

HIGHLIGHTS OF THIS ISSUE

These synopses are intended only as aids to the reader in identifying the subject matter covered. They may not be relied upon as authoritative interpretations.

INCOME TAX

Rev. Rul. 97-6, page 4.

LIFO; price indexes; department stores. The November 1996 Bureau of Labor Statistics price indexes are accepted for use by department stores employing the retail inventory and last-in, first-out inventory methods for valuing inventories for tax years ended on, or with reference to, November 30, 1996.

Rev. Rul. 97-5, page 5.

Insurance companies; premium stabilization reserves. A non-life-insurance company's surplus does not include amounts held on behalf of a group of insureds in a premium stabilization reserve. Rev. Rul. 70-480, revoked.

T.D. 8695, page 5.

Final regulations under section 6103 of the Code relate to the disclosure of returns and return information in connection with the procurement of property and services for tax administration purposes.

REG-209834-96, page 9.

Proposed regulations under section 1396 of the Code relate to the period employers may use in computing the empowerment zone employment credit.

EMPLOYEE PLANS

Notice 97-8, page 7.

Weighted average interest rate update. Guidelines are set forth for determining for January 1997 the weighted average interest rate and the resulting permissible range

of interest rates used to calculate current liability for purposes of the full funding limitation of section 412(c)(7) of the Code as amended by the Omnibus Budget Reconciliation Act of 1987 and by the Uruguay Round Agreements Act (GATT).

EXEMPT ORGANIZATIONS

Rev. Proc. 97-12, page 7.

Unrelated business taxable income. This procedure provides guidance to tax-exempt organizations regarding when associate member dues payments will be treated as gross income of an unrelated trade or business under section 512 of the Code. Rev. Proc. 95-21 modified and amplified.

ADMINISTRATIVE

Announcement 97-6, page 11.

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

Announcement 97-7, page 12.

A list is provided of organizations that no longer qualify as organizations to which contributions are deductible under section 170 of the Code.

Announcement 97-8, page 12.

T.D. 8687, 1996-52, I.R.B. 4, relating to the source of income from sales of natural resources or other inventory produced in one jurisdiction and sold in another jurisdiction, is corrected.

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 semi-annually 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.

For sale by the Superintendent of Documents U.S. Government Printing Office, Washington, D.C. 20402.

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

Section 472.—Last-in, First-out Inventories

26 CFR 1.472-1: Last-in, first-out inventories.

LIFO; price indexes; department stores. The November 1996 Bureau of Labor Statistics price indexes are accepted for use by department stores employing the retail inventory and last-in, first-out inventory methods for valuing inventories for tax years ended on, or with reference to, November 30, 1996.

Rev. Rul. 97-6

The following Department Store Inventory Price Indexes for November 1996 were issued by the Bureau of Labor Statistics on December 12, 1996. The indexes are accepted by the Internal Revenue Service, under § 1.472-1(k) of the Income Tax Regulations and Rev. Proc. 86-46, 1986-2 C.B. 739, for appropriate application to inventories of department stores employing the retail inventory and last-in, first-out inventory

methods for tax years ended on, or with reference to, November 30, 1996.

The Department Store Inventory Price Indexes are prepared on a national basis and include (a) 23 major groups of departments, (b) three special combinations of the major groups - soft goods, durable goods, and miscellaneous goods, and (c) a store total, which covers all departments, including some not listed separately, except for the following: candy, foods, liquor, tobacco, and contract departments.

BUREAU OF LABOR STATISTICS, DEPARTMENT STORE INVENTORY PRICE INDEXES BY DEPARTMENT GROUPS (January 1941 = 100, unless otherwise noted)

Groups	Nov. 1995	Nov. 1996	Percent Change from Nov. 1995 to Nov. 1996 ¹
1. Piece Goods	509.3	555.9	9.1
2. Domestics and Draperies	632.0	634.7	0.4
3. Women's and Children's Shoes	637.8	656.1	2.9
4. Men's Shoes	921.8	903.7	-2.0
5. Infants' Wear	636.8	614.8	-3.5
6. Women's Underwear	527.8	535.4	1.4
7. Women's Hosiery	288.2	287.4	-0.3
8. Women's and Girls' Accessories	559.8	562.5	0.5
9. Women's Outerwear and Girls' Wear	419.3	415.9	-0.8
10. Men's Clothing	623.7	633.0	1.5
11. Men's Furnishings	572.7	591.5	3.3
12. Boys' Clothing and Furnishings	485.5	495.1	2.0
13. Jewelry	1001.1	1020.6	1.9
14. Notions	776.6	740.7	-4.6
15. Toilet Articles and Drugs	875.3	903.4	3.2
16. Furniture and Bedding	661.2	667.8	1.0
17. Floor Coverings	555.4	585.6	5.4
18. Housewares	790.5	804.5	1.8
19. Major Appliances	248.7	244.2	-1.8
20. Radio and Television	79.9	78.1	-2.3
21. Recreation and Education ²	113.4	111.3	-1.9
22. Home Improvements ²	121.9	130.6	7.1
23. Auto Accessories ²	107.0	107.1	0.1
Groups 1 - 15: Soft Goods	595.2	602.1	1.2
Groups 16 - 20: Durable Goods	465.0	466.5	0.3
Groups 21 - 23: Misc. Goods ²	113.5	113.0	-0.4
Store Total ³	550.7	555.1	0.8

¹ Absence of a minus sign before percentage change in this column signifies price increase.

² Indexes on a January 1986=100 base.

³ The store total index covers all departments, including some not listed separately, except for the following: candy, foods, liquor, tobacco, and contract departments.

DRAFTING INFORMATION

The principal author of this revenue ruling is Stan Michaels of the Office of Assistant Chief Counsel (Income Tax and Accounting). For further information regarding this revenue ruling, contact

Mr. Michaels on (202) 622-4970 (not a toll-free call).

26 CFR 1.501(c)(5)-1: Labor, agricultural, and horticultural organizations.

Rev. Proc. 95-21, 1995-1 C.B. 686, which applies to organizations described in section 501(c)(5) that receive associate member dues payments, is modified to take into account newly enacted section 512(d). See Rev. Proc. 97-12, page 7.

Section 501.—Exemption From Tax on Corporations, Certain Trusts, etc.

26 CFR 1.501(c)(6)-1: *Business leagues, chambers of commerce, real estate boards, and boards of trade.*

The principles contained in Rev. Proc. 95-21, 1995-1 C.B. 686, which apply to organizations described in section 501(c)(5) that receive associate member dues payments, also apply to organizations described in section 501(c)(6). See Rev. Proc. 97-12, page 7.

Section 512.—Unrelated Business Taxable Income

26 CFR 1.512(a)-1: *Definition.*

The principles contained in Rev. Proc. 95-21, 1995-1 C.B. 686, which apply to organizations described in section 501(c)(5) that receive associate member dues payments, are extended to organizations described in section 501(c)(6). Also, Rev. Proc. 95-21 is modified to take into account newly enacted section 512(d). See Rev. Proc. 97-12, page 7.

Section 832.—Insurance Company Taxable Income

26 CFR 1.832-4: *Gross Income.*

Insurance companies; premium stabilization reserves. A non-life-insurance company's surplus does not include amounts held on behalf of a group of insureds in a premium stabilization reserve. Rev. Rul. 70-480, revoked.

Rev. Rul. 97-5

Rev. Rul. 70-480, 1970-2 C.B. 142, provides that amounts held by a nonlife insurance company in a "stabilization reserve" funded with credits on retrospectively rated term insurance contracts are not taken into account in determining the company's unearned premiums under § 832(b)(4) of the Internal Revenue Code. Rev. Rul. 70-480 concludes that stabilization reserves are not unearned premiums because the credits retained by the insurance company to fund the stabilization reserves came into being after the relevant risk period expired and thus were part of the company's earned premiums. Rev. Rul. 70-480 further states that the company's earned premiums less its costs and expenses constitute part of its surplus, which is available to pay policyholder dividends. Rev. Rul. 70-480 thus treats the stabilization reserves as part of the company's surplus.

Rev. Rul. 70-480's conclusion that the stabilization reserves are part of the insurance company's surplus is erroneous. The stabilization reserves are avail-

able to the policyholders upon cancellation of the term accident and health insurance contracts. The nonlife insurance company at all times had a legal obligation to return the stabilization reserves to its policyholders to the extent that the stabilization reserves were not used to purchase future coverage. Thus, stabilization reserves are not part of the nonlife company's surplus.

HOLDING

A non-life insurance company's surplus does not include amounts held in a stabilization reserve of the type described above.

EFFECT ON OTHER DOCUMENTS

Rev. Rul. 70-480 is revoked.

DRAFTING INFORMATION

The principal author of this revenue ruling is Gary Geisler of the Office of the Assistant Chief Counsel (Financial Institutions and Products). For further information regarding this revenue ruling contact Mr. Geisler on (202) 622-3970 (not a toll-free call).

Section 6103.—Confidentiality and Disclosure of Returns and Return Information

26 CFR 301.6103(n)-1: *Disclosure of returns and return information in connection with procurement of property and services for tax administration purposes.*

T.D. 8695

DEPARTMENT OF THE TREASURY Internal Revenue Service 26 CFR Part 301

Disclosure of Returns and Return Information to Procure Property or Services for Tax Administration Purposes

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Final regulations.

SUMMARY: This document contains final regulations relating to the disclosure of returns and return information in connection with the procurement of property and services for tax administration purposes. The regulations authorize the Department of Justice, including offices of United States Attorneys, to make such disclosures. Prior to these amendments, disclosure authority within the Department of Justice rested only

with the Tax Division. The amendments also reflect a change to the law made by the Omnibus Budget Reconciliation Act of 1990 regarding the type of services about which disclosures may be made.

EFFECTIVE DATE: These regulations are effective on December 17, 1996.

FOR FURTHER INFORMATION CONTACT: Donald Squires, 202-622-4570 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

On December 15, 1995, a notice of proposed rulemaking (DL-40-95 [1996-1 C.B. 731]) relating to the disclosure of returns and return information in connection with the procurement of property and services for tax administration purposes was published in the Federal Register (60 FR 64402). No public hearing was requested or held nor were any comments submitted by the public in response to this notice.

The regulations proposed by DL-40-95 are adopted by this Treasury decision without revision and are discussed below.

Explanation of provisions

As previously written, 26 CFR 301.6103(n)-1 authorized the Tax Division of the Department of Justice, among other entities and individuals, to disclose returns and return information pursuant to section 6103(n) of the Internal Revenue Code. This authority allowed the Tax Division to disclose tax information incident to its contracts to private parties for, among other purposes, automated litigation support services.

The Department of Justice indicated its intention to establish an expanded automated tracking system for all monetary judgments in favor of the United States, which will be operated by a private company under contract with the Department. Although the majority of tax cases are handled by the Tax Division, there are several United States Attorneys' offices that also have litigation responsibility in the civil tax area. In addition, the Tax Division refers some judgments in tax cases to the United States Attorneys for collection. The previously existing regulations arguably would not have permitted these offices, which are technically not part of the Tax Division, to disclose tax infor-

mation incident to their inclusion of tax judgments in the automated tracking system.

The amendments adopted by this Treasury decision authorize the Department of Justice, including offices of United States Attorneys, to make disclosures to procure property and services for tax administration purposes. Any such disclosures will be made under the same conditions and restrictions already set forth in the previously existing regulations. By definition, any office within the Department of Justice without tax administration duties will not have occasion or authority pursuant to these regulations to make such disclosures.

The amendments also authorize disclosures in connection with "the providing of other services," i.e., services not related to the strict mechanical processing or manipulation of tax returns or return information. This conforms the regulations to the language of the statute, as amended by the Omnibus Budget Reconciliation Act of 1990 (Public Law 101-508, 104 Stat. 1388-353).

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) does not apply to these regulations, and because the notice of proposed rulemaking preceding the regulations was issued prior to March 29, 1996, the Regulatory

Flexibility Act (5 U.S.C. chapter 6) does not apply. 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 author of these regulations is Donald Squires, Office of the Assistant Chief Counsel (Disclosure Litigation), IRS. However, other personnel from the IRS, Department of Justice and Treasury Department participated in their development.

* * * * *

Adopted Amendments to the Regulations

Accordingly, 26 CFR part 301 is amended as follows:

PART 301—PROCEDURE AND ADMINISTRATION

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

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

Paragraph 2. Section 301.6103(n)-1 is amended as follows:

1. The first sentence of paragraph (a) introductory text is amended by removing the language "Tax Division,".

2. Paragraph (a)(2) is amended by removing the language "or to".

3. Paragraph (a)(2) is further amended by adding the language "or the providing of other services," immediately following the text "other property,".

4. The concluding text of paragraph (a) is amended by removing the language "Tax Division,".

5. The second sentence of paragraph (d) introductory text is amended by removing the language "Tax Division,".

6. Paragraph (d)(2) is amended by removing the language "Tax Division,".

7. Paragraph (e)(1) is amended by removing the language ", and" at the end of the paragraph and adding a semicolon in its place.

8. Paragraph (e)(2) is amended by removing the period at the end of the paragraph and adding "; and" in its place.

9. Paragraph (e)(3) is added.

10. The authority citation immediately following § 301.6103(n)-1 is removed.

The addition reads as follows:

§ 301.6103(n)-1 Disclosure of returns and return information in connection with procurement of property and services for tax administration purposes.

* * * * *

(e) * * *

(3) The term Department of Justice includes offices of the United States Attorneys.

Margaret Milner Richardson,
Commissioner of Internal Revenue.

Approved June 26, 1996.

Donald C. Lubick,
Acting Assistant Secretary of the
Treasury.

(Filed by the Office of the Federal Register on December 16, 1996, and published in the issue of the Federal Register for December 17, 1996, 61 FR. 66217)

Part III. Administrative, Procedural, and Miscellaneous

Weighted Average Interest Rate Update

Notice 97-8

Notice 88-73 provides guidelines for determining the weighted average interest rate and the resulting permissible

range of interest rates used to calculate current liability for the purpose of the full funding limitation of § 412(c)(7) of the Internal Revenue Code as amended by the Omnibus Budget Reconciliation Act of 1987 and as further amended by the Uruguay Round Agreements Act,

P. L. 103-465 (GATT).

The average yield on the 30-year Treasury Constant Maturities for December 1996 is 6.55 percent.

The following rates were determined for the plan years beginning in the month shown below.

Month	Year	Weighted Average	90% to 107% Permissible Range	90% to 110% Permissible Range
January	1997	6.88	6.19 to 7.36	6.19 to 7.57

Drafting Information

The principal author of this notice is Donna Prestia of the Employee Plans Division. For further information regarding this notice, call (202) 622-6076 between 2:30 and 4:00 p.m. Eastern time (not a toll-free number). Ms. Prestia's number is (202) 622-7377 (also not a toll-free number).

26 CFR 601.201: Rulings and determinations letters. (Also Part I, Sections 501(c)(5), 501(c)(6), 512(a)(1); 1.501(c)(5)-1, 1.501(c)(6)-1, 1.512(a)-1.)

Rev. Proc. 97-12

SECTION 1. PURPOSE

This revenue procedure amplifies, in part, and modifies, in part, Rev. Proc. 95-21, 1995-1 C.B. 686, which establishes when associate member dues payments received by organizations described in section 501(c)(5) of the Internal Revenue Code will be treated as gross income from the conduct of an unrelated trade or business under section 512.

SECTION 2. BACKGROUND

As noted in Rev. Proc. 95-21, section 2, organizations described in section 501(c)(5) often receive dues payments not only from members that are accorded full privileges in voting for the directors of the organization, but also from associate members that are accorded less than full or no voting privileges. Rev. Proc. 95-21, section 3, states that the Service will not treat dues payments from associate members as gross income from the conduct of an unrelated trade or business unless, for the relevant period, the associate member category has been formed or availed

of for the principal purpose of producing unrelated business income. The revenue procedure also states that the Service will treat dues payments from associate members as not included in gross income from an unrelated trade or business if the associate member category has been formed or availed of for the principal purpose of furthering the organization's exempt purposes. The revenue procedure further notes that in applying these principles, the Service will look to the purposes and activities of the organization rather than of its members.

Section 1115 of the Small Business Job Protection Act of 1996, Pub.L. No. 104-188, amends section 512 as it applies to the treatment of dues paid to agricultural or horticultural organizations described in section 501(c)(5).

Under newly enacted section 512(d), if an agricultural or horticultural organization described in section 501(c)(5) requires annual dues to be paid in order to be a member of such organization, and the amount of such required annual dues does not exceed \$100, no portion of such dues will be treated as derived from an unrelated trade or business by reason of any benefits or privileges to which members of the organization are entitled. The \$100 dues amount is indexed according to a cost-of-living adjustment for taxable years beginning in a calendar year after 1995. The term "dues" is defined as any payment (whether or not designated as dues), which is required to be made in order to be recognized by the organization as a member. This provision applies to taxable years beginning after December 31, 1986, and contains a transitional rule for periods prior to that date.

SECTION 3. PROCEDURE

01. Rev. Proc. 95-21 is modified to take into account newly enacted section 512(d). Thus, Rev. Proc. 95-21 will not apply to agricultural and horticultural organizations described in section 501(c)(5) if annual dues payments from members do not exceed \$100 for taxable years beginning after December 31, 1986. The \$100 dues amount is indexed according to a cost-of-living adjustment for taxable years beginning in a calendar year after 1995.

02. Rev. Proc. 95-21 will continue to apply to agricultural and horticultural organizations described in section 501(c)(5) for purposes of determining whether member dues payments will be treated as gross income from an unrelated trade or business under section 512 where required annual dues amounts paid by members exceed \$100. If required annual dues exceed \$100 per member, the entire dues payment will be subject to the principles of Rev. Proc. 95-21.

03. Rev. Proc. 95-21 will also continue to apply to labor organizations described in section 501(c)(5) for purposes of determining whether associate member dues payments will be treated as gross income from an unrelated trade or business under section 512.

04. Rev. Proc. 95-21 is amplified to the extent that the principles contained therein are also applicable to organizations described in section 501(c)(6). Thus, Rev. Proc. 95-21 will also be applied to section 501(c)(6) organizations for purposes of determining whether associate member dues payments will be treated as gross income from an unrelated trade or business under section 512.

SECTION 4. EFFECTIVE DATE

This revenue procedure is effective for all open years.

SECTION 5. EFFECT ON OTHER REVENUE PROCEDURES

Rev. Proc. 95-21 is amplified, in part, and modified, in part.

DRAFTING INFORMATION

The principal author of this revenue procedure is Charles Barrett of the Exempt Organizations Division of the Office of the Assistant Commissioner (Employee Plans and Exempt Organizations). For further information regard-

ing this revenue procedure contact Mr. Barrett at (202) 622-8152 (not a toll-free number).

Part IV. Items of General Interest

Notice of Proposed Rulemaking and Notice of Public Hearing

Empowerment Zone Employment Credit

REG-209834-96

AGENCY: Internal Revenue Service (IRS), Treasury

ACTION: Notice of proposed rulemaking and notice of public hearing.

SUMMARY: This document contains proposed regulations relating to the period employers may use in computing the empowerment zone employment credit under section 1396 of the Internal Revenue Code. These proposed regulations reflect and implement certain changes made by the Omnibus Budget Reconciliation Act of 1993 (OBRA '93). They affect employers of employees who live and work in an empowerment zone designated under the statute. These proposed regulations provide employers with the guidance necessary to claim the credit. This document also provides a notice of public hearing on these proposed regulations.

DATES: Written comments are due on March 17, 1997. Outlines of oral comments to be presented at the public hearing scheduled for 10:00 a.m. on Wednesday, May 7, 1997, must be received by Wednesday, April 16, 1997.

ADDRESSES: Send submissions to: CC:DOM:CORP:R (REG-209834-96), room 5226, Internal Revenue Service, POB 7604, Ben Franklin Station, Washington, D.C. 20044. Submissions may be hand delivered between the hours of 8 a.m. and 5 p.m. to: CC:DOM:CORP:R (REG-209834-96), Courier's Desk, Internal Revenue Service, 1111 Constitution Avenue NW, Washington, DC. Alternatively, taxpayers may submit comments electronically via the Internet by selecting the "Tax Regs" option on the IRS Home Page, or by submitting comments directly to the IRS Internet site at http://www.irs.ustreas.gov/prod/tax_regs/comments.html. The public hearing will be held in room 2615, Internal Revenue Building, 1111 Constitution Avenue, NW, Washington, DC.

FOR FURTHER INFORMATION CONTACT: Concerning the proposed regulations, Robert G. Wheeler, (202) 622-6060; concerning submissions and the

hearing, Michael Slaughter, (202) 622-7190 (not toll-free numbers).

SUPPLEMENTARY INFORMATION:

Background

This document contains proposed amendments to the Income Tax Regulations (26 CFR part 1) relating to the empowerment zone employment credit under section 1396. Sections 1391 through 1397D (relating to empowerment zones and enterprise communities) were added to the Internal Revenue Code by the Omnibus Budget Reconciliation Act of 1993 (OBRA'93). Section 1397D of the Code authorizes the Secretary of the Treasury to prescribe regulations that may be necessary or appropriate to carry out the purposes of section 1394 through 1397C.

The amount of the empowerment zone employment credit under section 1396 is equal to a specified percentage of qualified zone wages, which are certain wages paid or incurred by an employer for services performed by a qualified zone employee. Questions have arisen about the definition of a "qualified zone employee" in section 1396(d). In particular, questions have been raised about the appropriate period under section 1396(d)(1)(A) during which substantially all of the services performed by an employee for his or her employer must be performed within an empowerment zone in a trade or business of the employer.

In Notice 96-1, 1996-3 I.R.B. 30, the IRS announced its intention to publish a notice of proposed rulemaking that would clarify the relevant period for this purpose. Notice 96-1 described a rule under which employers would have a choice about what period to use, and invited comments on this and any other related issues for which guidance would be helpful to employers. No comments were received. These proposed regulations set forth the rule described in Notice 96-1.

Explanation of Provisions

Under the proposed regulations, an employer may use either each pay period or the entire calendar year as the relevant period in determining whether a particular employee performed substantially all of his or her services within an empowerment zone (the "location-of-services" requirement). For each taxable year the employer must use the same

method for all its employees, but the employer may change methods from one year to the next.

In addition to comments on the relevant period for applying the location-of-services requirement, Treasury and IRS request comments on other issues relating to the empowerment zone employment credit with respect to which guidance may be helpful to employers. In particular, comments are requested on whether the final regulations should include guidance on (1) the meaning of "substantially all" in the location-of-services requirement, or (2) a provision authorizing employers to rely on employee certifications to demonstrate compliance with the requirement that a qualified zone employee's principal place of abode be in an empowerment zone. In this regard, commentators may wish to consider analogous provisions in the final regulations under § 1.1394-1 on enterprise zone facility bonds (T.D. 8673, 61 FR 27258, May 31, 1996).

Some taxpayers and their representatives have asked whether there is any requirement that an employee's status as a qualified zone employee be certified by a third party in a fashion similar to the eligibility certifications required under the targeted jobs tax credit (prior to its expiration on December 31, 1994). There is no such requirement.

Proposed Effective Date

These proposed regulations are proposed to be effective December 21, 1994, the date on which the nine empowerment zones authorized by OBRA'93 were designated by the Secretaries of Housing and Urban Development and Agriculture.

Special Analyses

It has been determined that this notice of proposed rulemaking 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) does not apply to these regulations, and because the regulation does not impose a collection of information on small entities, the Regulatory Flexibility Act (5 U.S.C. chapter 6) does not apply. Pursuant to section 7805(f) of the Internal Revenue Code, this notice of proposed rulemaking will be submitted to the Chief Counsel for Advocacy

of the Small Business Administration for comment on its impact on small business.

Comments and Public Hearing

Before these proposed regulations are adopted as final regulations, consideration will be given to any written comments (preferably a signed original and eight (8) copies) that are timely submitted to the IRS. All comments will be available for public inspection and copying.

A public hearing has been scheduled for Wednesday, May 7, 1997 in room 2615, Internal Revenue Building, 1111 Constitution Avenue NW, Washington, DC. Because of access restrictions, visitors will not be admitted beyond the building lobby more than 15 minutes before the hearing starts.

The rules of 26 CFR 601.601(a)(3) apply to the hearing. Persons that wish to present oral comments at the hearing must submit written comments and an outline of topics to be discussed and the time to be devoted to each topic (signed original and eight (8) copies by Wednesday, April 16, 1997).

A period of 10 minutes will be allotted to each person for making comments.

An agenda showing the scheduling of the speakers will be prepared after the deadline for receiving outlines has passed. Copies of the agenda will be available free of charge at the hearing.

Drafting Information

The principal author of these regulations is Robert G. Wheeler, Office of Associate Chief Counsel, Employee Benefits and Exempt Organizations. However, other personnel from the IRS and Treasury Department participated in their development.

* * * * *

Proposed Amendments to the Regulations

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

PART 1 — INCOME TAXES

Paragraph 1. The authority citation for part 1 is amended by adding an entry in numerical order to read as follows:

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

Section 1.1396-1 also issued under 26 U.S.C. 1397D.

Par. 2. A new undesignated center heading and § 1.1396-1 are added to read as follows:

Empowerment Zone Employment Credit

§ 1.1396-1 Qualified zone employees.

(a) *In general.* A qualified zone employee of an employer is an employee who satisfies the location-of-services requirement and the abode requirement with respect to the same empowerment zone and is not otherwise excluded by section 1396(d).

(1) *Location-of-services requirement.* The location-of-services requirement is satisfied if substantially all of the services performed by the employee for the employer are performed in the empowerment zone in a trade or business of the employer.

(2) *Abode requirement.* The abode requirement is satisfied if the employee's principal place of abode while performing those services is in the empowerment zone.

(b) *Period for applying location-of-services requirement.* In applying the location-of-services requirement, an employer may use either the pay period method described in paragraph (b)(1) of this section or the calendar year method described in paragraph (b)(2) of this section. For each taxable year of an employer, the employer must either use the pay period method with respect to all of its employees or use the calendar year method with respect to all of its employees. The employer may change the method applied to all of its employees from one taxable year to the next.

(1) *Pay period method—(i) Relevant period.* Under the pay period method, the relevant period for applying the location-of-services requirement is each pay period in which an employee provides services to the employer. If an employer has one pay period for certain employees and a different pay period for other employees (e.g., a weekly pay period for hourly wage employees and a bi-weekly pay period for salaried employees), the pay period actually applicable to a particular employee is the relevant pay period for that employee under this method.

(ii) *Application of method.* Under this method, an employee does not satisfy the location-of-services requirement during a pay period unless substantially all of the services performed by the employee for the employer during that pay period are performed within the empowerment zone in a trade or business of the employer.

(2) *Calendar year method—(i) Relevant period.* Under the calendar year

method, the relevant period for an employee is the entire calendar year with respect to which the credit is being claimed. However, for any employee who is employed by the employer for less than the entire calendar year, the relevant period is the portion of that calendar year during which the employee is employed by the employer.

(ii) *Application of method.* Under this method, an employee does not satisfy the location-of-services requirement during any part of a calendar year unless substantially all of the services performed by the employee for the employer during that calendar year (or, if the employee is employed by the employer for less than the entire calendar year, the portion of that calendar year during which the employee is employed by the employer) are performed within the empowerment zone in a trade or business of the employer.

(3) *Examples.* This paragraph (b) may be illustrated by the following examples. In each example, the employees satisfy the abode requirement at all relevant times and all services performed by the employees for their employer are performed in a trade or business of the employer. The employees are not precluded from being qualified zone employees by section 1396(d)(2) (certain employees ineligible). No portion of the employees' wages is precluded from being qualified zone wages by section 1396(c)(2) (only first \$15,000 of wages taken into account) or section 1396(c)(3) (coordination with targeted jobs credit and work opportunity credit). The examples are as follows:

Example 1. (i) Employer X has a weekly pay period for all its employees. Employee A works for X throughout 1997. During each of the first 20 weekly pay periods in 1997, substantially all of A's work for X is performed within the empowerment zone in which A resides. A also works in the zone at various times during the rest of the year, but there is no other pay period in which substantially all of A's work for X is performed within the empowerment zone.

(ii) Employer X uses the pay period method. For each of the first 20 pay periods of 1997, A is a qualified zone employee, all of A's wages from X are qualified zone wages, and X may claim the empowerment zone employment credit with respect to those wages. X cannot claim the credit with respect to any of A's wages for the rest of 1997.

Example 2. (i) Employer Y has a weekly pay period for its factory workers and a bi-weekly pay period for its office workers. Employee B works for Y in various factories and Employee C works for Y in various offices.

(ii) Employer Y uses the pay period method. Y must use B's weekly pay periods to determine the periods (if any) in which B is a qualified zone employee. Y may claim the empowerment zone employment credit with respect to B's wages only

for the weekly pay periods for which B is a qualified zone employee, because those are B's only wages that are qualified zone wages. Y must use C's bi-weekly pay periods to determine the periods (if any) in which C is a qualified zone employee. Y may claim the credit with respect to C's wages only for the bi-weekly pay periods for which C is a qualified zone employee, because those are C's only wages that are qualified zone wages.

Example 3. (i) Employees D and E work for Employer Z throughout 1997. Although some of D's work for Z in 1997 is performed outside the empowerment zone in which D resides, substantially all of it is performed within the empowerment zone. E's work for Z is performed within the empowerment zone in which E resides for several weeks of 1997 but outside the zone for the rest of the year so that, viewed on an annual basis, E's work is not substantially all performed within the empowerment zone.

(ii) Employer Z uses the calendar year method. D is a qualified zone employee for the entire year, all of D's 1997 wages from Z are qualified zone wages, and Z may claim the empowerment zone employment credit with respect to all of those wages, including the portion attributable to work outside the zone. Under the calendar year method, E is not a qualified zone employee for any part of 1997, none of E's 1997 wages are qualified zone wages, and Z cannot claim any empowerment zone employment credit with respect to E's wages for 1997. Z cannot use the calendar year method for D and the pay period method for E because Z must use the same method for all employees. For 1998, however, Z can switch to the pay period method for E if Z also switches to the pay period method for D and all Z's other employees.

(c) *Effective date.* This section applies with respect to wages paid or incurred on or after December 21, 1994.

Margaret Milner Richardson,
Commissioner of Internal Revenue.

(Filed by the Office of the Federal Register on December 13, 1996, 8:45 a.m., and published in the issue of the Federal Register for December 16, 1996, 61 F.R. 66000)

Foundations Status of Certain Organizations

Announcement 97-6

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:

Action for Youth Christian Council Incorporated, Greenville, GA
Albemarle Fire Safety Committee, Elizabeth City, NC
All Races Coalition With Native American People, Chapel Hill, NC
Bellevue Schools Music Boosters, Bellevue, OH
BHIA A New Jersey Non-Profit Corporation, Bay Head, NJ
Bone Cabin Quarry Inc., Orem, UT
Center for Hearing Impaired Persons Services, Downers Grove, IL
Center for Science Technology & Media Inc., Chevy Chase, MD
Chevra Chesed Leysroel, Brooklyn, NY
Childrens at Heart Inc., Bridgewater, VA
Chinese Seniors Association of Houston, Inc., Houston, TX
C Incorporated Support for Visions in Action, Hopewell, NJ
CNCA Foundation, Grand Island, NE
Committee to Restore Pop Lloyd Field, Inc., Atlantic City, NJ
Community United for Progress Inc., Southfield, MI
Concerned Grandparents Organization, Inc., Clearwater, FL
Dade County Khoury League Inc., Naranja, FL
Dexter Intergenerational Center Inc., Dexter, MI
Earthheart Foundation Inc., Crozet, VA
Epoch Industries Inc., Bronx, NY
Family Learning Center Inc., Egg Harbor Township, NJ
Financial Women International of Illinois Charitable FDTN, Des Plaines, IL
Forest City Hospital Scholarship Foundation Inc., Cleveland, OH
Foundation for Quality Service Inc., Butte, MT
Four Bishop Inc., Boston, MA
Friends of the Burgdorff Cultural Center Inc., Maplewood, NJ
Friends of VA Research, Inc., Manchester, NH
Georgetown County Environmental Protection Society, Pawley Island, SC
Grand Strand Aviation Park Inc., Myrtle Beach, NC
Grand Traverse-Mtskheta Association, Traverse City, MI
Grand Traverse Poseicon Swim Club, Traverse City, MI
Greater Cincinnati Employee Benefit Council Inc., Ft. Mitchell, KY

Great Lakes Aquarium and Research Center, Inc., Muskegon, MI
Helping Hands Recycling Centers Inc., Chesterfield, MO
High Desert Nurse Education Council Inc., Lancaster, CA
High Risk Child Foundation, Golden, CO
High Voltage Transient Research Laboratory Inc., Lexington, KY
Historical EastField Foundation, East Nassau, NY
Houston Social Service Coalition NE, Houston, TX
In Focus Productions Inc., Evanston, IL
Jethro Institute for Biblical Leadership, Inc., Chester, MD
Kansas City Science and Mathematics Alliance, Kansas City, MO
Kids Voting Tennessee Inc., Knoxville, TN
Klamath-Modoc Yahooskin Band of Snake Indians Development Inc., Chiloquin, OR
Lawrence County Hunger Coalition Inc., Lawrenceburg, TN
Lexington School District Four Education Fund, Swansea, SC
Lonesome Pine Community Concert Association, Big Stone Gap, VA
Lukas Foss Cultural Centre Inc., Milwaukee, WI
M E C C A Rights of Passage, Inc., Gary, IN
Michigan CFIDS Organization, Wyoming, MI
Michigan Citizens for America's Children, Ann Arbor, MI
National Association for Underprivileged Blach Athletic Students Inc., Oklahoma City, OK
Neighborhood Network Development Corporation, Cincinnati, OH
New Attitude Drill Team, Centerville, OH
New Hope Youth Homes Inc., Sarasota, FL
New Horizons Child Birth Incorporated, Fletcher, OH
Operation New World Ltd, New York, NY
Peoples View Enterprises, Minneapolis, MN
Philipsburg Business Incubator Inc., Philipsburg, MT
Phillipine Charities Foundation Inc., Miami, FL
PMHCC Managed Care Corporation, Philadelphia, PA
Ragged Mountain Foundation, Inc., Prospect, CT
Rodney Howard-Browne Evangelistic Association, Inc., Tampa, FL

Ronceverte Food Pantry, Ronceverte, WV
 Rossano Clinic, Flint, MI
 Second Chance for Racetrack Animals, Athens, OH
 Senior Scholastic Invitational, Zanesville, OH
 Shaar Zion, Brooklyn, NY
 Shelbyville Bedford Foster Care Association, Shelbyville, IN
 Sign of Jonah Accupuncture Clinic, Inc., Washington, DC
 Sisters Cities of Richmond, Indiana, Inc., Richmond, IN
 Skiles Test Baseball League, Inc., Indianapolis, IN
 Son Rise Ministries International Incorporated, Cleveland, OH
 Sophia Youth Wrestling, Beckley, WV
 Soul Survival Ministry Corporation, Northfork, WV
 Southlake Sportsmens Club, Lowell, IN
 Southport Jaycees Foundation Inc., Southport, IN
 Southside Foundation Inc., Alberta, VA
 Southwest Michigan Underwater Preserve Committee, Inc., South Haven, MI
 St. John Youth Baseball, Inc., St. John, IN
 Students Aiding Students Foundation, McAlester, OK
 Supporting Single Parents to Save Our Youth, Oak Park, MI
 Sutton Educational Foundation Inc., Sharon, MA
 Tacoma Lesbian Concern, Tacoma, WA
 Tague Hall, Inc., Columbus, OH
 Task Unit One Incorporated, Versailles, IN
 Ted Nugent's Kamp for Kids, Jackson, MI
 Tittabawassee Township Historical, Freeland, MI
 Toledo Olde Towne Community Organization, Toledo, OH
 Tri-State Tres Dias, Inc., Evansville, IN
 Trotwood Circle Theater II, Clayton, OH
 Trout Creek Mill Pond & Dam Restoration Project, Trout Creek, MI
 University Students Against Cancer, Ypsilanti, MI
 Upper Peninsula Reading Association, Marquette, MI
 Upper Sandusky Soccer Association Charitable Trust, Upper Sandusky, OH
 Veterans Community Foundation, Inc., Toledo, OH
 Vigo County Child Abuse Prevention Council, Inc., Terre Haute, IN
 Walkathon Committee for Shrine Hospitals, Milford, OH

Wasmver Development Corp, Newark, OH
 Wayne County Foster Parents Network, West Salem, OH
 West Michigan Health Care Foundation, Grand Rapids, MI
 Western Michigan Festival of Missions, Grand Rapids, MI
 Whitely Productions Inc., Mentor, OH
 William McKay Chapman Living Center Inc., Wakpala, SD
 Woodstock Academy, Inc., Woodstock, MD
 Young Fundamentalists Association, Inc., Cedar Lake, IN
 Youth Resource Center, Cleveland, OH

If an organization listed above submits information that warrants the renewal of its classification as a public charity or as a private operating foundation, the Internal Revenue Service will issue a ruling or determination letter with the revised classification as to foundation status. Grantors and contributors may thereafter rely upon such ruling or determination letter as provided in section 1.509(a)-7 of the Income Tax Regulations. It is not the practice of the Service to announce such revised classification of foundation status in the Internal Revenue Bulletin.

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

Announcement 97-7

The names of organizations that no longer qualify as organizations described in section 170(c)(2) of the Internal Revenue Code of 1986 are listed below.

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

If on the other hand a suit for declaratory judgment has been timely

filed, contributions from individuals and organizations described in section 170(c)(2) that are otherwise allowable will continue to be deductible. Protection under section 7428(c) would begin on January 27, 1997, and would end on the date the court first determines that the organization is not described in section 170(c)(2) as more particularly set forth in section 7428(c)(1). For individual contributors, the maximum deduction protected is \$1,000, with a husband and wife treated as one contributor. This benefit is not extended to any individual who was responsible, in whole or in part, for the acts or omissions of the organization that were the basis for revocation.

International University
 Independence, MO
 Owning the Realty, Inc.
 Cincinnati, OH

Source of Income From Sales of Inventory and Natural Resources Produced in One Jurisdiction and Sold in Another Jurisdiction; Correction

Announcement 97-8

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Correction to final and temporary regulations.

SUMMARY: This document contains corrections to final and temporary regulations (T.D. 8687 [1996-52 I.R.B. 4]), which were published in the Federal Register on Friday, November 29, 1996 (61 FR 60540) governing the source of income from sales of natural resources or other inventory produced in the United States and sold outside the United States or produced outside the United States and sold in the United States.

EFFECTIVE DATE: December 30, 1996.

FOR FURTHER INFORMATION CONTACT: Anne Shelburne (202) 622-3880, (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

The final regulations that are the subject of these corrections are under section 863 of the Internal Revenue Code.

Need for Correction

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

Accordingly, the publication of the final regulations (T.D. 8687), which are the subject of FR Doc. 96-30617, is corrected as follows:

1. On page 60540, column 3, in the preamble, under the caption "DATES", line 3, the language "Applicability: Taxpayers may apply" is corrected to read "Applicability: These regulations apply to taxable years beginning after December 30, 1996. However, taxpayers may apply".

§ 1.863-1 [Corrected]

2. On page 60546, column 3, § 1.863-1 (e), is corrected to read as follows:

§ 1.863-1 Allocation of gross income.

* * * * *

(e) *Effective dates.* The rules of paragraphs (a), (b) and (c) of this section will apply to taxable years beginning after December 30, 1996. However, taxpayers may apply the rules of this section for taxable years beginning after July 11, 1995, and on or before December 30, 1996. For years beginning before December 30, 1996, see § 1.863-1 (as contained in 26 CFR part 1 revised as of April 1, 1996).

* * * * *

§ 1.863-2 [Corrected]

3. On page 60547, column 1, § 1.863-2 (c), line 2, the language "apply to taxable years beginning" is corrected to read "apply to taxable years beginning after".

4. On page 60547, column 2, § 1.863-2 (c), line 2 from the top of the column, the language "1995, and before December 30, 1996." is corrected to read "1995, and on or before December 30, 1996.".

§ 1.863-3 [Corrected]

5. On page 60550, column 3, § 1.863-3 (h), is corrected to read as follows:

§ 1.863-3 Allocation and apportionment of income from certain sales of inventory.

* * * * *

(h) *Effective dates.* The rules of this section apply to taxable years beginning after December 30, 1996. However, taxpayers may apply these regulations for taxable years beginning after July 11, 1995, and on or before December 30, 1996. For years beginning before December 30, 1996, see §§ 1.863-3A and 1.863-3AT.

* * * * *

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

(Filed by the Office of the Federal Register on December 10, 1996, 2:21 p.m. and published in the issue of the Federal Register for December 12, 1996, 61 F.R. 65323)

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 Section 330, Title 31 of the United States Code, the Secretary of the Treasury, after due notice and opportunity for hearing, is authorized to suspend or disbar from practice before the Internal Revenue Service any person who has violated the rules and regulations governing the recognition of attorneys, certified public accountants, enrolled agents or enrolled actuaries to practice before the Internal Revenue Service.

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 under suspension from practice before the Internal Revenue Service.

To enable attorneys, certified public accountants, enrolled agents, and enrolled actuaries to identify such disbarred or suspended practitioners, 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 of disbarment or period of suspension. This announcement will appear in the weekly Bulletin for five successive weeks or as long as it is practicable for each attorney, certified public accountant, enrolled agent, or enrolled actuary so suspended or disbarred and will be consolidated and published in the Cumulative Bulletin.

After due notice and opportunity for hearing before an administrative law judge, the following individuals have been disbarred from further practice before the Internal Revenue Service:

Name	Address	Designation	Effective Date
Noske, Joan Marie	Bismarck, ND	CPA	September 7, 1996
Dalrymple, John K.	Troy, MI	CPA	September 26, 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.

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.—Statements of Procedural Rules.

Stat.—Statutes at Large.

T—Target Corporation.

T.C.—Tax Court.

T.D.—Treasury Decision.

TFE—Transferee.

TFR—Transferor.

T.I.R.—Technical Information Release.

TP—Taxpayer.

TR—Trust.

TT—Trustee.

U.S.C.—United States Code.

X—Corporation.

Y—Corporation.

Z—Corporation.

Numerical Finding List¹

Bulletin 1997-1 through 1997-3

Announcements:

97-1, 1997-2 I.R.B. 63
97-2, 1997-2 I.R.B. 63
97-3, 1997-2 I.R.B. 63
97-4, 1997-3 I.R.B. 14
97-5, 1997-3 I.R.B. 15

Notices:

97-1, 1997-2 I.R.B. 22
97-2, 1997-2 I.R.B. 22
97-3, 1997-1 I.R.B. 8
97-4, 1997-2 I.R.B. 24
97-5, 1997-2 I.R.B. 25
97-6, 1997-2 I.R.B. 26
97-7, 1997-1 I.R.B. 8
97-9, 1997-2 I.R.B. 35
97-10, 1997-2 I.R.B. 41
97-11, 1997-2 I.R.B. 50
97-12, 1997-3 I.R.B. 11

Proposed Regulations:

REG-209762-95, 1997-3 I.R.B. 12

Revenue Procedures:

97-1, 1997-1 I.R.B. 11
97-2, 1997-1 I.R.B. 64
97-3, 1997-1 I.R.B. 84
97-4, 1997-1 I.R.B. 96
97-5, 1997-1 I.R.B. 132
97-6, 1997-1 I.R.B. 153
97-7, 1997-1 I.R.B. 185
97-8, 1997-1 I.R.B. 187
97-9, 1997-2 I.R.B. 56
97-10, 1997-2 I.R.B. 59

Revenue Rulings:

97-1, 1997-2 I.R.B. 10
97-2, 1997-2 I.R.B. 7
97-3, 1997-2 I.R.B. 5
97-4, 1997-3 I.R.B. 6

Treasury Decisions:

8697, 1997-2 I.R.B. 11
8688, 1997-3 I.R.B. 7
8689, 1997-3 I.R.B. 9
8692, 1997-3 I.R.B. 4

¹A cumulative list of all Revenue Rulings, Revenue Procedures, Treasury Decisions, etc., published in Internal Revenue Bulletins 1996-27 through 1996-53 will be found in Internal Revenue Bulletin 1997-1, dated January 6, 1997.

Finding List of Current Action on Previously Published Items¹

Bulletin 1997-1 through 1997-3

*Denotes entry since last publication

Revenue Procedures:

92-20

Modified by
97-1, 1997-1 I.R.B. 11

92-20

Modified by
97-10, 1997-2 I.R.B. 59

92-90

Superseded by
97-1, 1997-1 I.R.B. 11

96-1

Superseded by
97-1, 1997-1 I.R.B. 11

96-2

Superseded by
97-2, 1997-1 I.R.B. 64

96-3

Superseded by
97-3, 1997-1 I.R.B. 84

96-4

Superseded by
97-4, 1997-1 I.R.B. 96

96-5

Superseded by
97-5, 1997-1 I.R.B. 132

96-6

Superseded by
97-6, 1997-1 I.R.B. 153

96-7

Superseded by
97-7, 1997-1 I.R.B. 185

96-8

Superseded by
97-8, 1997-1 I.R.B. 187

Revenue Rulings:

92-19

Supplemented in part by
97-2, 1997-2 I.R.B. 7

96-12

Superseded by
97-3, 1997-1 I.R.B. 84

96-13

Modified by
97-1, 1997-1 I.R.B. 11

96-22

Superseded by
97-3, 1997-1 I.R.B. 84

96-34

Superseded by
97-3, 1997-1 I.R.B. 84

96-39

Superseded by
97-3, 1997-1 I.R.B. 84

Revenue Rulings—Continued

96-43

Superseded by
97-3, 1997-1 I.R.B. 84

96-56

Superseded by
97-3, 1997-1 I.R.B. 84

¹A cumulative finding list for previously published items mentioned in Internal Revenue Bulletins 1996-27 through 1996-53 will be found in Internal Revenue Bulletin 1997-1, dated January 6, 1997.