This amendment provides transitional relief for certain transactions initiated before January 23, 2006. Parties to transactions within the scope of the relief may elect to apply the prior temporary regulations instead of the new final regulations. Certain parties must adopt consistent treatment to obtain this relief. This election requirement will be satisfied if none of the specified parties adopts inconsistent treatment.

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. This Treasury decision provides certain taxpayers with an alternative means of compliance with respect to section 368(a)(1)(A). Accordingly, it has been determined, pursuant to 5 U.S.C. 553(b)(B), that prior notice and public procedure is unnecessary and contrary to the public interest. For this reason, it has also been determined, pursuant to 5 U.S.C. 553(d)(1) and (3), that a delayed effective date is not required. 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 regulations were 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 final regulations is Richard M. Heinecke of the Office of the 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.

Adoption of Amendments to the Regulations

Accordingly, 26 CFR part 1 is amended as follows:

PART 1—INCOME TAXES

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