

revised as of April 1, 2006, on page 10, § 1.301-1 is corrected by adding paragraph (g) to read as follows:

**§ 1.301-1 Rules applicable with respect to distributions of money and other property.**

\* \* \* \* \*

(g) *Reduction for liabilities*—(1) *General rule.* For the purpose of section 301, no reduction shall be made for the amount of any liability, unless the liability is assumed by the shareholder within the meaning of section 357(d).

(2) *No reduction below zero.* Any reduction pursuant to paragraph (g)(1) of this section shall not cause the amount of the distribution to be reduced below zero.

(3) *Effective dates*—(i) *In general.* This paragraph (g) applies to distributions occurring after January 4, 2001.

(ii) *Retroactive application.* This paragraph (g) also applies to distributions made on or before January 4, 2001, if the distribution is made as part of a transaction described in, or substantially similar to, the transaction in Notice 99-59 (1999-2 C.B. 761), including transactions designed to reduce gain (see § 601.601(d)(2) of this chapter). For rules for distributions on or before January 4, 2001 (other than distributions on or before that date to which this paragraph (g) applies), see rules in effect on January 4, 2001 (see § 1.301-1(g) as contained in 26 CFR part 1 revised April 1, 2001).

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**DEPARTMENT OF THE TREASURY**

**Internal Revenue Service**

**26 CFR Part 1**

[TD 9262]

RIN 1545-BF57

**Computer Software Under Section 199(c)(5)(B); Correction**

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

**ACTION:** Correcting amendments.

**SUMMARY:** This document contains a correction to temporary regulations (TD 9262) that were published in the **Federal Register** on Thursday, June 1, 2006 (71 FR 31074) concerning the application of section 199 of the Internal Revenue Code, which provides a deduction for income attributable to domestic production activities, to certain transactions involving computer software.

**DATES:** These corrections are effective June 1, 2006.

**FOR FURTHER INFORMATION CONTACT:** Paul Handleman or Lauren RossTaylor, (202) 622-3040 (not a toll-free number).

**SUPPLEMENTARY INFORMATION:**

**Background**

The correction notice that is the subject of this document is under section 199 of the Internal Revenue Code.

**Need for Correction**

As published, the correction notice (TD 9262) contains errors that may prove to be misleading and are in need of clarification.

**List of Subjects in 26 CFR Part 1**

Income taxes, Reporting and recordkeeping requirements.

**Correction of Publication**

■ Accordingly, 26 CFR part 1 is corrected by making the following correcting amendments:

**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 \* \* \*

**§ 1.199-3T [Corrected]**

■ **Par. 2.** Section 1.199-3T is amended by revising paragraphs (i)(6)(iii) introductory text and *Example 5* to read as follows:

**§ 1.199-3T Domestic production gross receipts (temporary).**

\* \* \* \* \*

(i) \* \* \*

(6) \* \* \*

(iii) *Exceptions.* Notwithstanding paragraph (i)(6)(ii) of this section, if a taxpayer derives gross receipts from providing to customers computer software MPGE in whole or in significant part by the taxpayer within the United States for the customers' direct use while connected to the Internet (online software), then such gross receipts will be treated as being derived from the lease, rental, license, sale, exchange, or other disposition of computer software only if—

\* \* \* \* \*

*Example 5.* The facts are the same as in *Example 4*, except that O does not sell the tax preparation computer software to customers affixed to a compact disc or by download and O's only method of providing the tax preparation computer software to customers is over the Internet. P, an unrelated person, derives, on a regular and ongoing basis in its business, gross receipts from the sale to customers of P's substantially identical tax preparation computer software that has been affixed to a compact disc as

well as from the sale to customers of P's substantially identical tax preparation computer software that customers have downloaded from the Internet. Under paragraph (i)(6)(iii)(B) of this section, O's gross receipts derived from providing its tax preparation computer software to customers over the Internet will be treated as derived from the lease, rental, license, sale, exchange, or other disposition of computer software and are DPGR (assuming all the other requirements of § 1.199-3 are met).

\* \* \* \* \*

**§ 1.199-8T [Corrected]**

■ **Par. 3.** Section 1.199-8T is amended by revising paragraph (i)(4) to read as follows:

**§ 1.199-8T Other rules (temporary).**

(i) \* \* \*

(4) *Computer software.* Section 1.199-3T(i)(6)(ii) through (v) are applicable for taxable years beginning on or after June 1, 2006. Taxpayers may apply these temporary regulations to taxable years beginning after December 31, 2004, and before June 1, 2006. The applicability of § 1.199-3T(i)(6)(ii) through (v) expires on or before May 22, 2009.

**Guy R. Traynor,**

*Chief, Publications and Regulations Branch, Legal Processing Division, Associate Chief Counsel (Procedure and Administration).*

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**DEPARTMENT OF THE TREASURY**

**Internal Revenue Service**

**26 CFR Part 301**

[TD 9267]

RIN 1545-BE02

**Disclosure of Return Information to the Bureau of Economic Analysis**

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

**ACTION:** Temporary regulations.

**SUMMARY:** This document contains temporary regulations regarding additional items of return information disclosable to the Bureau of Economic Analysis (Bureau) of the Department of Commerce. The text of these temporary regulations 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 temporary regulations are effective July 6, 2006. *Applicability Date:* For dates of applicability, see § 301.6103(j)(1)-1T(f).

**FOR FURTHER INFORMATION CONTACT:** Joel D. McMahan, (202) 622-4580 (not a toll-free number).

**SUPPLEMENTARY INFORMATION:**

**Background**

Under section 6103(j)(1)(B) of the Internal Revenue Code (Code), upon written request from the Secretary of Commerce, the Secretary of the Treasury shall furnish to the Bureau return information that is prescribed by Treasury regulations for the purpose of, but only to the extent necessary in, structuring of national economic accounts and conducting related statistical activities authorized by law. This document adopts temporary regulations that authorize the IRS to disclose the additional items of return information that have been requested by the Department of Commerce for purposes related to measuring economic change in the U.S. national economic accounts.

Temporary regulations in the Rules and Regulations section of this issue of the **Federal Register** amend the Procedure and Administration Regulations (26 CFR part 301) under Code section 6103(j)(1)(B). The temporary regulations contain rules relating to the disclosure of return information reflected on returns to officers and employees of the Department of Commerce for structuring national economic accounts and conducting related statistical activities authorized by law.

**Explanation of Provisions**

By letter dated December 18, 2003, the Department of Commerce requested that additional items of return information be disclosed to the Bureau for purposes related to measuring economic change in the U.S. national economic accounts. Specifically, the Department of Commerce requested access to return information, obtained from all corporate returns, not just those processed by the IRS's Statistics of Income Division for its corporate sample file. Under this temporary regulation, the IRS will disclose to the Bureau's officers and employees designated items of return information from returns filed by all corporations.

**Special Analyses**

It has been determined that these temporary regulations are 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. For applicability of

the Regulatory Flexibility Act (5 U.S.C. chapter 6), please refer to the cross-referenced notice of proposed rulemaking published elsewhere in this issue of the **Federal Register**. Pursuant to section 7805(f) of the 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.

**Draft Information**

The principal author of these temporary regulations is Joel D. McMahan, Office of the Associate Chief Counsel (Procedure & Administration), Disclosure and Privacy Law Division.

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

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

**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, in part, 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)–1 is amended by revising paragraphs (c) introductory text to read as follows:

**§ 301.6103(j)(1)–1 Disclosures of return information reflected on returns to officers and employees of the Department of Commerce for certain statistical purposes and related activities.**

\* \* \* \* \*

(c) \* \* \* (1) [Reserved]. For further guidance, see § 301.6103(j)(1)–1T(c).

\* \* \* \* \*

■ **Par. 3.** Section 301.6103(j)(1)–1T is revised to read as follows:

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

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

(c) *Disclosure of return information reflected on returns of corporations to officers and employees of the Bureau of Economic Analysis.*

(1) The Internal Revenue Service will disclose to officers and employees of the

Bureau of Economic Analysis for purposes of, but only to the extent necessary in, conducting and preparing statistical analyses, as authorized by law, all return information from the Statistics of Income sample, including edited information and regardless of format or medium, of designated classes or categories of corporations with respect to the tax imposed by chapter 1 of the Internal Revenue Code.

(2) [Removed and Reserved]

(3) The Internal Revenue Service will disclose the following return information reflected on returns filed by corporations to officers and employees of the Bureau of Economic Analysis:

(i) From the business master files of the Internal Revenue Service—

(A) Taxpayer identity information (as defined in section 6103(b)(6) of the Internal Revenue Code) with respect to corporate taxpayers;

(B) Business or industry activity codes;

(C) Filing requirement code; and

(D) Physical location.

(ii) From Form SS–4 filed by an entity identifying itself on the form as a corporation or a private services corporation—

(A) Taxpayer identity information (as defined in section 6103(b)(6), including legal, trade, and business name);

(B) Physical location;

(C) State or Country of incorporation;

(D) Entity Type (Corporate only);

(E) Estimated highest number of employees expected in the next 12 months;

(F) Principal activity of the business;

(G) Principal line of merchandise;

(H) Posting cycle date relative to filing; and

(I) Document code.

(iii) From an employment tax return filed by a corporation—

(A) Taxpayer identity information (as defined in section 6103(b)(6));

(B) Total compensation reported;

(C) Taxable wages paid for purposes of Chapter 21 to each employee;

(D) Master file tax account code (MFT);

(E) Total number of individuals employed in the taxable period covered by the return;

(F) Posting cycle date relative to filing;

(G) Accounting period covered; and

(H) Document code.

(iv) From returns of corporate taxpayer, including Forms 1120, 851, and other business returns, schedules and forms that the Internal Revenue Service may issue—

(A) Taxpayer identity information (as defined in section 6103(b)(6)), including that of parent corporation, affiliate or subsidiary, and shareholder;

- (B) Gross sales and receipts;
  - (C) Returns and allowances;
  - (D) Cost of labor, salaries, and wages;
  - (E) Total assets;
  - (F) Posting cycle date relative to filing;
  - (G) Accounting period covered;
  - (H) Master file tax account code (MFT);
  - (I) Document code; and
  - (J) Principal industrial activity code.
- (d) [Reserved]. For further guidance, see § 301.6103(j)(1)–1(d).
- (e) [Reserved]. For further guidance, see § 301.6103(j)(1)–1(e).
- (f) Effective date. This section is applicable to disclosures to the Bureau of Economic Analysis on or after July 6, 2006.

**Mark E. Matthews,**

*Deputy Commissioner for Services and Enforcement.*

Approved: June 5, 2006.

**Eric Solomon,**

*Acting Deputy Assistant Secretary of the Treasury (Tax Policy).*

[FR Doc. E6–9556 Filed 7–5–06; 8:45 am]

BILLING CODE 4830–01–P

**DEPARTMENT OF HEALTH AND HUMAN SERVICES**

**Centers for Medicare & Medicaid Services**

**42 CFR Part 413**

[CMS–1531–F]

RIN 0938–AO35

**Medicare Program; Revision of the Deadline for Submission of Emergency Graduate Medical Education Affiliation Agreements**

**AGENCY:** Centers for Medicare & Medicaid Services (CMS), HHS.

**ACTION:** Final rule.

**SUMMARY:** This final rule responds to comments on and revises the deadline for submission of the 2006 emergency Medicare graduate medical education (GME) affiliation agreements. The deadlines to submit the emergency Medicare GME affiliation agreements for the 2005 through 2006 and 2006 through 2007 academic years are changed from on or before June 30, 2006 and July 1, 2006, respectively, to on or before October 9, 2006.

**DATES:** These regulations are effective on June 30, 2006.

**FOR FURTHER INFORMATION CONTACT:** Elizabeth Truong, (410) 786–6005.

**SUPPLEMENTARY INFORMATION:**

**I. Background**

*A. Legislative and Regulatory History*

The stated purpose of section 1135 of the Social Security Act (the Act) is to enable the Secretary to ensure, to the maximum extent feasible, in any emergency area and during an emergency period, that sufficient health care items and services are available to meet the needs of enrollees in Medicare, Medicaid, and the State Children's Health Insurance Program (SCHIP). Section 1135 of the Act authorizes the Secretary, to the extent necessary to accomplish the statutory purpose, to temporarily waive or modify the application of certain types of statutory and regulatory provisions (such as conditions of participation or other certification requirements, program participation or similar requirements, or pre-approval requirements) with respect to health care items and services furnished by health care provider(s) in an emergency area during an emergency period.

The Secretary's authority under section 1135 of the Act arises in the event there is an "emergency area" and continues during an "emergency period" as those terms are defined in the statute. Under section 1135(g) of the Act, an emergency area is a geographic area in which there exists an emergency or disaster that is declared by the President according to the National Emergencies Act or the Robert T. Stafford Disaster Relief and Emergency Assistance Act, and a public health emergency declared by the Secretary according to section 319 of the Public Health Service Act. (Section 319 of the Public Health Service Act authorizes the Secretary to declare a public health emergency and take the appropriate action to respond to the emergency, consistent with existing authorities.) Throughout the remainder of this discussion, we will refer to such emergency areas and emergency periods as "section 1135" emergency areas and emergency periods.

When Hurricane Katrina occurred on August 29, 2005, disrupting health care operations and medical residency training programs at teaching hospitals in New Orleans and the surrounding area, the conditions were met for an emergency area and emergency period under section 1135(g) of the Act. Under section 1135 of the Act, the Secretary was then authorized to waive a number of provisions to ensure that sufficient services would be available in the section 1135 emergency area to meet the needs of Medicare, Medicaid, and SCHIP patients. Shortly after Hurricane Katrina occurred, we were informed by

hospitals in New Orleans that the training programs at many teaching hospitals in the city were closed or partially closed as a result of the disaster and that the displaced residents were being transferred to training programs at host hospitals in other parts of the country. For purposes of discussion in this rule, a host hospital is a hospital that trains residents displaced from a training program in a section 1135 emergency area. A home hospital is a hospital that meets all of the following: (1) Is located in a section 1135 emergency area, (2) had its inpatient bed occupancy decreased by 20 percent or more due to the disaster so that it is unable to train the number of residents it originally intended to train in that academic year, and (3) needs to send the displaced residents to train at a host hospital.

In the April 12, 2006 **Federal Register** (71 FR 18654), we published an interim final rule with comment period to modify the Graduate Medical Education (GME) regulations as they apply to Medicare GME affiliations to provide for greater flexibility during times of disaster. Specifically, the interim final rule implemented the emergency Medicare GME affiliated group provisions to address issues that may be faced by certain teaching hospitals in the event that residents who would otherwise have trained at a hospital in an emergency area (as that term is defined in section 1135(g) of the Social Security Act (the Act)) are relocated to alternate training sites. To provide home hospitals with more flexibility to train displaced residents at various sites, and to allow host hospitals to count displaced residents for IME and direct GME, home hospitals may enter into emergency Medicare GME affiliation agreements effective retroactive to the date of the first day of the section 1135 emergency period.

*B. Requirements for Issuance of Regulations*

Section 902 of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) amended section 1871(a)(3) of the Act and requires the Secretary, in consultation with the Director of the Office of Management and Budget, to establish and publish timelines for the publication of Medicare final regulations based on the previous publication of a Medicare proposed or interim final regulation. Section 902 of the MMA also states that the timelines for these regulations may vary but shall not exceed 3 years after publication of the preceding proposed or interim final