(b) You comply with the requirements of this part and of any additional guidance that the Area Director may issue to implement this part.

§ 248.4 How may I use the sites?

If you meet the criteria in § 248.3, you may use a site:

(a) For access to usual and accustomed fishing areas and ancillary facilities; and

(b) For camping with your family (while you are fishing?).

§ 248.5 What identification do I need in order to use a site?

(a) When you use a site you must have with you either:

(1) Your tribal identification card; or

(2) If you belong to a tribe specified in § 248.3(a)(4), a special identification issued by the Area Director.

(b) You must show the identification required in paragraph (a) of this section to any authorized Federal, State, or local official who asks to see it.

§ 248.6 What requirements must I obey in order to be able to use a site?

(a) You may use a site only if you obey:

(1) The requirements of tribal, State, and Federal laws and regulations (unless they conflict with your treaty tribe's rights); and

(2) Any additional requirements that the Area Director may develop to implement this part.

(b) The Area Director may suspend or withdraw your access and use privileges if you do not follow the requirements of this section.

§ 248.7 How does this part affect tribal treaty rights?

(a) This part does not limit or affect the treaty rights of any tribe.

(b) You are not required to obey State fishing laws or regulations if:

(1) You are an Indian properly exercising tribal treaty rights; and

(2) The State laws or regulations are not compatible with your treaty rights.

§ 248.8 What will happen if I damage government-owned property?

If you commit any act of vandalism, depredation, destruction, theft, or misuse of land, buildings, fences, signs, or other structures that are the property of the United States, you can be prosecuted under applicable Federal or State law.

§ 248.9 Can I build a structure on a site?

You may erect, place, or maintain dwellings, camping facilities, and other structures (such as fish drying facilities and fish platforms) if you need them for treaty fishing or related activities.

§ 248.10 What sanitation requirements must I meet?

(a) You must use the sites in conformance with the health, sanitation, and safety requirements of State or local law. If there are no appropriate State or local laws, you must follow the health, sanitation, and safety requirements of the U.S. Public Health Service.

(b) The Area Director may suspend or withdraw your access and use privileges if:

(1) You violate the requirements referred to in paragraph (a) of this section; and

(2) You repeat the violation after having been given a notice to cease and desist.

§ 248.11 What am I responsible for if I use the facilities?

(a) You are responsible for:

(1) Campsites, drying sheds and other facilities during the time you occupy or use them; and

(2) Any personal property that you erect, place, or maintain on the site during the time you occupy the site, including:

(i) Tents;

(ii) Tepees;

(iii) Campers;

(iv) Mobile trailers;

(v) Temporary drying sheds; and

(vi) Fishing platforms.

(b) Neither the United States nor any of its employees is responsible for the safety or condition of any personal property.

§ 248.12 What will happen if I abandon property?

If you abandon property at a site, it may be removed without your consent and disposed of at your expense, if the Area Director approves.

§ 248.13 What other restrictions apply to use of the sites?

The Area Director may prescribe and post at the sites regulations covering:

(a) Camping;

(b) Picnicking;

(c) Use of alcoholic beverages;

(d) Setting or use of fires;

(e) Use of the sites for cleaning fish;

(f) Deposit of garbage, paper, cans, bottles, or rubbish of any kind; or

(g) Use of the sites for any commercial activity (including commercial purchase of fish).

§ 248.14 Will I have to pay to use a site?

No. Neither you nor any member of your family will be charged for using a site in accordance with this part.

§ 248.15 Can I appeal an administrative action?

You may appeal any decision made by the Area Director under this part to the Commissioner of Indian Affairs. You may appeal any decision of the Commissioner of Indian Affairs to the Secretary of the Interior in accordance with part 2 of this chapter.

Dated: October 17, 1997.

Ada E. Deer,

Assistant Secretary—Indian Affairs.

[FR Doc. 97–28493 Filed 10–27–97; 8:45 am]

BILLING CODE 4310–02–P

DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Parts 1 and 301

[REG–105162–97]

RIN–1545–AV16

Treatment of Changes in Elective Entity Classification

AGENCY: Internal Revenue Service (IRS), Treasury.

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

SUMMARY: This document contains proposed regulations addressing elective changes in entity classification. The proposed regulations describe how elective changes in classification will be treated for federal tax purposes. The proposed regulations would affect business entities and their members. This document also contains a notice of public hearing on these proposed regulations.

DATES: Written comments must be received by January 26, 1998. Requests to speak (with outlines of oral comments) at the public hearing scheduled for February 24, 1997, must be submitted by January 26, 1998.

ADDRESSES: Send submissions to: CC:DOM:CORP:R (REG–105162–97), room 5228, Internal Revenue Service, POB 7604, Ben Franklin Station, Washington, DC 20044. In the alternative, submissions may be hand delivered between the hours of 8 a.m. and 5 p.m. to: CC:DOM:CORP:R (REG–105162–97), 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 of 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 regulations, Jeff Erickson, (202) 622–3070 (not a toll-free number); concerning international issues, Philip Tretiak or Ronald M. Gootzeit, (202) 622–3860 (not a toll free number); concerning submissions and the hearing, Evangelista Lee, (202) 622–7190 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

This document proposes to amend the current Income Tax Regulations (26 CFR Parts 1 and 301) relating to the classification of entities for federal tax purposes. On December 18, 1996, the IRS and Treasury published final regulations under section 7701 (final regulations), replacing the former classification rules with an elective regime. See TD 8697 (1997–2 I.R.B. 11).

Under the final regulations, a business entity that is not specifically classified as a corporation in the final regulations (an eligible entity) can elect its classification for federal tax purposes under certain circumstances. An eligible entity with at least two members can elect to be classified as a partnership or as an association taxable as a corporation. An eligible entity with a single member can elect to be classified as an association or as an entity that is disregarded as an entity separate from its owner. An eligible entity may also elect to change its classification, except that an election may not be made more than once in any sixty month period. An eligible entity that does not make an election is classified under certain default provisions.

Explanation of Provisions

Characterization of Elective Changes in Classification

The proposed regulations describe how elective changes in an entity's classification will be treated for federal tax purposes. Under the final regulations, there are four possible changes in classification by election: (i) a partnership elects to be an association; (ii) an association elects to be a partnership; (iii) an association elects to be a disregarded entity; and (iv) a disregarded entity elects to be an association. There are two other possible ways in which an entity's classification could change (a partnership converts to a disregarded entity or a disregarded entity converts to a partnership) but these changes occur only as a result of a change in the number of members, not as the result of an elective change.

The proposed regulations do not address the form of these two possible types of changes.

The proposed regulations provide a specific characterization for each of the four possible elective changes. In each case, the characterization provided in the proposed regulations attempts to minimize the tax consequences of the change in classification and achieve administrative simplicity. The proposed regulations provide that if an association elects to be classified as a partnership, the association is deemed to liquidate by distributing its assets and liabilities to its shareholders. Then, the shareholders are deemed to contribute all of the distributed assets and liabilities to the partnership. This characterization of an elective change from an association to a partnership is consistent with Rev. Rul. 63–107 (1963–1 C.B. 71).

If a partnership elects to be classified as an association, the partnership is deemed to contribute all of its assets and liabilities to the association in exchange for stock in the association. Then, the partnership is deemed to liquidate by distributing stock in the association to its partners. The proposed regulations do not affect the holdings in Rev. Rul. 84–111 (1984–2 C.B. 88), in which the IRS ruled that it would respect the particular form undertaken by the taxpayers when a partnership converts to a corporation.

If an association elects to be disregarded as an entity separate from its owner, the association is deemed to liquidate by distributing its assets and liabilities to its sole owner. Conversely, if an eligible entity that is disregarded as an entity separate from its owner elects to be classified as an association, the owner of the eligible entity is deemed to contribute all of the assets and liabilities of that entity to the association in exchange for stock of the association.

The proposed regulations also provide that the tax treatment of an elective change in classification is determined under all relevant provisions of the Internal Revenue Code and general principles of tax law, including the step transaction doctrine. This provision in the proposed regulations is intended to ensure that the tax consequences of an elective change will be identical to the consequences that would have occurred if the taxpayer had actually taken the steps described in the proposed regulations. The IRS and Treasury request comments on the application of general principles of tax law to the transactions that are deemed to occur on an elective change in classification.

Change in Number of Members of Entity

The proposed regulations address the effect of a change in the number of members on the classification of an entity. Under the proposed regulations, if there is a change in the number of members of an association, the classification of the entity is not affected. If an eligible entity classified as a partnership subsequently has only one member (and is still treated as an entity under local law), the entity will be disregarded as an entity separate from its owner. If a single member entity that is disregarded as an entity separate from its owner subsequently has more than one member, the entity is classified as a partnership as of the date the entity has more than one member. The classifications provided in the proposed regulations can be changed by election, assuming that the entity is not subject to the sixty month limitation on elections.

Timing of Elective Changes in Classification

The proposed regulations provide that an election to change the classification of an entity is treated as occurring at the start of the day for which the election is effective. Any transactions that are deemed to occur as a result of the change in classification are treated as occurring immediately before the close of the day before the effective date of the election. For example, if an election is made to convert from an association to a partnership effective on January 1, the entity is treated as a partnership on January 1, and the deemed transactions specified in the proposed regulations are treated as occurring immediately before the close of December 31. As a result, the last day of the association s taxable year will be December 31 and the first day of the partnership's taxable year will be January 1.

Treatment of Foreign Eligible Entities

Any eligible entity, including a foreign eligible entity whose classification is not relevant for federal tax purposes, may elect to change its classification. The IRS and Treasury request comments on the appropriateness of allowing such a foreign eligible entity to make a classification election, and comments on what the federal tax consequences of such an election should be (e.g., with respect to the basis of property held by the entity).

Foreign Per Se Entities

The final regulations provide a list of the names of certain foreign business entities that are treated as corporations for federal tax purposes. In most cases,

the name by which an entity will be known is provided by the statutory corporate law of the relevant jurisdiction. In certain cases, however, the corporate law does not provide a statutory name. In these jurisdictions, taxpayers and practitioners often fill the statutory void with a name derived from a number of the statutory characteristics of the entity. In an effort to make the list of foreign per se corporations more accessible, the final regulations use the commonly used non-statutory term in certain cases where the statute does not provide a defined name. To minimize any uncertainty, however, the provisions of § 301.7701–2(b)(8) (iii) and (iv) were included in the final regulations to address this issue. In response to comments from taxpayers, these subsections of the final regulations are clarified to provide guidance on the terms used in the final regulations. Furthermore, the regulations clarify that the term Berhad used with regard to Malaysia does not include *a Sendirian Berhad* (the equivalent of a private limited company). The regulations also clarify that, in relation to Mexico, the term Sociedad Anonima includes a Sociedad Anonima that chooses to apply the variable capital provision of Mexican corporate law (Sociedad Anonima de Capital Variable). The fact that capital may be varied does not make this a different type of entity from a Sociedad Anonima that does not choose to apply the variable capital provision. These clarifications are not intended to change the interpretation of the final regulations.

The proposed regulations also clarify the treatment of the Finnish, Maltese, and Norwegian entities specified in the final regulations. Effective January 1, 1996, Maltese and Norwegian corporate law recognized a distinction between public and private companies, and the proposed regulations reflect this change. The proposed regulations also provide that the rules of the final regulations with regard to the Maltese and Norwegian entities may be applied (when these proposed regulations are finalized) as though the entities specified in the proposed regulations had been included in the final regulations issued on December 18, 1996. Thus, a Maltese or Norwegian entity that is no longer treated as a per se corporation under the regulations would be able to make an election within 75 days of the date these proposed regulations are finalized, and such election could be effective as of January 1, 1997. Finnish law, since September 1, 1997, has recognized a similar distinction between public and private companies. It is proposed that a Finnish entity that is no longer treated as a per se corporation under the regulations would be able to make an election within 75 days of the date these proposed regulations are finalized, and such election could be effective as of September 1, 1997.

Special Basis Adjustments Under Section 743

Section 743 provides that the basis of partnership property is not adjusted as the result of a transfer of an interest in the partnership by sale or exchange unless the partnership has made an election under section 754. If a section 754 election is made, the transferee partner is treated as having a special basis adjustment with respect to partnership property. This adjustment constitutes an adjustment to the basis of partnership property with respect to the transferee partner only. Some uncertainty has remained as to the treatment of this special basis adjustment upon the contribution of the partnership property to a corporation in a section 351 exchange, and because the proposed regulations provide for a deemed contribution by the partnership to a corporation in an elective conversion to an association, the proposed regulations address this uncertainty.

The proposed regulations provide that a corporate transferee's basis in property transferred by a partnership in a transfer described in section 351 includes any special basis adjustment under section 743. The special basis adjustment is also taken into account in determining the partner's basis in the stock received in the exchange. For example, assume a partnership owns Property X, which has a common basis of $100 for the partnership and in which Partner A has a $5 special basis adjustment under section 743(b). Subsequently, the partnership validly elects to be classified as an association. The partnership is deemed to contribute all of its assets and liabilities to the association in exchange for stock in the association, and immediately thereafter, the partnership liquidates by distributing the stock of the association to its partners. If the transfer of the assets to the association would be a transfer described in section 351, then under the proposed regulations, the association's basis in Property X includes Partner A's $5 special basis adjustment. Thus, the association has a $105 basis in Property X (Partner A's $5 special basis adjustment plus the partnership's $100 common basis). Partner A's basis in the association's stock will reflect the $5 special basis adjustment previously on Property X.

The proposed regulations also provide, however, that the amount of gain, if any, recognized by the partnership on the transfer is determined without reference to any special basis adjustment. The partner with the special basis adjustment can then use the special basis adjustment to reduce its share of any gain recognized by the partnership. This approach of determining gain at the partnership level and allowing the partner to use the special basis adjustment as an offset is similar to the treatment of a sale of property with a special basis adjustment.

Proposed Effective Date

Except as otherwise specified, these regulations are proposed to apply as of the date the final regulations are published in the **Federal Register**.

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 these regulations do not impose on small entities a collection of information requirement, the Regulatory Flexibility Act (5 U.S.C. chapter 6) does not apply. 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 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 submitted timely to the IRS. All comments will be available for public inspection and copying.

A public hearing has been scheduled for February 24, 1997, at 10 a.m., in room 2615, Internal Revenue Building, 1111 Constitution Avenue NW., Washington, DC. Because of access restrictions, visitors will not be admitted beyond the Internal Revenue 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 timely written comments and an outline of the topics to be discussed and the time to be devoted to each topic by (preferably a signed original and eight (8) copies) January 26, 1998.

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 authors of these regulations are Ann M. Veninga, Office of Chief Counsel (Passthroughs and Special Industries) and Philip Tretiak, Office of Associate Chief Counsel (International). However, other personnel from the IRS and Treasury Department participated in their development.

List of Subjects

26 CFR Part 1

Income taxes, Reporting and recordkeeping requirements.

26 CFR Part 301

Employment taxes, Estate taxes, Excise taxes, Gift taxes, Income taxes, Penalties, Reporting and recordkeeping requirements.

Proposed Amendments to the Regulations

Accordingly, 26 CFR parts 1 and 301 are 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 1.743–2 is added under the undesignated centerheading ''Transfer of Interests in a Partnership'' to read as follows:

§ 1.743–2 Transfer of property to a corporation.

(a) *Basis in transferred property.* A corporations adjusted tax basis in property transferred to the corporation by a partnership in a transfer described in section 351 is determined with reference to any special basis adjustment to the property under section 743(b) (other than any special basis adjustment that reduces a partner's gain under paragraph (b) of this section).

(b) *Partnership gain.* The amount of gain, if any, recognized by a partnership on a transfer of property by the partnership to a corporation in a transfer described in section 351 is determined without reference to any special basis adjustment to the transferred property under section 743(b). The amount of gain, if any, recognized by the partnership on the transfer that is allocated to a partner with a special basis adjustment in the transferred property is adjusted to reflect the partner's special basis adjustment in the transferred property.

(c) *Basis in stock.* The partnership's adjusted tax basis in stock received from a corporation in a transfer described in section 351 is determined without reference to the special basis adjustment in property transferred to the corporation in the section 351 exchange. A partner with a special basis adjustment in property transferred to the corporation, however, has a special basis adjustment in the stock received by the partnership in the section 351 exchange in an amount equal to the partner's special basis adjustment in the transferred property, reduced by any special basis adjustment that reduced the partner's gain under paragraph (b) of this section.

(d) *Effective date.* This section applies to transfers that occur on or after the date final regulations are published in the **Federal Register**.

PART 301—PROCEDURE AND ADMINISTRATION

Par. 3. The authority citation for part 301 continues to read in part as follows:

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

Par. 4. Section 301.6109–1 is amended as follows:

1. Paragraph (d)(2)(ii) is removed and reserved.

2. Paragraph (h) is redesignated as paragraph (i) and the first sentence of newly designated paragraph (i)(1) is amended by removing the language ''paragraph (h)'' and adding ''paragraph (i)'' in its place.

3. A new paragraph (h) is added.

The addition reads as follows:

§ 301.6109–1 Identifying numbers.

* * * * *

(h) *Special rules for certain entities under § 301.7701–3*—(1) *General rule.* Any entity that has an employer identification number (EIN) will retain that EIN if its federal tax classification changes under § 301.7701–3.

(2) *Special rules for entities that are disregarded as entities separate from their owners*—(i) *When an entity becomes disregarded as an entity separate from its owner.* Except as otherwise provided in regulations or other guidance, a single owner entity that is disregarded as an entity separate from its owner under § 301.7701–3, must use its owner's taxpayer identifying number (TIN) for federal tax purposes.

(ii) *When an entity that was disregarded as an entity separate from its owner becomes recognized as a separate entity.* If a single owner entity's classification changes so that it is recognized as a separate entity for federal tax purposes, and that entity had an EIN, then the entity must use that EIN and not the TIN of the single owner. If the entity did not already have its own EIN, then the entity must acquire an EIN and not use the TIN of the single owner.

(3) *Effective date.* This paragraph (h) applies to changes in classification that occur on or after the date on which these regulations are published as final regulations in the **Federal Register.**

Par. 5. Section 301.7701–2 is amended as follows:

1. Paragraph (b)(8)(i) is amended by revising the entries for Finland, Malta, and Norway.

2. Paragraph (b)(8)(ii)(A) is redesignated as paragraph (b)(8)(ii)(A)(*1*) and the language ''and'' at the end of the paragraph is removed.

3. Paragraph (b)(8)(ii)(B) is redesignated as paragraph (b)(8)(ii)(A)(*2*) and the period at the end of the paragraph is removed and the language ''; and '' is added in its place.

4. Paragraph (b)(8)(ii) heading and introductory text are redesignated as paragraph (b)(8)(ii)(A) heading and introductory text, and a new paragraph heading is added for paragraph (b)(8)(ii).

5. Paragraphs (b)(8)(ii)(A)(*3*) and (b)(8)(ii)(B) are added.

6. Paragraphs (b)(8)(iii), (b)(8)(iv), and (e) are revised.

The revisions and additions read as follows:

§ 301.7701–2 Business entities; definitions.

* * * * *

(b) * * *

(8) * * *

(i) * * *

Finland, Julkinen Osakeyhtio/Publikt Aktiebolag

* * * * *

Malta, Public Limited Company

* * * * *

Norway, Allment Aksjeselskap

* * * * *

(ii) *Clarification of list of corporations in paragraph (b)(8)(i) of this section—(A) Exceptions in certain cases.* * * *

* * * * *

(*3*) With regard to Malaysia, a Sendirian Berhad.

(B) *Inclusions in certain cases*. With regard to Mexico, the term Sociedad Anonima includes a Sociedad Anonima that chooses to apply the variable capital provision of Mexican corporate law (Sociedad Anonima de Capital Variable).

(iii) *Public companies*. For purposes of paragraph (b)(8)(i) of this section, with regard to Cyprus, Hong Kong, Jamaica, and Trinidad and Tobago, the term Public Limited Company includes any Limited Company that is not defined as a private company under the corporate laws of those jurisdictions. In all other cases, where the term Public Limited Company is not defined, that term shall include any Limited Company defined as a public company under the corporate laws of the relevant jurisdiction.

(iv) *Limited companies*. For purposes of this paragraph (b)(8), any reference to a Limited Company includes, as the case may be, companies limited by shares and companies limited by guarantee.

* * * * *

(e) *Effective date*. Except as otherwise provided in this paragraph (e), the rules of this section apply as of January 1, 1997. The reference to the Finnish, Maltese, and Norwegian entities in paragraph (b)(8)(i) of this section is applicable on the date the final regulations are published in the Federal Register. Any Maltese or Norwegian entity that becomes an eligible entity as a result of paragraph (b)(8)(i) of this section in effect on the date final regulations are published in the **Federal Register** may elect (within 75 days of the date final regulations are published in the **Federal Register**) to be classified for federal tax purposes as an entity other than a corporation retroactive to any period from and including January 1, 1997. Any Finnish entity that becomes an eligible entity as a result of paragraph (b)(8)(i) of this section in effect on the date final regulations are published in the **Federal Register** may elect (within 75 days of the date final regulations are published in the **Federal Register**) to be classified for federal tax purposes as an entity other than a corporation retroactive to any period from and including September 1, 1997.

Par. 6. Section 301.7701–3 is amended as follows:

1. A sentence is added at the end of paragraph (c)(1)(iv).

2. Paragraph (c)(2)(iii) is added.

3. A heading is added to paragraph (d)(1).

4. Paragraph (f) is redesignated as paragraph (h) and newly designated paragraph (h)(1) is revised.

5. Paragraphs (f) and (g) are added.

The revision and additions read as follows:

§ 301.7701–3 Classification of certain business entities.

* * * * *

(c) * * *

(1) * * *

(iv) *Limitation*. * * * An election by a newly-formed eligible entity that is effective on the date of formation is not considered a change for purposes of this paragraph (c)(1)(iv).

* * * * *

(2) * * *

(iii) *Changes in classification*. For purposes of paragraph (c)(2)(i) of this section, if an election under paragraph (c)(1)(i) of this section is made to change the classification of an entity, each person who was an owner on the date that any transactions under paragraph (g) of this section are deemed to occur, and who is not an owner at the time the election is filed, must also sign the election. This paragraph (c)(2)(iii) applies to elections filed on or after the date final regulations are published in the **Federal Register**.

(d) *Special rules for foreign eligible entities*—(1) *Definition of relevance*. * * *

* * * * *

(f) *Changes in number of members of an entity*—(1) *Associations*. The classification of an eligible entity as an association is not affected by any change in the number of members of the entity.

(2) *Partnerships and single member entities*. An eligible entity classified as a partnership is disregarded as an entity separate from its owner as of the date the entity has only one member. A single member entity disregarded as an entity separate from its owner is classified as a partnership as of the date the entity has more than one member.

(3) *Effect on sixty month limitation*. A change in the number of members of an entity does not result in the creation of a new entity for purposes of the sixty month limitation on elections under paragraph (c)(1)(iv) of this section.

(4) *Examples*. The following examples illustrate the application of this paragraph (f):

Example 1. (i) On April 1, 1998, A and B, U.S. persons, form X, a foreign eligible entity. X is treated as an association under the default provisions of paragraph (b)(2)(i) of this section, and X does not make an election to be classified as a partnership. A subsequently purchases all of B's interest in X.

(ii) Under paragraph (f)(1) of this section, X continues to be classified as an association. X, however, can subsequently elect to be disregarded as an entity separate from A. The sixty month limitation of paragraph (c)(1)(iv) of this section does not prevent X from making an election because X has not made a prior election under paragraph (c)(1)(i) of this section.

Example 2. (i) On April 1, 1998, A and B, U.S. persons, form X, a foreign eligible entity. X is treated as an association under the default provisions of paragraph (b)(2)(i) of this section, and X does not make an election to be classified as a partnership. On January 1, 1999, X elects to be classified as a partnership effective on that date. Under the sixty month limitation of paragraph (c)(1)(iv) of this section, X cannot elect to be classified as an association until January 1, 2004 (i.e., sixty months after the effective date of the election to be classified as a partnership).

(ii) On June 1, 1999, A purchases all of B's interest in X. After A's purchase of B's interest, X can no longer be classified as a partnership because X has only one member. Under paragraph (f)(2) of this section, X is disregarded as a separate entity as of the date A becomes the only member of X. X, however, is not treated as a new entity for purposes of paragraph (c)(1)(iv) of this section. As a result, the sixty month limitation of paragraph (c)(1)(iv) of this section continues to apply to X and X cannot elect to be classified as an association until January 1, 2004 (i.e., sixty months after January 1, 1999, the effective date of the election by X to be classified as a partnership).

(5) *Effective date*. This paragraph (f) applies as of the date the final regulations are published in the **Federal Register**.

(g) *Elective changes in classification*—(1) *Deemed treatment of elective change*—(i) *Partnership to association*. If an eligible entity classified as a partnership elects under paragraph (c)(1)(i) of this section to be classified as an association, the following is deemed to occur: The partnership contributes all of its assets and liabilities to the association in exchange for stock in the association, and immediately thereafter, the partnership liquidates by distributing the stock of the association to its partners.

(ii) *Association to partnership*. If an eligible entity classified as an association elects under paragraph (c)(1)(i) of this section to be classified as a partnership, the following is deemed to occur: The association distributes all of its assets and liabilities to its shareholders in liquidation of the association, and immediately thereafter, the shareholders contribute all of the distributed assets and liabilities to a newly formed partnership.

(iii) *Association to disregarded entity*. If an eligible entity classified as an association elects under paragraph (c)(1)(i) of this section to be disregarded as an entity separate from its owner, the following is deemed to occur: The association distributes all of its assets

and liabilities to its single owner in liquidation of the association.

(iv) *Disregarded entity to an association*. If an eligible entity that is disregarded as an entity separate from its owner elects under paragraph (c)(1)(i) of this section to be classified as an association, the following is deemed to occur: The owner of the eligible entity contributes all of the assets and liabilities of the entity to the association in exchange for stock of the association.

(2) *Effect of elective changes*. The tax treatment of a change in the classification of an entity for federal tax purposes by election under paragraph (c)(1)(i) of this section is determined under all relevant provisions of the Internal Revenue Code and general principles of tax law, including the step transaction doctrine.

(3) *Timing of election*. An election under paragraph (c)(1)(i) of this section that changes the classification of an eligible entity for federal tax purposes is treated as occurring at the start of the day for which the election is effective. Any transactions that are deemed to occur under this paragraph (g) as a result of a change in classification are treated as occurring immediately before the close of the day before the election is effective. For example, if an election is made to change the classification of an entity from an association to a partnership effective on January 1, the deemed transactions specified in paragraph (g)(1)(ii) of this section (including the liquidation of the association) are treated as occurring immediately before the close of December 31 and must be reported by the owners of the entity on December 31. As a result, the last day of the association's taxable year will be December 31 and the first day of the partnership's taxable year will be January 1.

(4) *Effective date*. This paragraph (g) applies to elections that are filed on or after the date the final regulations are published in the **Federal Register**.

(h) *Effective date*—(1) *In general*. Except as otherwise provided in this section, the rules of this section are applicable as of January 1, 1997.

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Michael P. Dolan,

Acting Commissioner of Internal Revenue.

[FR Doc. 97–28165 Filed 10–27–97; 8:45 am]

BILLING CODE 4830–01–U

DEPARTMENT OF THE TREASURY

Fiscal Service

31 CFR Part 208

RIN 1510–AA56

Management of Federal Agency Disbursements: Hearing in Los Angeles, CA

AGENCY: Financial Management Service, Fiscal Service, Treasury.

ACTION: Proposed rule; notice of public hearing.

SUMMARY: This document schedules an additional public hearing on proposed regulations relating to the government's use of electronic funds transfer to make all Federal payments, with the exception of tax refunds, after January 1, 1999.

DATES: There will be a public hearing in Los Angeles on Tuesday, December 9, 1997 beginning at 9:00 a.m. Requests to testify at the hearing and outlines of testimony must be received by December 1.

ADDRESSES: The public hearing in Los Angeles will be held at the Federal Reserve Bank. The Bank is located at 950 S. Grand Avenue, Los Angeles, California, 90015.

Send requests to testify and outlines of testimony to Martha Thomas-Mitchell. See **FOR FURTHER INFORMATION CONTACT.**

FOR FURTHER INFORMATION CONTACT: Martha Thomas-Mitchell at (202) 874–6757 or at Internet address martha.thomas-mitchell@fms.sprint.com. The following toll free number is also available for registration information and inquiries:

1–800–344–0218 (hours of operation are 7:00 a.m.—5:00 p.m. Pacific Standard Time). For general information on the proposed regulation, contact Robyn Schulhof at (202) 874–6754 or Diana Shevlin at (202) 874–7032.

SUPPLEMENTARY INFORMATION: A notice of proposed rulemaking appearing in the **Federal Register** on September 16, 1997 (62 FR 48714) announced that three public hearings would be held in Dallas, New York City, and Baltimore. This notice adds an additional hearing in Los Angeles.

Dated: October 23, 1997.

Michael T. Smokovich,

Deputy Commissioner.

[FR Doc. 97–28523 Filed 10–27–97; 8:45 am]

BILLING CODE 4810–35–P

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Health Care Financing Administration

42 CFR Chapter IV

[HCFA–1007–N]

Medicare Program; Meetings of the Negotiated Rulemaking Committee on the Provider-sponsored Organization Solvency Standards

AGENCY: Health Care Financing Administration (HCFA), HHS.

ACTION: Notice of meetings.

SUMMARY: In accordance with section 10(a) of the Federal Advisory Committee Act, this notice announces the dates and locations for the second through sixth meetings of the Negotiated Rulemaking Committee on the provider-sponsored organization (PSO) solvency standards. The purpose of this committee is to negotiate the development of an interim final rule establishing solvency standards for provider-sponsored organizations under Part C of the Medicare program, as statutorily-mandated by the Balanced Budget Act of 1997. These meetings are open to the public.

DATES: The five scheduled meetings will be held on November 12–14, 1997; December 3–5, 1997; January 6–8, 1998; January 27–29, 1998; and February 18–20, 1998. The hours of the meetings are 9:00 a.m. to 5:00 p.m. on the first two days of each meeting and 8:00 a.m. to 3:00 p.m. on the third day of each meeting.

ADDRESSES:

- November 12, 13, and 14, 1997, at The Phoenix Park Hotel, 520 N. Capitol St., NW, Washington, DC 20001; (202) 638–6900;
- December 3, 4, and 5, 1997, at the Holiday Inn Capitol, 550 C St., SW, Washington, DC 20024; (202) 479–4000;
- January 6, 7, and 8, 1998, at The Phoenix Park Hotel at the above address;
- January 27, 28, and 29, 1998, at The Phoenix Park Hotel; and
- February 18, 19, and 20, 1998, at The Phoenix Park Hotel.

FOR FURTHER INFORMATION: Inquiries regarding these meetings should be addressed to Maureen Miller, Health Care Financing Administration, Center for Health Plans and Providers, Room S3–21–17, 7500 Security Boulevard, Baltimore, Maryland 21244, (410) 786–1097.