

368(a)(1)(D) and 354(b)(1)(B) is met, under paragraph (l)(2)(iii) of this section, D's ownership of a *de minimis* amount of stock of S is disregarded and the transaction is treated as if there is complete shareholder identity and proportionality of ownership in T and S. Because there is complete shareholder identity and proportionality of ownership in T and S, under paragraph (l)(2)(i) of this section, the requirements of sections 368(a)(1)(D) and 354(b)(1)(B) are treated as satisfied notwithstanding the fact that no S stock is issued. Pursuant to paragraph (l)(2)(i) of this section, S will be deemed to issue a nominal share of S stock to T in addition to the \$100x of cash actually exchanged for the T assets, T will be deemed to distribute all such consideration to A, B, and C, and the nominal S stock will be deemed transferred among the S shareholders to the extent necessary to reflect their actual ownership of S. The transaction qualifies as a reorganization described in section 368(a)(1)(D).

Example 5. The facts are the same as in *Example 4* except that A, B, and C own 34%, 33%, and 33%, respectively, of the common stock of T and S. D owns preferred stock in S described in section 1504(a)(4). For purposes of determining whether the distribution requirement of sections 368(a)(1)(D) and 354(b)(1)(B) is met, under paragraph (l)(2)(iii) of this section, D's ownership of S stock described in section 1504(a)(4) is ignored and the transaction is treated as if there is complete shareholder identity and proportionality of ownership in T and S. Because there is complete shareholder identity and proportionality of ownership in T and S, under paragraph (l)(2)(i) of this section, the requirements of sections 368(a)(1)(D) and 354(b)(1)(B) are treated as satisfied notwithstanding the fact that no S stock is issued. Pursuant to paragraph (l)(2)(i) of this section, S will be deemed to issue a nominal share of S stock to T in addition to the \$100x of cash actually exchanged for the T assets, and T will be deemed to distribute all such consideration to A, B, and C. The transaction qualifies as a reorganization described in section 368(a)(1)(D).

Example 6. A and B each own 50% of the stock of T. The T stock has a fair market value of \$100x. B and C own 90% and 10%, respectively, of the stock of S. T sells all of its assets to S in exchange for \$100x of cash and immediately liquidates. Because complete shareholder identity and proportionality of ownership in T and S does not exist, paragraph (l)(2)(i) of this section does not apply. The requirements of sections 368(a)(1)(D) and 354(b)(1)(B) are not satisfied, and the transaction does not qualify as a reorganization described in section 368(a)(1)(D).

(4) *Effective date*—(i) *In general.* This section applies to transactions occurring on or after March 19, 2007, except that they do not apply to any transaction occurring pursuant to a written agreement which is binding before December 19, 2006, and at all times thereafter. A taxpayer may apply the

provisions of these temporary regulations to transactions occurring before March 19, 2007. However, the transferor corporation, the transferee corporation, any direct or indirect transferee of transferred basis property from either of the foregoing, and any shareholder of the transferor or transferee corporation may not apply the provisions of these temporary regulations unless all such taxpayers apply the provisions of the temporary regulations.

(ii) *Expiration.* This section expires on or before December 18, 2009.

Mark E. Matthews,
Deputy Commissioner for Services and Enforcement.

Approved: December 6, 2006.

Eric Solomon,
Acting Deputy Assistant Secretary of the Treasury, (Tax Policy).

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DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

[TD 9297]

RIN 1545-BG02

Residence Rules Involving U.S. Possessions; Correction

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Correction to final regulations.

SUMMARY: This document contains corrections to final regulations that were published in the *Federal Register* on Tuesday, November 14, 2006 (71 FR 66232) relating to rules for determining bona fide residency in the following U.S. territories: American Samoa, Guam, the Northern Mariana Islands, Puerto Rico, and the United States Virgin Islands.

DATES: These corrections are effective November 14, 2006.

FOR FURTHER INFORMATION CONTACT: David Varley, (202) 435-5262 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

The final regulations (TD 9297) that are the subject of these corrections are under section 937 of the Internal Revenue Code.

Need for Correction

As published, the final regulations (TD 9297) contain errors that may be

misleading and are in need of clarification.

Correction of Publication

Accordingly, the final regulations (TD 9297) that were the subject of FR Doc. E6-19135 are corrected as follows:

1. On page 66232, column 2, in the preamble, under the "Title Headings", the language [TD[9297]] is corrected to read "[TD 9297]."

2. On page 66232, column 2, in the preamble, under the paragraph heading, "Background", first paragraph of the column, lines 1 through 5 from the bottom of the paragraph, the language "section 937(a) dealing with determining residency in a territory, adopting with amendments the proposed regulations (specifically, § 1.937-1 and 1.881-5T(f)(4))" is corrected to read "section 937(a) concerning the determination of residency in a territory and adopting with amendments the proposed regulations (specifically, §§ 1.937-1 and 1.881-5(f)(4))."

3. On page 66232, column 3, in the preamble, under the paragraph heading, "Background", second paragraph of the column, line 8 from the bottom of the paragraph, the language "relevant territory for the purposes of the" is corrected to read "relevant territory for purposes of the".

4. On page 66232, column 3, in the preamble, under the paragraph heading, "Background", third paragraph of the column, line 10 from the bottom of the paragraph, the language "presence test of section 7701(b) on the" is corrected to read "presence test of section 7701(b) to determine bona fide residency in a territory on the".

5. On page 66233, column 1, in the preamble, under the paragraph heading, "Explanation of Provisions", first paragraph of the column, lines 12 and 13, the language, "for business pursuits, have concluded nonetheless that such a rule would be" is corrected to read "for business pursuits but have concluded that such a rule would be".

6. On page 66233, column 1, in the preamble, under the paragraph heading, "Explanation of Provisions", first paragraph, line 4 from the bottom of the paragraph, the language "the final regulations, provide sufficient" is corrected to read "these final regulations, provide sufficient".

7. On page 66233, column 1, in the preamble, under the paragraph heading, "Explanation of Provisions", second paragraph, lines 15 through 19 from the bottom of the paragraph, the language "States, even though the individual is not present in the United States, and will treat such days as days of presence

in the relevant territory. In addition, the regulations provide for relief in case" is corrected to read "States, even if the individual is physically present in the United States, and will treat such days as days of presence in the relevant territory. In addition, the regulations provide for similar relief in case".

8. On page 66233, column 2, in the preamble, under the paragraph heading, "Explanation of Provisions", third paragraph of the column, lines 8 and 9, the language "accommodate the realities of business cycles and life in the territories. The IRS" is corrected to read "accommodate the reality that business cycles and life in the territories may require more time away from the territories in some years than in others. The IRS".

La Nita VanDyke,

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

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DEPARTMENT OF AGRICULTURE

Forest Service

36 CFR Part 242

DEPARTMENT OF THE INTERIOR

Fish and Wildlife Service

50 CFR Part 100

Subsistence Management Regulations for Public Lands in Alaska, Subpart D; Seasonal Adjustments—Tustumena Lake

AGENCIES: Forest Service, USDA; Fish and Wildlife Service, Interior.

ACTION: Seasonal adjustment.

SUMMARY: This provides notice of the Federal Subsistence Board's action to provide winter subsistence harvest opportunities for lake trout, Dolly Varden, and rainbow trout in Tustumena Lake. The fishing opportunity in Tustumena Lake provides an exception to the Subsistence Management Regulations for Public Lands in Alaska, published in the **Federal Register** on March 29, 2006. Those regulations established seasons, harvest limits, methods, and means relating to the taking of fish and shellfish for subsistence uses during the 2006 regulatory year.

DATES: This Board action is effective November 17, 2006, through March 31, 2007.

FOR FURTHER INFORMATION CONTACT:

Peter J. Probasco, Office of Subsistence Management, U.S. Fish and Wildlife Service, telephone (907) 786-3888. For questions specific to National Forest System lands, contact Steve Kessler, Subsistence Program Manager, USDA—Forest Service, Alaska Region, telephone (907) 786-3592.

SUPPLEMENTARY INFORMATION:

Background

Title VIII of the Alaska National Interest Lands Conservation Act (ANILCA) (16 U.S.C. 3111-3126) requires that the Secretary of the Interior and the Secretary of Agriculture (Secretaries) implement a joint program to grant a preference for subsistence uses of fish and wildlife resources on public lands in Alaska, unless the State of Alaska enacts and implements laws of general applicability that are consistent with ANILCA and that provide for the subsistence definition, preference, and participation specified in Sections 803, 804, and 805 of ANILCA. In December 1989, the Alaska Supreme Court ruled that the rural preference in the State subsistence statute violated the Alaska Constitution and, therefore, negated State compliance with ANILCA.

The Department of the Interior and the Department of Agriculture (Departments) assumed, on July 1, 1990, responsibility for implementation of title VIII of ANILCA on public lands. The Departments administer title VIII through regulations at title 50, part 100 and title 36, part 242 of the Code of Federal Regulations (CFR). Consistent with subparts A, B, and C of these regulations, as revised January 8, 1999 (64 FR 1276), the Departments established a Federal Subsistence Board to administer the Federal Subsistence Management Program. The Board's composition includes a Chair appointed by the Secretary of the Interior with concurrence of the Secretary of Agriculture; the Alaska Regional Director, U.S. Fish and Wildlife Service; the Alaska Regional Director, National Park Service; the Alaska State Director, Bureau of Land Management; the Alaska Regional Director, Bureau of Indian Affairs; and the Alaska Regional Forester, USDA Forest Service. Through the Board, these agencies participate in the development of regulations for subparts A, B, and C, which establish the program structure and determine which Alaska residents are eligible to take specific species for subsistence uses, and the annual subpart D regulations, which establish seasons, harvest limits, and methods and means

for subsistence take of species in specific areas. Subpart D regulations for the 2006 fishing seasons, harvest limits, and methods and means were published on March 29, 2006 (71 FR 15569). Because this action relates to public lands managed by an agency or agencies in both the Departments of Agriculture and the Interior, identical closures and adjustments would apply to 36 CFR part 242 and 50 CFR part 100.

The Alaska Department of Fish and Game (ADF&G), under the direction of the Alaska Board of Fisheries (BOF), manages sport, commercial, personal use, and State subsistence harvest on all lands and waters throughout Alaska. However, on Federal lands and waters, the Federal Subsistence Board implements a subsistence priority for rural residents as provided by title VIII of ANILCA. In providing this priority, the Board may, when necessary, preempt State harvest regulations for fish or wildlife on Federal lands and waters.

Current Management Actions

These actions are authorized and in accordance with 50 CFR 100.19(d-e) and 36 CFR 242.19(d-e).

Tustumena Lake

The Niniilchik Traditional Council requested a special winter subsistence fishery through the ice in Tustumena Lake. The Southcentral Alaska Regional Advisory Council recommended adopting this seasonal adjustment with minor modifications during their fall 2006 meeting. The Board met in public work session on November 16-17, 2006, during which it took up and approved this request with modifications. The resulting seasonal adjustment will expire March 31, 2007.

The season adjustment provides for the take of fish in Tustumena Lake using a single gillnet not to exceed 10 fathoms fished under the ice or jigging gear used through the ice, under authority of a Federal subsistence fishing permit. The total annual harvest quota for this fishery is 200 lake trout, 200 rainbow trout, and 500 Dolly Varden. Gillnets are not allowed within ¼ mile of any tributary or outlet stream of Tustumena Lake. All harvests must be reported to the Federal fisheries manager within 72 hours upon leaving the fishing location. Gill nets must be checked at least once in every 48-hour period. Incidentally caught fish may be retained and must be recorded on the permit. When a harvest quota for any of the three species is reached, the gillnet fishery will be closed.

This fishery, along with ongoing existing fisheries, is within