

Asset class	Asset	Fair market value
VI .....	Equipment .....	400
	Total Class V .....	2,200
	Covenant not to compete	900
	Total Class VI .....	900

(iii) P and S each allocate the consideration in the transaction among the assets transferred under paragraph (c) of this section in accordance with the agreed upon fair market values of the assets, so that \$500 is allocated to Class II assets, \$200 is allocated to the Class III asset, \$2,200 is allocated to Class V assets, \$900 is allocated to Class VI assets, and \$200 (\$4,000 total consideration less \$3,800 allocated to assets in Classes II, III, V, and VI) is allocated to the Class VII assets (goodwill and going concern value).

(iv) In connection with the examination of P's return, the Commissioner, in determining the fair market values of the assets transferred, may disregard the parties' agreement. Assume that the Commissioner correctly determines that the fair market value of the covenant not to compete was \$500. Since the allocation of consideration among Class II, III, V, and VI assets results in allocation up to the fair market value limitation, the \$600 of unallocated consideration resulting from the Commissioner's redetermination of the value of the covenant not to compete is allocated to Class VII assets (goodwill and going concern value).

(e) **Reporting requirements—(1) Applicable asset acquisitions—(i) In general.** Unless otherwise excluded from this requirement by the Commissioner, the seller and the purchaser in an applicable asset acquisition each must report information concerning the amount of consideration in the transaction and its allocation among the assets transferred. They also must report information concerning subsequent adjustments to consideration.

(ii) **Time and manner of reporting—(A) In general.** The seller and the purchaser each must file asset acquisition statements on Form 8594, "Asset Allocation Statement," with their income tax returns or returns of income for the taxable year that includes the first date assets are sold pursuant to an applicable asset acquisition. This reporting requirement applies to all asset acquisitions described in this section. For reporting requirements relating to asset acquisitions occurring before March 16, 2001, as described in paragraph (a)(2) of this section, see the temporary regulations under section 1060 in effect prior to March 16, 2001 (see 26 CFR part 1 revised April 1, 2000).

(B) **Additional reporting requirement.** When an increase or decrease in consideration is taken into account after the close of the first taxable year that includes the first date assets are sold in an applicable asset acquisition, the seller and the purchaser each must file a supplemental asset acquisition statement on Form 8594 with the income tax return or return of income for the taxable year in which the increase (or decrease) is properly taken into account.

(2) **Transfers of interests in partnerships.** For reporting requirements relating to the transfer of a partnership interest, see § 1.755-2T(c).

**§ 1.1060-1T [Removed]**

**Par. 12.** Section 1.1060-1T is removed.

**Par. 13.** Section 1.1361-1 is amended as follows:

1. Redesignate paragraph (l)(2)(v) as paragraph (l)(2)(vi).
2. Add a new paragraph (l)(2)(v). The addition reads as follows:

**§ 1.1361-1 S corporation defined.**

\* \* \* \* \*

- (l) \* \* \*
- (2) \* \* \*

(v) **Special rule for section 338(h)(10) elections.** If the shareholders of an S corporation sell their stock in a transaction for which an election is made under section 338(h)(10) and § 1.338(h)(10)-1, the receipt of varying amounts per share by the shareholders will not cause the S corporation to have more than one class of stock, provided that the varying amounts are determined in arm's length negotiations with the purchaser.

\* \* \* \* \*

**Par. 14.** Section 1.1361-4 is amended by removing the last two sentences of paragraph (b)(4) and adding three sentences to read as follows:

**§ 1.1361-4 Effect of QSub election.**

\* \* \* \* \*

- (b) \* \* \*

(4) **Coordination with section 338 election.** \* \* \* If an S corporation makes an election under section 338 (without a section 338(h)(10) election) with respect to a target, the target must file a final return as a C corporation reflecting the deemed sale. See § 1.338-10(a). If the target was an S corporation on the day before the acquisition date, the final return as a C corporation must reflect the activities of the target for the acquisition date, including the deemed sale. See § 1.338-10(a)(3).

\* \* \* \* \*

**Par. 15.** Section 1.1502-76 is amended by adding a parenthetical at

the end of paragraph (b)(1)(ii)(B)(3) and before the semicolon to read as follows:

**§ 1.1502-76 Taxable year of members of group.**

\* \* \* \* \*

- (b) \* \* \*
  - (1) \* \* \*
  - (ii) \* \* \*
  - (B) \* \* \*
  - (3) \* \* \* (but see § 1.338-1(d)) \* \* \*
- \* \* \* \* \*

**PART 602—OMB CONTROL NUMBERS UNDER PAPERWORK REDUCTION ACT**

**Par. 16.** The authority citation for part 602 continues to read as follows:

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

**Par. 17.** In § 602.101, paragraph (b) is amended by removing the entries for §§ 1.338-2T, 1.338-5T, 1.338-10T, 1.338(h)(10)-1T, and 1.1060-1T from the table and adding new entries to the table in numerical order to read as follows:

**§ 602.101 OMB Control numbers.**

\* \* \* \* \*

- (b) \* \* \*

CFR part or section where identified and described	Current OMB control No.
* * * * *	* * * * *
1.338-2 .....	1545-1658
1.338-5 .....	1545-1658
1.338-10 .....	1545-1658
1.338(h)(10)-1 .....	1545-1658
* * * * *	* * * * *
1.1060-1 .....	1545-1658
* * * * *	* * * * *

**Robert E. Wenzel,**  
Deputy Commissioner of Internal Revenue.

Approved: January 4, 2001.

**Jonathan Talisman,**  
Assistant Secretary of the Treasury (Tax Policy).

[FR Doc. 01-981 Filed 2-12-01; 8:45 am]

BILLING CODE 4830-01-P

**DEPARTMENT OF THE TREASURY**

**Internal Revenue Service**

**26 CFR Part 301**

[TD 8943]

RIN 1545-AY51

**Disclosure of Return Information to the Bureau of the Census**

**AGENCY:** Internal Revenue Service (IRS), Treasury.

**ACTION:** Temporary regulations.

**SUMMARY:** This document contains temporary regulations relating to additions to the list of items of information disclosed to the Bureau of the Census for use in the Longitudinal Employer-Household Dynamics (LEHD) project and the Survey of Income and Program Participation (SIPP) project. These regulations provide guidance to IRS and Social Security Administration (SSA) personnel responsible for disclosing the information. The text of the temporary regulations also serves as the text of the proposed regulations set forth in the notice of proposed rulemaking on this subject in the Proposed Rules section of this issue of the **Federal Register**.

**DATES:** *Effective Date:* These regulations are effective February 13, 2001.

*Applicability Date:* For dates of applicability, see § 301.6103(j)(1)–1T(e) of these regulations.

**FOR FURTHER INFORMATION CONTACT:**

Stuart Murray, (202) 622–4580 (not a toll-free number).

**Background**

Under section 6103(j)(1), upon written request from the Secretary of Commerce, the Secretary is to furnish to the Bureau of the Census (Bureau) tax return information that is prescribed by Treasury regulations for the purpose of, but only to the extent necessary in, structuring censuses and national economic accounts and conducting related statistical activities authorized by law. Section 301.6103(j)(1)–1 of the regulations further defines such purposes by reference to 13 U.S.C. Chapter 5 and provides an itemized description of the return information authorized to be disclosed for such purposes. Section 301.6103(j)(1)–1(b)(5) of the regulations provides a list of information provided to the Social Security Administration (SSA) pursuant to Internal Revenue Code section 6103(l)(1)(A) or (5) that officers or employees of SSA may disclose to the Bureau. Periodically, the disclosure regulations are amended to reflect the changing needs of the Bureau for data for its statutorily authorized statistical activities.

This document adopts temporary regulations that authorize IRS and SSA personnel to disclose the additional items of return information that have been requested by the Secretary of Commerce for specified purposes related to the LEHD and SIPP projects.

Except for § 301.6103(j)(1)–1T(b)(2)(v) and (vi); (b)(3)(xxiii), (xxiv), (xxv), (xxvi), (xxvii) and (xxviii); and (b)(5)(iii), (iv), and (v); the text of the temporary regulations is the same as 26 CFR

301.6103(j)(1)–1. The changes made by § 301.6103(j)(1)–1T(b)(2)(v) and (vi); (b)(3)(xxiii), (xxiv), (xxv), (xxvi), (xxvii) and (xxviii); and (b)(5)(iii), (iv), and (v); are discussed below.

**Explanation of Provisions**

By letter dated March 27, 2000, the Secretary of Commerce requested that additional items of return information be disclosed to the Bureau for purposes related to the Longitudinal Employer-Household Dynamics (LEHD) project. The request indicates that the Bureau is ready to begin a joint project with SSA to develop data files that contain linked information, matching selected worker and employer records for statistical research, in order to improve programs at the Bureau and SSA. The linked information will come from the Bureau's demographic and economic censuses and surveys, the Bureau's Standard Statistical Establishment List (SSEL), which includes business tax information, and SSA's administrative records. The Bureau's component of this project, the LEHD project, will enable the Bureau to conduct studies that are intended to improve the quality of the Bureau's core demographic and economic censuses and surveys, which are Bureau activities authorized under 13 U.S.C. Chapter 5.

The Bureau has specifically requested information from SSA's Master Earnings File (MEF), which contains information from IRS Form W–2 and Form 1040SE. The IRS information contained in SSA's MEF will permit the Bureau to link employee data with employer data. The Bureau has requested Social Security Numbers (SSNs) and Employer Identification Numbers (EINs) to link the employee and employer data.

The Bureau has also requested the disclosure of wages, tips, and other compensation and deferred wages from the Form W–2. The Bureau indicated that it wants this detailed earnings record information because it is provided separately for each employer of the employee; it covers all persons with wages, including nonfilers and other non-covered employees; and it provides specific information on deferred compensation, such as retirement contributions.

By letter dated August 2, 2000, the Secretary of Commerce requested additional items of information for purposes related to the Bureau's Survey of Income and Program Participation (SIPP) demographic survey. This request indicates that the Bureau and SSA want to ensure that the regulations authorize the continuation of a joint project to develop data files that contain linked information from the SIPP with

information from SSA's Master Earnings File. The linkage of Census survey information on family relationships with SSA's earnings histories allows for the study and assessment of welfare and social security/retirement proposals. Specifically, the Bureau intends to improve the quality of the SIPP by adding a series of projected Primary Insurance Amounts (PIAs) to the public-use version of each available SIPP.

In order to adjust for misreported data related to earnings, employment, and pensions from the Bureau's SIPP, the Bureau also requested data from Forms W–2 and 1099R or data derived from these forms. Some of the information requested for LEHD is also requested for SIPP, such as the social security number; employer identification number; wages, tips and other compensation; and deferred wages.

As provided in the Commissioner of Internal Revenue's responses to the LEHD and SIPP requests dated September 25, 2000, and October 27, 2000, respectively, information will be furnished under these temporary regulations only for the purposes of conducting the LEHD project and/or the SIPP/SSA project as specified in the request letters and with the understanding that the information will be used strictly in accordance with the provisions of the Internal Revenue Code pertaining to confidentiality.

**Special Analyses**

It has been determined that this Treasury decision is not a significant regulatory action as defined in Executive Order 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 no notice of proposed rulemaking is required, the Regulatory Flexibility Act (5 U.S.C. chapter 6) does not apply. Pursuant to section 7805(f) of the Internal Revenue Code, these temporary regulations will be submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on their impact on small business.

**Drafting Information**

The principal author of these regulations is Jamie G. Bernstein, Office of the Associate Chief Counsel, Procedure & Administration (Disclosure & Privacy Law Division) Internal Revenue Service. However, other personnel from the IRS and Treasury Department participated in their development.

**List of Subjects in 26 CFR Part 301**

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

**Adoption of 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 is amended by adding an entry in numerical order to read as follows:

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

Section 301.6103(j)(1)–1T also issued under 26 U.S.C. 6103(j)(1); \* \* \*

**Par. 2.** Section 301.6103(j)(1)–1T is added to read as follows:

**§ 301.6103(j)(1)–1T Disclosure of return information to officers and employees of the Department of Commerce for certain statistical purposes and related activities (temporary).**

(a) through (b)(2)(iv) [Reserved]. For further guidance, see § 301.6103(j)(1)–1(a) through (b)(2)(iv).

(b)(2)(v) Total Social Security Taxable Earnings;

(vi) Quarters of Social Security coverage.

(b)(3)(i) through (xxii) [Reserved]. For further guidance, see § 301.6103(j)(1)–1(b)(3)(i) through (b)(3)(ii).

(xxiii) Wages, tips, and other compensation;

(xxiv) Social Security Wages;

(xxv) Deferred wages;

(xxvi) Social Security Tip Income;

(xxvii) Total Social Security Taxable Earnings;

(xxviii) Gross Distributions from Form 1099R.

(b)(4) through (b)(5)(ii) [Reserved]. For further guidance, see § 301.6103(j)(1)–1(b)(4) through (b)(5)(ii).

(b)(5)(iii) From Form W–2, and related forms and schedules—

(A) Social Security Number;

(B) Employer Identification Number;

(C) Wages, tips, and other compensation;

(D) Social Security Wages;

(E) Deferred wages.

(iv) Total Social Security Taxable Earnings.

(v) Quarters of Social Security Coverage.

\* \* \* \* \*

(b)(6) through (d) [Reserved]. For further guidance, see § 301.6103(j)(1)–1(b)(6) through (d).

(e) *Effective date.* This section is applicable to the Bureau of the Census

on February 13, 2001 through February 13, 2004.

Approved: January 16, 2001.

**Robert E. Wenzel,**

*Deputy Commissioner of Internal Revenue.*

**Jonathan Talisman,**

*Assistant Secretary of the Treasury.*

[FR Doc. 01–1989 Filed 2–12–01; 8:45 am]

**BILLING CODE 4830–01–P**

**DEPARTMENT OF THE TREASURY****31 CFR Part 1****U. S. Secret Service; Privacy Act of 1974; Implementation**

**AGENCY:** Office of the Secretary, Treasury.

**ACTION:** Final Rule.

**SUMMARY:** The Department is amending its regulations concerning the Privacy Act of 1974, Title 5 of the United States Code, Section 552a (Privacy Act) by revising the United States Secret Services Appendix D of this subpart to identify a new official responsible for administrative appeals of initial determinations refusing amendment of records made pursuant to the Privacy Act. The Department is also updating the address of the Secret Service Headquarters listed in the Appendix.

**EFFECTIVE DATE:** February 13, 2001.

**FOR FURTHER INFORMATION CONTACT:**

Donna Cahill, Associate Chief Counsel, United States Secret Service, 950 H Street, NW., Suite 8300, Washington, DC 20373–5802.

**SUPPLEMENTARY INFORMATION:** The Secret Service is updating its current Privacy Act regulation Appendix D. The Secret Service moved its headquarters to a new location, consequently the addresses shown in the Appendix are no longer current and need to be updated to provide the proper address to the public.

The Secret Service also recognizes a need to revise paragraph 4 of Appendix D, which identifies the official responsible for reviewing administrative appeals of initial determinations refusing amendment of records. Existing regulations name the “Assistant Secretary of the Treasury for Enforcement” as the reviewing official. However, to be consistent with the language implementing the Freedom of Information Act (FOIA), 31 CFR part 1, subpart A, appendix D.4, published at 65 FR 40514 on June 30, 2000, the Secret Service has determined that the reviewing official should be changed to the “Deputy Director, United States Secret Service.” The address to which

an appeal should be made by mail or delivered personally is also being changed to: “Privacy Act Amendment Appeal, Deputy Director, United States Secret Service, 950 H Street, NW., Suite 8300, Washington, DC 20373–5802.”

These regulations are being published as a final rule because the amendment does not impose any requirements on any member of the public. This amendment is the most efficient means for the Treasury Department to implement its internal requirements for complying with the Privacy Act. Accordingly, pursuant to the administrative procedure provisions in 5 U.S.C. 553, the Department of the Treasury finds good cause that prior notice and other public procedure with respect to this rule are impracticable and unnecessary and finds good cause for making this rule effective on the date of publication in the **Federal Register**.

In accordance with Executive Order 12866, it has been determined that this final rule is not a “significant regulatory action” and, therefore, does not require a Regulatory Impact Analysis.

Because no notice of proposed rulemaking is required, the provisions of the Regulatory Flexibility Act (5 U.S.C. 601 *et seq.*) do not apply.

**List of Subjects in 31 CFR Part 1**

Privacy.

**PART 1—[AMENDED]****Subpart C—Privacy Act**

Part 1 of title 31 of the Code of Federal Regulations is amended as follows:

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

**Authority:** 5 U.S.C. 301 and 31 U.S.C. 321. Subpart C also issued under 5 U.S.C. 552a.

2. Amend 31 CFR part 1, subpart C, appendix D—UNITED STATES SECRET SERVICE, paragraph 2, by removing “Room 720, 1800 G Street NW., Washington, DC 20223,” and adding in its place, “Suite 3000, 950 H Street, NW., Washington, DC 20373–5802.”

3. Amend 31 CFR part 1, subpart C, appendix D—UNITED STATES SECRET SERVICE, paragraph 3, by removing “Room 720, 1800 G Street NW., Washington, DC 20223,” and adding in its place, “Suite 3000, 950 H Street, NW., Washington, DC 20373–5802.”

4. Amend 31 CFR part 1, subpart C, appendix D—UNITED STATES SECRET SERVICE by revising paragraph 4 to read as follows:

\* \* \* \* \*

(4) Administrative appeal of initial determinations refusing amendment of