMARY: This document contains final regulations relating to the computation of combined taxable income under the profit split method. These regulations amend the current regulations and provide revised rules for taxpayers to compute combined taxable income under the profit split method when the possession product chosen for purposes of section 936(h)(5) of the Internal Revenue Code is a component product or an end-product form. These regulations are necessary to provide guidance to taxpayers electing the profit split method of computing taxable income under section 936(h)(5).

DATES: These regulations are effective May 10, 1996.

See SUPPLEMENTARY INFORMATION for applicability dates.

FOR FURTHER INFORMATION CONTACT: Jacob Feldman, 202-622-3870 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

On January 12, 1994, the IRS published a notice of proposed rulemaking in the **Federal Register** (INTL-0068-92, 59 FR 1690, [1994-1 C.B. 820]) relating to the computation of combined taxable income under the profit split method under section 936(h)(5) (relating to the possessions credit for U.S. companies doing qualified business in Puerto Rico and certain U.S. possessions). A number of written public comments were received concerning the proposed regulations and a public hearing was held on July 11, 1994. After consideration of all the comments, the proposed regulations are adopted as revised by this Treasury

decision. The revisions are discussed below.

Discussion

The proposed regulations would amend §1.936-6(b)(1), Q&A 12. Under the proposed regulations, combined taxable income for a taxpayer that elects the profit split method for a possession product that is either a component product or an end-product form would be determined by multiplying the combined taxable income of the integrated product that includes the possession product by a production cost ratio. In the case of a component product, the combined taxable income of the integrated product would be multiplied by a ratio the numerator of which is the production costs of the component product and the denominator of which is the production costs of the integrated product. The combined taxable income of an end-product form would be determined in a similar manner using the production costs of the end-product form. The regulations were proposed to be effective for taxable years beginning after 1993.

Taxpayers have argued that the regulations should not be adopted as proposed because they would violate the arm's length standard under section 482 and that a necessary consequence of the abandonment of the arm's length standard would be distortions in taxpayers' income. That is, income would be computed inconsistently for related versus unrelated party sales of the same product, under the same terms and in the same market.

The proposed regulations did not apply the arm's length standard to component products and end-product forms under the profit-split method because application of section 482 in this context is inconsistent with the statutory framework. The effect of the profit split method when applied to possession products is to minimize disputes between taxpayers and the IRS because, unlike section 482 methods, there is no need to perform functional analyses to allocate income among the parties. Because Congress eliminated the section 482 analysis from the profit split method, the proposed regulations did not reinject this analysis into the area of intermediate products.

In response to taxpayer comments, however, the IRS and Treasury are providing an election to taxpayers that

sell the same possession product in both component form and integrated form if the transactions meet certain section 482 standards. This method is both simple to apply and produces consistent results with respect to related and unrelated party transactions. Under this method, the combined taxable income from covered sales of the component product shall be determined by using the same per unit combined taxable income as is derived from uncontrolled sales of the product as an integrated product. Taxpayers may elect to compute the combined taxable income for an end-product form in a similar manner if all excluded components are manufactured by a member of the affiliated group that includes the possession corporation and also sold by the group separately in uncontrolled transactions. In that case, the combined taxable income of the end-product form will be computed by reducing the combined taxable income of the integrated product that includes the end-product form by the combined taxable income of the excluded components determined under the rules of section 936 as if the excluded components were possession products. In order to make the election, the uncontrolled sales must meet the comparability standards of the fourth sentence of §1.482-3(b)(2)(ii)(A), which requires that the uncontrolled and controlled transactions have no differences or minor differences for which adjustment can be made. However, under a no loss limitation, in no case can the taxpayer use as its per unit combined taxable income for a component product or an end-product form an amount that exceeds the per unit combined taxable income of the integrated product that includes the component product or end-product form.

In 1993, Congress adopted limitations on the amount of the section 936 credit; the taxpayer may be subject to an activity based limitation or may elect a percentage limitation. The election for the percentage limitation had to be made for the first taxable year beginning after December 31, 1993. Taxpayers commented that the proposed regulations created uncertainty with respect to the consequences of making the percentage limitation election and, therefore, the period for making the election should be extended until after the regulations are finalized. This comment is adopted. Taxpayers that have not elected the percentage limitation under section 936(a)(1) for

the first taxable year beginning after December 31, 1993, may so elect if the taxpayer has elected the profit split method and the computation of combined taxable income is affected by §1.936-6(b)(1) Q&A 12.

With respect to the proposed effective date, taxpayers commented that the regulations should not be applied retroactively. One of the justifications for the proposed rule was that it would simplify the computation of combined taxable income and applying the regulation retroactively would not simplify the computation because it would require filing amended returns. This comment is adopted in part. The regulation is effective for taxable years ending 30 days after May 10, 1996. If however, the election under paragraph (v) of A. 12 of §1.936-6(b)(1) is made, this election must be made for the taxpayer's first taxable year beginning after December 31, 1993, and if not made effective for that year, the election cannot be made for any later taxable year.

The last sentence of paragraph (vi) of A. 13 of §1.936-6(b)(1) in the proposed regulations provided that, for purposes of determining the estimated tax liability of an affiliate of the possessions corporation with respect to income allocated to it from the possessions corporation, the income would be deemed received on the last day of the taxable year of each such affiliate in which or with which the taxable year of the possessions corporation ended. This rule is limited to taxable years beginning prior to January 1, 1995. For taxable years beginning after December 31, 1994, quarterly estimated tax payments will be required as provided under section 711 of the Uruguay Round Agreements, Public Law 103-465 (1994), page 230, and any administrative guidance issued by the IRS thereunder. See Rev. Proc. 95-23 (1995-1 C.B. 693).

Accordingly, the proposed regulations are finalized as proposed except with respect to the changes discussed above and the necessary conforming changes.

Special Analyses

It has been determined that this Treasury decision is not a significant regulatory action as defined in EO 12866. Therefore, a regulatory assessment is not required. It has also been

determined that this regulation does not have a significant impact on a substantial number of small entities. Thus, the Regulatory Flexibility Act (5 U.S.C. chapter 6) does not apply to these regulations, and therefore, a Regulatory Flexibility Analysis is not required. Pursuant to section 7805(f) of the Internal Revenue Code, the notice of proposed rulemaking preceding these regulations was submitted to the Small Business Administration for comment on its impact on small business.

Drafting Information

The principal authors of these regulations are Jacob Feldman and Mary Gillmarten of the Office of Associate Chief Counsel (International), IRS. Other personnel from the IRS and Treasury Department participated in their development.

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Adoption of Amendments to the Regulations

Accordingly, 26 CFR part 1 is amended as follows:

PART 1—INCOME TAXES

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

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

Par. 2. In §1.936-6, paragraph (b)(1) is amended by:

1. Revising *Q. 10*.
2. Amending *A. 10* by:
 - a. Redesignating the text of *A. 10* as paragraph *A. 10(i)*.
 - b. Removing the last two sentences of newly designated *A. 10(i)*.
 - c. Adding paragraphs *A. 10(ii)* through (v).
3. Revising the first sentence of *A. 11*.
4. Revising *Q&A. 12*.
5. Revising *A. 13*.

The revisions and addition read as follows:

§1.936-6 Intangible property income when an election out is made; cost sharing and profit split options; covered intangibles.

* * * * *

(b) * * *

(1) * * *

Q. 10: If the possessions corporation is entitled to use the profit split method in the situation described in *Q. 9* (leasing units of the possession product or use of such units in the taxpayer's own trade or business), how should it compute combined taxable income with respect to such units?

A. 10: (i) * * *

(ii) If the possession product is a component product or an end-product form, the combined taxable income with respect to the possession product shall be determined under *Q&A. 12* of this paragraph (b)(1).

(iii) For purposes of determining the basis of a component product or an end-product form, the deemed sales price of such product must be determined. The deemed sales price of the component product shall be determined by multiplying the deemed sales price of the integrated product that includes the component product by a ratio, the numerator of which is the production costs of the component product and the denominator of which is the production costs of the integrated product that includes the component product. The deemed sales price of an end-product form shall be determined by multiplying the deemed sales price of the integrated product that includes the end-product form by a ratio, the numerator of which is the production costs of the end-product form and the denominator of which is the production costs of the integrated product that includes the end-product form. For the definition of production costs, see *Q&A. 12* of this paragraph (b)(1).

(iv)(A) If combined taxable income is determined under paragraph (v) of *A. 12* of this paragraph (b)(1), in the case of a component product, the deemed sales price shall be determined by using the actual sales price of that product when sold as an integrated product (as adjusted under the rules of the fourth sentence of §1.482-3(b)(2)-(ii)(A)).

(B) If combined taxable income is determined under paragraph (v) of *A. 12* of this paragraph (b)(1), in the case of an end-product form, the deemed sales price shall be determined by subtracting from the deemed sales price of the integrated product that includes the end-product form (e.g., the leased property) the actual sales price of the excluded component when sold as an integrated product to an unrelated

person (as adjusted under the rules of the fourth sentence of §1.482-3(b)(2)-(ii)(A)).

(v) The full amount of income received under the lease shall be treated as income of (and be taxed to) the U.S. affiliate and not the possessions corporation.

* * * * *

A. 11: The U.S. affiliate shall be treated, for purposes of computing its basis in such units, as if it had repurchased such units immediately following the deemed sale and at the deemed sales price as provided in Q&A. 10 of this paragraph (b)(1). * * *

Q. 12: If the possession product is a component product or an end-product form, how is the combined taxable income for such product to be determined?

A. 12: (i) Except as provided in paragraph (v) of this A. 12, combined taxable income for a component product or an end-product form is computed under the production cost ratio (PCR) method.

(ii) Under the PCR method, the combined taxable income for a component product will be the same proportion of the combined taxable income for the integrated product that includes the component product that the production costs attributable to the component product bear to the total production costs (including costs incurred by the U.S. affiliates) for the integrated product that includes the component product. Production costs will be the sum of the direct and indirect production costs as defined under §1.936-5(b)(4) except that the costs will not include any costs of materials. If the possession product is a component product that is transformed into an integrated product in whole or in part by a contract manufacturer outside of the possession, within the meaning of §1.936-5(c), the denominator of the PCR shall be computed by including the same amount paid to the contract manufacturer, less the costs of materials of the contract manufacturer, as is taken into account for purposes of the significant business presence test under §1.936-5(c) Q&A. 5.

(iii) Under the PCR method the combined taxable income for an end-product form will be the same proportion of the combined taxable income for the integrated product that includes the end-product form that the production costs attributable to the end-

product form bear to the total production costs (including costs incurred by the U.S. affiliates) for the integrated product that includes the end-product form. Production costs will be the sum of the direct and indirect production costs as defined under §1.936-5(b)(4) except that the costs will not include any costs of materials. If the possession product is an end-product form and an excluded component is contract manufactured outside of the possession, within the meaning of §1.936-5(c), the denominator shall be computed by including the same amount paid to the contract manufacturer, less cost of materials of the contract manufacturer, as is also taken into account for purposes of the significant business presence test under §1.936-5(c) Q&A. 5.

(iv) This paragraph (iv) of A. 12 illustrates the computation of combined taxable income for a component product or end-product form under the PCR method. S, a possessions corporation, is engaged in the manufacture of microprocessors. S obtains a component from a U.S. affiliate, O. S sells its production to another U.S. affiliate, P, which incorporates the microprocessors into central processing units (CPUs). P transfers the CPUs to a U.S. affiliate, Q, which incorporates the CPUs into computers for sale to unrelated persons. S chooses to define the possession product as the CPUs. The combined taxable income for the sale of the possession product on the basis of the given production, sales, and cost data is computed as follows:

Production costs (excluding costs of materials):

1. O's costs for the component	100
2. S's costs for the microprocessors	500
3. P's costs for the CPU's (the possession product)	200
4. Q's costs for the computers	400
5. Total production costs for the computer (Add lines 1 through 4)	1,200
6. Combined production costs for the CPU (the possession product) (Add lines 1 through 3)	800
7. Ratio of production costs for the CPUs (the possession product) to the production costs for the computer	0.667

Determination of combined taxable income for computers:

Sales:

8. Total possession sales of computers to unrelated customers and foreign affiliates	7,500
--	-------

Total costs of O, S, P, and Q incurred in production of a computer:

9. Production costs (enter from line 5)	1,200
---	-------

10. Material costs	100
11. Total costs (line 9 plus line 10)	1,300
12. Combined gross income from sale of computers (line 8 minus line 11)	6,200

Expenses of the affiliated group (other than foreign affiliates) allocable and apportionable to the computers or any component thereof under the rules of §§1.861-8 through 1.861-14T and 1.936-6 (b)(1), Q&A. 1:

13. Expenses (other than research expenses)	980
---	-----

Research expenses of the affiliated group allocable and apportionable to the computers:

14. Total sales in the 3-digit SIC Code	12,500
15. Possession sales of the computers (enter from line 8)	7,500
16. Cost sharing fraction (divide line 15 by line 14)	0.6
17. Research expenses incurred by the affiliated group in 3-digit SIC Code multiplied by 120 percent	700
18. Cost sharing amount (multiply line 16 by line 17)	420
19. Research of the affiliated group (other than foreign affiliates) allocable and apportionable under §§1.861-17 and 1.861-14T(e)(2) to the computers	300
20. Enter the greater of line 18 or line 19	420

Computation of combined taxable income of the computer and the CPU:

21. Combined taxable income attributable to the computer (line 12 minus line 13 and line 20)	4,800
22. Combined taxable income attributable to CPUs (multiply line 21 by line 7) (production cost ratio)	3,200
23. Share of combined taxable income apportioned to S (50 percent of line 22)	1,600

Share of combined taxable income apportioned to U.S. affiliate(s) of S:

24. Adjustments for research expenses (line 18 minus line 19 multiplied by line 7)	80
25. Adjusted combined taxable income (line 22 plus line 24)	3,280
26. Share of combined taxable income apportioned to affiliates of S (line 25 minus line 23)	1,680

(v) (A) If a possession product is sold by a taxpayer or its affiliate to unrelated persons in covered sales both as an integrated product and as a component product and the conditions of paragraph (v)(C) of this A. 12 are satisfied, the taxpayer may elect to determine the combined taxable income derived from covered sales of the component product under this paragraph (v). In that case, the combined taxable income derived from covered sales of the component product shall be determined by using the same per unit

combined taxable income as is derived from covered sales of the product as an integrated product, but subject to the limitation of paragraph (v)(D) of this A. 12.

(B) In the case of a possession product that is an end-product form, if all of the excluded components are also separately sold by the taxpayer or its affiliate to unrelated persons in uncontrolled transactions and the conditions of paragraph (v)(C) of this A. 12 are satisfied, the taxpayer may elect to determine the combined taxable income of such end-product form under this paragraph (v). In that case, the combined taxable income derived from covered sales of the end-product form shall be determined by reducing the per unit combined taxable income from the integrated product that includes the end-product form by the per unit combined taxable income for excluded components determined under the rules of this paragraph (v), but subject to the limitation of paragraph (v)(D) of this A. 12. For this purpose, combined taxable income of the excluded components must be determined under section 936 as if the excluded components were possession products.

(C) In the case of component products, this paragraph (v) applies only if the sales price of the possession product sold in covered sales as an integrated product (*i.e.*, in uncontrolled transactions) would be the most direct and reliable measure of an arm's length price within the meaning of the fourth sentence of §1.482-3(b)(2)(ii)(A) for the component product. For purposes of applying the fourth sentence of §1.482-3(b)(2)(ii)(A), the sale of the integrated product that includes the component product is treated as being immediately preceded by a sale of the component (*i.e.* without further processing) in a controlled transaction. In the case of end-product forms, this paragraph (v) applies only if the sales price of excluded components separately sold in uncontrolled transactions would be the most direct and reliable measure of an arm's length price within the meaning of the fourth sentence of §1.482-3(b)(2)(ii)(A) for all excluded components of an integrated product that includes an end-product form. For purposes of applying the fourth sentence of §1.482-3(b)(2)(ii)(A), the sale of the integrated product that includes excluded components is treated as being immediately preceded by a sale of the excluded components (*i.e.*, with-

out further processing) in a controlled transaction. Under the fourth sentence of §1.482-3(b)(2)(ii)(A), the uncontrolled transactions referred to in this paragraph (v)(C) must have no differences with the controlled transactions that would affect price, or have only minor differences that have a definite and reasonably ascertainable effect on price and for which appropriate adjustments are made (resulting in appropriate adjustments to the computation of combined taxable income). If such adjustments cannot be made, or if there are more than minor differences between the controlled and uncontrolled transactions, the method provided by this paragraph (v)(C) cannot be used. Thus, for example, these uncontrolled transactions must involve substantially identical property in the same or a substantially identical geographic market, and must be substantially identical to the controlled transaction in terms of their volumes, contractual terms, and market level. See §1.482-3(b)(2)(ii)(B).

(D) In no case can the per unit combined taxable income as determined under paragraph (v)(A) or (B) of this A. 12 be greater than the per unit combined taxable income of the integrated product that includes the component product or end-product form.

(E) The provisions of this paragraph (v) are illustrated by the following example.

Taxpayer manufactures product A in a U.S. possession. Some portion of product A is sold to unrelated persons as an integrated product and the remainder is sold to related persons for transformation into product AB. The combined taxable income of integrated product A is \$400 per unit and the combined taxable income of product AB is \$300 per unit. The production cost ratio with respect to product A when sold as a component of product AB, is 2/3. Unless the taxpayer elects and satisfies the conditions of this paragraph (v), the combined taxable income with respect to A will be \$200 per unit (combined taxable income for AB of \$300 × the production cost ratio of 2/3). If, however, the comparability standards of paragraph (v)(C) of this A. 12 are met, the taxpayer may elect to determine combined taxable income of product A when sold as a component of product AB using the same per unit combined taxable income as product A when sold as an integrated product. However, the per unit combined taxable income from sales of product A as a component product may not exceed the per unit combined taxable income on the sale of product AB. Therefore, the combined taxable income of component product A may not exceed \$300 per unit.

(vi) Taxpayers that have not elected the percentage limitation under section

936(a)(1) for the first taxable year beginning after December 31, 1993, may do so if the taxpayer has elected the profit split method and computation of combined taxable income is affected by Q&A.12 of this paragraph (b)(1).

(vii) The rules of Q&A. 12 of this paragraph (b)(1) apply for taxable years ending 30 days after May 10, 1996. If, however, the election under paragraph (v) of A. 12 of §1.936-6(b)(1) is made, this election must be made for the taxpayer's first taxable year beginning after December 31, 1993, and if not made effective for that year, the election cannot be made for any later taxable year. A successor corporation that makes the same or substantially similar products as its predecessor corporation cannot make an election under paragraph (v) of A.12 of §1.936-6(b)(1) unless the election was made by its predecessor corporation for its first taxable year beginning after December 31, 1993.

* * * * *

A. 13: (i) The income shall be allocated to affiliates in the following order, but no allocations will be made to affiliates described in a later category if there are any affiliates in a prior category—

(A) First, to U.S. affiliates (other than tax exempt affiliates) within the group (as determined under section 482) that derive income with respect to the product produced in whole or in part in the possession;

(B) Second, to U.S. affiliates (other than tax exempt affiliates) that derive income from the active conduct of a trade or business in the same product area as the possession product;

(C) Third, to other U.S. affiliates (other than tax-exempt affiliates);

(D) Fourth, to foreign affiliates that derive income from the active conduct of a U.S. trade or business in the same product area as the possession product (or, if the foreign members are resident in a country with which the U.S. has an income tax convention, then to those foreign members that have a permanent establishment in the United States that derives income in the same product area as the possession product); and

(E) Fifth, to all other affiliates.

(ii) The allocations made under paragraph (i)(A) of this A. 13 shall be made

on the basis of the relative gross income derived by each such affiliate with respect to the product produced in whole or in part in the possession. For this purpose, gross income must be determined consistently for each affiliate and consistently from year to year.

(iii) The allocations made under paragraphs (i)(B) and (i)(D) of this A. 13 shall be made on the basis of the relative gross income derived by each such affiliate from the active conduct of the trade or business in the same product area.

(iv) The allocations made under paragraphs (i)(C) and (i)(E) of this A. 13 shall be made on the basis of the relative total gross income of each such

affiliate before allocating income under this section.

(v) Income allocated to affiliates shall be treated as U.S. source and section 863(b) does not apply for this purpose.

(vi) For purposes of determining an affiliate's estimated tax liability for income thus allocated for taxable years beginning prior to January 1, 1995, the income shall be deemed to be received on the last day of the taxable year of each such affiliate in which or with which the taxable year of the possessions corporation ends. For taxable years beginning after December 31, 1994, quarterly estimated tax payments will be required as provided under

section 711 of the Uruguay Round Agreements, Public Law 103-465 (1994), page 230, and any administrative guidance issued by the Internal Revenue Service thereunder.

* * * * *

Margaret Milner Richardson,
Commissioner of Internal Revenue.

Approved April 4, 1996.

Leslie Samuels,
Assistant Secretary of the Treasury.

(Filed by the Office of the Federal Register on May 9, 1996, 8:45 a.m., and published in the issue of the Federal Register for May 10, 1996, 61 F.R. 21366)

Part IV. Items of General Interest

Form 5300 series

Announcement 96-53

The application forms used to request determination letters for qualified employee benefit plans have been revised. In addition, applicants must file a new schedule, Schedule Q (Form 5300) Nondiscrimination Requirements, as an attachment to Forms 5300, 5303, 5307 and 5310. Schedule Q replaces the attachment previously required by Rev. Proc. 93-39, 1993-2 C.B. 513.

The 5300 series applications were revised primarily to eliminate questions that were duplicated on the attachment required by Rev. Proc. 93-39 (now Schedule Q). Further, Form 5300 may now only be used to request a determination on the entire plan. Form 6406 may be used to obtain a determination on the effect of a plan amendment upon a previously issued determination letter.

The revised application forms may be obtained from IRS distribution centers by calling 1-800-TAX-FORM. Application forms having revision dates before January 1, 1996, may be used until October 1, 1996. The applicable revision dates follow:

Form	Revision Date
1. Form 5300 (Application for Determination for Employee Benefit Plan)	1/96
2. Form 5303 (Application for Determination for Collectively Bargained Plan)	1/96
3. Form 5307 (Application for Determination for Adopters of Master or Prototype, Regional Prototype, or Volume Submitter Plans)	3/96
4. Form 5310 (Application for Determination for Terminating Plans)	1/96
5. Form 6406 (Short Form Application for Minor Amendment of Employee Benefit Plan)	1/96

Persons having approval to computer generate the above forms need not request reapproval if:

1. The OCR data sheet is modified to reflect the new revision date in the

second field, and no other modifications are made.

2. The application forms are word-for-word identical to the revised IRS form. However, references regarding the need to file a second copy of page 1 in red ink may be deleted. Schedule Q must include the pointers next to certain entries in the right hand column of the schedule.

Persons using IRS software to generate Form 5307 may continue to use that program until further notice.

Income Taxes; Information and Backup Withholding Hearing

Announcement 96-54

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Notice of public hearing on proposed rulemaking.

SUMMARY: This document provides notice of a public hearing on proposed regulations relating, in part, to information reporting and backup withholding under the Interest and Dividend Tax Compliance Act of 1983, as well as, incorporate changes to the applicable tax law made by the Interest and Dividend Tax Compliance Act of 1983, the Tax Reform Act of 1984, and the Tax Reform Act of 1986.

DATES: The public hearing will be held on Wednesday, July 24, 1996, beginning at 10:00 a.m. Requests to speak and outlines of oral comments must be received by Wednesday, July 3, 1996.

ADDRESSES: The public hearing will be held in the Auditorium of the Internal Revenue Building, 1111 Constitution Avenue, N.W., Washington, D.C. 20044. Requests to speak and outlines of oral comments should be mailed to the Internal Revenue Service, P.O. Box 7604, Ben Franklin Station, Attn: CC:DOM:CORP:R [IL-52-86], Room 5228, Washington, D.C. 20044.

FOR FURTHER INFORMATION CONTACT: Evangelista Lee of the Regulations Unit, Assistant Chief Counsel (Corporate), (202) 622-7190 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

The subject of the public hearing is proposed amendments to the Income Tax Regulations under sections 3406, 6041 through 6049, and 6050A of the Internal Revenue Code. The proposed regulations [IL-52-86, 1988-1 C.B. 892] appeared in the **Federal Register** on Monday, February 29, 1988 (53 FR 5991).

The rules of §601.601(a)(3) of the "Statement of Procedural Rules" (26 CFR Part 601) shall apply with respect to the public hearing. Persons who have submitted written comments within the time prescribed in the notice of proposed rulemaking and who also desire to present oral comments at the hearing on the proposed regulations should submit not later than Wednesday, July 3, 1996, an outline of the oral comments/testimony to be presented at the hearing and the time they wish to devote to each subject.

Each speaker (or group of speakers representing a single entity) will be limited to 10 minutes for an oral presentation exclusive of the time consumed by the questions from the panel for the government and answer thereto.

Because of controlled access restrictions, attenders cannot be admitted beyond the lobby of the Internal Revenue Building until 9:45 a.m.

An agenda showing the scheduling of the speakers will be made after outlines are received from the persons testifying. Copies of the agenda will be available free of charge at the hearing.

Cynthia E. Grigsby,
Chief, Regulations Unit,
Assistant Chief Counsel (Corporate).

(Filed by the Office of the Federal Register on May 7, 1996, 8:45 a.m., and published in the issue of the Federal Register for May 8, 1996, 61 F.R. 20767)

Foundations Status of Certain Organizations

Announcement 96-55

The following organizations have failed to establish or have been unable to maintain their status as public charities or as operating foundations.

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

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

Accessible Housing Association Inc., Philadelphia, PA
 A-CLUTCH Inc., Tuckerman, AR
 African Culture Center, Inc., Montgomery, AL
 Arts Council of Central Virginia Inc., Lynchburg, VA
 Assoc. of Government Accountants, Woodbridge, VA
 Bala Cynwyo Symphony Orchestra Association, Bala Cynwyo, PA
 Betterway Foundation, Elyria, OH
 Brothers Keeper, Inc., Gary, IN
 Care and Kindness Mission Inc., Arlington, VA
 CCA Alumni Association, Limerick, PA
 Central Bucks East Band Parents Assoc., Buckingham, PA
 Central Upper Peninsula Food Bank, Inc., Ishpeming, MI
 C G Jung Foundation of the Delaware Valley, Philadelphia, PA
 Civil War Round Table of Cape May County Inc., Wildwood, NJ
 Cleveland House Inc., N Brunswick, NJ
 Community Solidarity of Hagerstown Inc., Hagerstown, MD
 Cranbury Association for Children Inc., Cranbury, NJ
 Crozer Chester Medical Center Arboretum, Upland, PA
 Daytop Village of Florida, Inc., New York, NY
 Discoveryville Childrens Museum, Herndon, VA
 Dreamquests Inc., St Croix, VI
 E C O P Inc., Philadelphia, PA
 Elderly Care Inc., Baltimore, MD
 Englewood Partners in Public Education Inc., Englewood, NJ

Essex Properties Urban Renewal Associates Inc., S Orange, NJ
 Foreman Enterprises Inc., Ridgely, MD
 Foundation of the Williamsport Lycoming Chamber, Williamsport, PA
 Frederick County Revolving Loan Fund Inc., Frederick, MD
 Habersham County Humane Society, Inc., Clarksville, GA
 Herbert L. Brooks Housing Development Fund Company Inc., Bronx, NY
 Howard Prince and the Music Coalition, New York, NY
 Kiddie Keepers of Louisville Inc., Louisville, KY
 Kids-At-Risk, Inc., Louisville, KY
 Mal Whitfield Foundation, Mitchellville, MD
 National Alliance of African American Health Care Professions, Washington, DC
 National Family Center Inc., Los Angeles, CA
 Netanya Foundation, Inc., River Edge, NJ
 107-109 Avenue D Housing Development Fund Corporation, New York, NY
 Partners in International Development Inc., Washington, DC
 Penn-North Plaza Inc., Baltimore, MD
 Philip N. Johnson Scholarship, Higganum, CT
 Plum Emergency Medical Services Inc., Pittsburgh, PA
 Pregnancy Care Center of Madison County Inc., London, OH
 Public Recycling Officials of Pennsylvania, Kittanning, PA
 Puerto Rico Community Network for Clinical Research on AIDS, San Juan, PR
 PWA Settlement Project of Delaware Inc., Rickland, DE
 Red Clay Music Boosters Association, Newark, DE
 Roanoke Educational Assistance Foundation, Roanoke, VA
 Rotary Club of Wilmington Educational Foundation, Wilmington, DE
 Scan of Northern Virginia Inc., Alexandria, VA
 Secaucus Lions Charities Inc., Secaucus, NJ

Sergents Way Inc., Frederick, MD
 Sims Humanities Arts and Sciences Charity, Inc., Melville, NY
 Single Black Mothers Education Fund, Washington, DC
 Society for Handicapped Children Inc., Silver Spring, MD
 Society for Interreligious Intercultural Dialogue, Wallingford, PA
 South Central Pennsylvania Housing Development Foundation, Harrisburg, PA
 Spanish Peaks Regional Institute for Mental Health, Inc., Pueblo, CO
 Stephen C Tausz Memorial Foundation, Greenwich, CT
 Sumter Schools Enhancement Foundation, Inc., Bushnell, FL
 Tennessee Association of Suicide Prevention, Nashville, TN
 Tennessee Committee of the National Museum of Women in the Arts, Knoxville, TN
 Tennessee Pharmacists Research and Education Foundation, Nashville, TN
 Tennessee Soccer Development Association Inc., Knoxville, TN
 Tennessee Youth Chorale Inc., Pulaski, TN
 Thin White Line Relapse and Restoration Center Inc., Decatur, GA
 Together Forever Ministries Inc., Berryville, AR
 Town Hall Television of North Carolina Inc., Raleigh, NC
 Triangle Foundation, Little Rock, AR
 Triangle Orthopedic Study Group, Durham, NC
 Troup County Community and Agricultural Center Inc., Lagrange, GA
 Troy Literacy Council, Inc., Troy, OH
 Turkish American Ophthalmic Society Inc., Atlanta, GA
 Uncle Dave Macon Days, Murphreesboro, TN
 UNICOI County Heritage Players, Erwin, TN
 UNICOI County Historical Society, Erwin, TN
 United Way of Cocks County, Newport, TN
 Universal Humanities Inc., Atlanta, GA
 University John Hope Community Coalition Inc., Atlanta, GA

Vanishing Black Male Inc., The, Norcross, GA

Visions for Sumter Seeing Through Young Eyes Inc., Americus, GA

Volunteer Center of Lincoln County, Taft, TN

Wallace Ministries International Inc., Riverdale, GA

Wee Care Express Inc., The, Atlanta, GA

WESLEY Housing Corporation of Central Arkansas Inc., Batesville, AR

West Polk County Volunteer Support Committee Inc., Benton, TN

Western North Carolina Recovery Center Inc., Asheville, NC

Whitfield Improvement Committee, York, AL

World Christian Training Center, Charlotte, NC

World Council of Young People Inc., Perry, GA

Worlds of Wonder Inc., Nashville, TN

If an organization listed above submits information that warrants the renewal of its classification as a public charity or as a private operating foun-

ation, the Internal Revenue Service will issue a ruling or determination letter with the revised classification as to foundation status. Grantors and contributors may thereafter rely upon such ruling or determination letter as provided in section 1.509(a)-7 of the Income Tax Regulations. It is not the practice of the Service to announce such revised classification of foundation status in the Internal Revenue Bulletin.

Announcement of the Disbarment, Suspension, or Consent to Voluntary Suspension of Attorneys, Certified Public Accountants, Enrolled Agents and Enrolled Actuaries From Practice Before the Internal Revenue Service

Under 31 Code of Federal Regulations, Part 10, an attorney, certified public accountant, enrolled agent or enrolled actuary, in order to avoid the institution or conclusion of a proceeding for his disbarment or suspension from practice before the Internal Revenue Service, may offer his consent to suspension from such practice. The Director of Practice, in his discretion, may suspend an attorney, certified public accountant, enrolled agent or enrolled actuary in accordance with the consent offered.

Attorneys, certified public accountants, enrolled agents and enrolled actuaries are prohibited in any Internal

Revenue Service matter from directly or indirectly employing, accepting assistance from, being employed by, or sharing fees with, any practitioner disbarred or suspended from practice before the Internal Revenue Service.

To enable attorneys, certified public accountants, enrolled agents and enrolled actuaries to identify practitioners under consent suspension from practice before the Internal Revenue Service, the Director of Practice will announce in the Internal Revenue Bulletin the names and addresses of practitioners who have been suspended from such practice, their designation as attor-

ney, certified public accountant, enrolled agent or enrolled actuary and date or period of suspension. This announcement will appear in the weekly Bulletin at the earliest practicable date after such action and will continue to appear in the weekly Bulletins for five successive weeks or for as many weeks as is practicable for each attorney, certified public accountant, enrolled agent or enrolled actuary so suspended and will be consolidated and published in the Cumulative Bulletin.

The following individuals have been placed under consent suspension from practice before the Internal Revenue Service:

Name	Address	Designation	Date of Suspension
Behrens, William	Kenosha, WI	Enrolled Agent	March 6, 1996 to May 5, 1996
Warter, J. Christopher	South Bend, IN	Attorney	Indefinite from March 8, 1996
Leckie, Jerry B.	Macon, GA	Enrolled Agent	March 9, 1996 to March 8, 1999
Retzlaff, Gene	Hortonville, WI	Enrolled Agent	March 18, 1996 to July 17, 1996
Cahill, Donal	Stratford, CT	Attorney	April 4, 1996 to April 3, 1997
Guidera, George C.	Straford, CT	Attorney	April 11, 1996 to October 10, 1996
Kirk, Gregg T.	Dallas, TX	CPA	Indefinite from May 1, 1996
Brock, Guy Charles	Spokane, WA	CPA	Indefinite from May 1, 1996
Mathews, Thomas	Cincinnati, OH	CPA	May 1, 1996 to August 31, 1996
Farnsworth Jr., Harold	Starke, FL	CPA	May 1, 1996 to April 30, 1998
King, John C.	Wichita, KS	Attorney	May 1, 1996 to August 31, 1996

Announcement of the Expedited Suspension of Attorneys, Certified Public Accountants, Enrolled Agents, and Enrolled Actuaries From Practice Before the Internal Revenue Service

Under title 31 of the Code of Federal Regulations, section 10.76, the Director of Practice is authorized to immediately suspend from practice before the Internal Revenue Service any practitioner who, within five years, from the date the expedited proceeding is instituted, (1) has had a license to practice as an attorney, certified public accountant, or actuary suspended or revoked for cause; or (2) has been convicted of any crime under title 26 of the United States Code or, of a felony under title 18 of the United States Code involving dishonesty or breach of trust.

Attorneys, certified public accountants, enrolled agents, and enrolled actuaries are prohibited in any Internal

Revenue Service matter from directly or indirectly employing, accepting assistance from, being employed by, or sharing fees with, any practitioner disbarred or suspended from practice before the Internal Revenue Service.

To enable attorneys, certified public accountants, enrolled agents, and enrolled actuaries to identify practitioners under expedited suspension from practice before the Internal Revenue Service, the Director of Practice will announce in the Internal Revenue Bulletin the names and addresses of practitioners who have been suspended from such practice, their designation as attorney, certified public accountant, enrolled

agent, or enrolled actuary, and date or period of suspension. This announcement will appear in the weekly Bulletin at the earliest practicable date after such action and will continue to appear in the weekly Bulletins for five successive weeks or for as many weeks as is practicable for each attorney, certified public accountant, enrolled agent, or enrolled actuary so suspended and will be consolidated and published in the Cumulative Bulletin.

The following individuals have been placed under suspension from practice before the Internal Revenue Service by virtue of the expedited proceeding provisions of the applicable regulations:

Name	Address	Designation	Date of Suspension
Noske, Joan M.	Richmond, MN	CPA	Indefinite from March 1, 1996
Wahl, Roger W.	Martinez, GA	CPA	Indefinite from March 1, 1996
Stojanov, Dragan	Detroit, MI	Attorney	Indefinite from March 13, 1996
Gay, Randall D.	Honolulu, HI	CPA	Indefinite from March 13, 1996
Sheffey, Ralph	LaCrosse, WI	Attorney	Indefinite from March 13, 1996
Doyle, Robert	Sacramento, CA	CPA	Indefinite from March 19, 1996
Singer, Michael G.	Minnetonka, MN	Attorney	Indefinite from March 19, 1996
Mohme, Robert H.	St. Louis, MO	Attorney	Indefinite from March 20, 1996
Vogelei, George Mac	Novato, CA	Attorney	Indefinite from March 20, 1996
Gaskins, Oscar N.	Cherry Hill, NJ	Attorney	Indefinite from March 26, 1996
Gawel, Michael S.	Niagara Falls, NY	Attorney	Indefinite from March 29, 1996

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 law or regulations. A ruling may also be obsoleted because the substance has been included in regulations subsequently adopted.

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

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

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

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

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

Abbreviations

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

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

E.O.—Executive Order.
ER—Employer.
ERISA—Employee Retirement Income Security Act.
EX—Executor.
F—Fiduciary.
FC—Foreign Country.
FICA—Federal Insurance Contribution Act.
FISC—Foreign International Sales Company.
FPH—Foreign Personal Holding Company.
F.R.—Federal Register.
FUTA—Federal Unemployment Tax Act.
FX—Foreign Corporation.
G.C.M.—Chief Counsel's Memorandum.
GE—Grantee.
GP—General Partner.
GR—Grantor
IC—Insurance Company.
I.R.B.—Internal Revenue Bulletin.
LE—Lessee.
LP—Limited Partner.
LR—Lessor.
M—Minor.
Nonacq.—Nonacquiescence.
O—Organization.
P—Parent Corporation.

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

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Key to Abbreviations:

RR	Revenue Ruling
RP	Revenue Procedure
TD	Treasury Decision
CD	Court Decision
PL	Public Law
EO	Executive Order
DO	Delegation Order
TDO	Treasury Department Order
TC	Tax Convention
SPR	Statement of Procedural Rules
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