

[4830-01-p]

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DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

REG-113112-03

RIN 1545-BB98

Reduction of Tax Attributes Due to Discharge of Indebtedness.

AGENCY: Internal Revenue Service (IRS), Treasury.

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

SUMMARY: In the Rules and Regulations section of this issue of the **Federal Register**, the IRS is issuing temporary regulations relating to the reduction of tax attributes under sections 108 and 1017 of the Internal Revenue Code. The temporary regulations affect taxpayers that exclude discharge of indebtedness income from gross income under section 108. The text of those regulations also serves as the text of these proposed regulations.

DATES: Written or electronic comments must be received by October 16, 2003.

ADDRESSES: Send submissions to: CC:PA:RU (REG-113112-03), room 5226, Internal Revenue Service, POB 7604, Ben Franklin Station, Washington, DC 20044. Submissions may be hand delivered between the hours of 8 a.m. and 4 p.m. to CC:PA:RU (REG-113112-03), Courier's Desk, Internal Revenue Service, 1111 Constitution Avenue, NW., Washington, DC or sent electronically, via the IRS Internet site at: www.irs.gov/regs.

FOR FURTHER INFORMATION CONTACT: Theresa M. Kolish (202 622-7930) of the Office of the Associate Chief Counsel (Corporate) (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background and Explanation of Provisions

Temporary regulations in the Rules and Regulations section of this issue of the **Federal Register** amend the Income Tax Regulations (26 CFR part 1) relating to sections 108 and 1017. The temporary regulations will affect taxpayers that exclude discharge of indebtedness income from gross income under section 108. The text of those temporary regulations also serves as the text of these proposed regulations. The preamble to the temporary regulations explains the amendments.

Special Analyses

It has been determined that this notice of proposed rulemaking is not a significant regulatory action as defined in Executive Order 12866. Therefore, a regulatory assessment is not required. It has also been determined that section 553(b) of the Administrative Procedures Act (5 U.S.C. chapter 5) does not apply to these regulations, and, because the regulations do not impose a collection of information on small entities, the Regulatory Flexibility Act (5 U.S.C. chapter 6) does not apply. Pursuant to section 7805(f) of the Internal Revenue Code, this notice of proposed rulemaking will be submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on its impact on small business.

Comments and Requests for Public Hearing

Before these proposed regulations are adopted as final regulations, consideration will be given to any written (a signed original and 8 copies) or electronic comments that are submitted timely to the IRS. The IRS and Treasury Department request comments on the clarity of the proposed rules and how they can be made easier to understand. All comments will be available for public inspection and copying. A

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

Drafting Information

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

List of Subjects in 26 CFR Part 1

Income taxes, Reporting and recordkeeping requirements.

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 the following entry in numerical order to read as follows:

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

Section 1.108-7 also issued under 26 U.S.C. 108. * * *

Par. 2. Section 1.108-7 is added to read as follows:

§1.108-7 Reduction of attributes.

[The text of the proposed §1.108-7 is the same as the text for §1.108-7T published elsewhere in this issue of the **Federal Register**].

Par. 3. Section 1.1017-1 is amended by adding paragraph (b)(4) to read as follows:

§1.1017-1 Basis reductions following a discharge of indebtedness.

* * * * *

(b) * * *

(4) [The text of the proposed §1.1017-1(b)(4) is the same as the text for §1.1017-1T(b)(4)]

published elsewhere in this issue of the **Federal Register**].

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Robert E. Wenzel

Deputy Commissioner for Services and Enforcement.