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DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

REG-161919-05

RIN 1545-BF25

Guidance Necessary to Facilitate Business Electronic Filing Under Section 1561

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 that affect component members of controlled groups of corporations and consolidated groups filing life-nonlife Federal income tax returns. They provide guidance regarding the apportionment of tax benefit items and the amount and type of information these members are required to submit with their returns. The text of those regulations also serves as the text of these proposed regulations.

DATES: Written or electronic comments, and a request for a public hearing, must be received by March 22, 2007.

ADDRESSES: Send submissions to: CC:PA:LPD:PR (REG-161919-05), Room 5203, Internal Revenue Service, P.O. Box 7604, Ben Franklin Station, Washington, DC 20044. Submissions may be hand-delivered Monday through Friday between the hours of 8 a.m. and 4 p.m. to CC:PA:LPD:PR (REG-161919-05), 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 or via the Federal eRulemaking Portal at www.regulations.gov (indicate IRS and REG-161919-05).

FOR FURTHER INFORMATION CONTACT: Concerning the proposed regulations, Grid Glycer, (202) 622-7930, concerning submissions of comments and requests for public hearings, Kelly Banks (202) 622-7180 (not toll-free numbers).

SUPPLEMENTARY INFORMATION:

Background and Explanation of Provisions

Temporary regulations in the Rules and Regulations section of this issue of the **Federal Register** amend 26 CFR Part 1 to add §§1.1502-43T, 1.1561-1T, 1.1561-2T and 1.1561-3T, and amend §§1.1502-47T and 1.1563-1T. 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 Procedure Act (5 U.S.C. chapter 5) does not apply to the following proposed regulations, §§1.1561-1, 1.1561-3 and 1.1563-1, and because these regulations do not impose a collection of information on small entities, the Regulatory Flexibility Act (5 U.S.C. chapter 6) does not apply. With respect to the following proposed regulations, §§1.1502-43, 1.1502-47 and 1.1561-2, it is hereby certified that these regulations will not have a significant economic impact on a substantial number of small entities. This certification is based on the fact that these regulations primarily

affect large corporations (which are members of either controlled or consolidated groups). Therefore, a regulatory flexibility analysis is not required. 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 their impact on small business.

Comments and Requests for a Public Hearing

Before these proposed regulations are adopted as final regulations, consideration will be given to any written comments (a signed original and eight (8) copies) or electronic comments that are submitted timely to the IRS. All comments will be available for public inspection and copying. A public hearing may be scheduled if requested in writing by any person that timely submits written or electronic 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 Grid Glycer of the Office of Associate Chief Counsel (Corporate). Other personnel from the Treasury Department and the IRS participated in their development.

List of Subjects in 26 CFR Part 1

Income taxes, Reporting and 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 continues to read, in part, as follows:

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

Par. 2. Section 1.1502-43 is amended by revising paragraph (d) and adding paragraph (e) to read as follows:

§1.1502-43 Consolidated accumulated earnings tax.

[The text of the proposed amendment to §1.1502-43 is the same as the text for §1.1502-43T published elsewhere in this issue of the **Federal Register**].

Par. 3. Section 1.1502-47 is amended by revising paragraph (s) and adding paragraph (t) to read as follows:

§1.1502-47 Consolidated returns by life-nonlife groups.

[The text of the proposed amendment to §1.1502-47 is the same as the text for §1.1502-47T published elsewhere in this issue of the **Federal Register**].

Par. 4. Section 1.1561-1 is added to read as follows:

§1.1561-1 General rules regarding certain tax benefits available to the component members of a controlled group of corporations.

[The text of the proposed §1.1561-1 is the same as the text for §1.1561-1T published elsewhere in this issue of the **Federal Register**].

Par. 5. Section 1.1561-2 is amended by revising paragraphs (a), (b), (c) and (d) and adding paragraph (f) to read as follows:

§1.1561-2 Determination of amount of tax benefits.

[The text of the proposed amendment to §1.1561-2 is the same as the text for 1.1561-2T published elsewhere in this issue of the **Federal Register**].

Par. 6. Section 1.1561-3 is added to read as follows:

§1.1561-3 Allocating the section 1561(a) tax items.

[The text of the proposed §1.1561-3 is the same as the text for §1.1561-3T published elsewhere in this issue of the **Federal Register**].

Par. 7. Section 1.1563-1 is added to read as follows:

§1.1563-1 Definition of controlled group of corporations and component members.

[The text of the proposed §1.1563-1 is the same as the text for §1.1563-1T published elsewhere in this issue of the **Federal Register**].

Mark E. Matthews

Deputy Commissioner for Services and Enforcement.