

§ 115.18(a)(4), the Surety must pay SBA a guarantee fee on each guaranteed bond (other than a Bid Bond) within 60 calendar days after SBA's approval of the Prior Approval Payment or Performance Bond on the SBA Form 990, Guarantee Agreement. The fee is a certain percentage of the bond premium determined by SBA and published in Notices in the **Federal Register** from time to time. The fee is rounded to the nearest dollar. SBA does not receive any portion of a Surety's non-premium charges. See paragraph (d) of this section for additional requirements when the Contract or bond amount changes.

(d) \* \* \*

(1) \* \* \*

(2) *Increases; fees.* Notification of increases in the Contract or bond amount under this paragraph (d) must be accompanied by the Principal's check for the increase in the Principal's guarantee fee computed on the increase in the Contract amount. If the increase in the Principal's fee is less than \$40, no payment is due until the total amount of increases in the Principal's fee equals or exceeds \$40. The Surety's check for payment of the increase in the Surety's guarantee fee, computed on the increase in the bond Premium, must be submitted to SBA within 60 calendar days of SBA's approval of the supplemental Prior Approval Agreement, unless the amount of such increased guarantee fee is less than \$40. When the total amount of increase in the guarantee fee equals or exceeds \$40, the Surety's check must be submitted to SBA within 60 calendar days.

\* \* \* \* \*

■ 7. Revise § 115.60(a)(2) to read as follows:

**§ 115.60 Selection and admission of PSB Sureties.**

(a) \* \* \*

(1) \* \* \*

(2) An agreement that the Surety will neither charge a bond premium in excess of that authorized by the appropriate State insurance department, nor impose any non-premium fee unless such fee is permitted by applicable State law and approved by SBA.

\* \* \* \* \*

**§ 115.61 [Removed & Reserved]**

■ 8. Remove and reserve § 115.61.

■ 9. Revise § 115.62 to read as follows:

**§ 115.62 Prohibition on participation in Prior Approval program.**

A PSB Surety is not eligible to submit applications under subpart B of this part. This prohibition does not extend to an Affiliate, as defined in 13 CFR

§ 121.103, of a PSB Surety that is not itself a PSB Surety provided that the relationship between the PSB Surety and the Affiliate has been fully disclosed to SBA and that such Affiliate has been approved by SBA to participate as a Prior Approval Surety pursuant to § 115.11.

**Steven C. Preston,**

*Administrator.*

[FR Doc. 07-2983 Filed 6-22-07; 8:45 am]

**BILLING CODE 8025-01-M**

**DEPARTMENT OF THE TREASURY**

**Internal Revenue Service**

**26 CFR Parts 1 and 602**

**[TD 9332]**

**RIN 1545-BG00**

**Exclusions From Gross Income of Foreign Corporations**

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

**ACTION:** Final and temporary regulations.

**SUMMARY:** This document contains final and temporary regulations under section 883(a) and (c) of the Internal Revenue Code (Code), relating to the exclusion from gross income of income derived by certain foreign corporations engaged in the international operation of ships or aircraft. These regulations revise § 1.883-3 of the final regulations, relating to the eligibility of controlled foreign corporations for the exclusion under section 883, following the repeal of section 954(a)(4) and (f) (foreign base company shipping provisions) by section 415 of the American Jobs Creation Act of 2004. In addition, these regulations provide certain additional guidance under section 883(a) and (c), including for foreign corporations that are organized in countries providing an exemption from taxation for certain shipping and air transport income solely through an income tax convention. The text of these temporary regulations also serves as the text of the proposed regulations (REG-138707-06) set forth in the Proposed Rules section in this issue of the **Federal Register**.

**DATES:** *Effective Date:* These regulations are effective on June 25, 2007.

*Applicability Date:* For dates of applicability, see § 1.883-5T.

**FOR FURTHER INFORMATION CONTACT:** Patricia A. Bray, at (202) 622-3880 (not a toll-free number).

**SUPPLEMENTARY INFORMATION:**

**Paperwork Reduction Act**

These regulations are being issued without prior notice and public procedure pursuant to the Administrative Procedure Act (5 U.S.C. 553). For this reason, the collections of information contained in these regulations has been reviewed, and pending receipt and evaluation of public comments, approved by the Office of Management and Budget under control number 1545-1667. Responses to these collections of information are mandatory.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid control number assigned by the Office of Management and Budget.

For further information concerning these collections of information, where to submit comments on the collections of information and the accuracy of the estimated burden, and suggestions for reducing this burden, please refer to the preamble to the cross-referencing notice of proposed rulemaking published in the Proposed Rules section of this issue of the **Federal Register**.

Books and records relating to a collection of information must be retained as long as their contents may become material in the administration of any internal revenue law. Generally, tax returns and tax return information are confidential, as required by 26 U.S.C. 6103.

**Background**

*1. Section 883 and the Final Regulations*

Sections 883(a)(1) and (a)(2) of the Code generally provide that income from the international operation of ships or aircraft derived by a foreign corporation will be excluded from gross income and exempt from U.S. taxation if the foreign country in which the corporation is organized grants an equivalent exemption to corporations organized in the United States. Section 883(c)(1) provides that a foreign corporation cannot qualify for the section 883(a) exemption if 50 percent or more of the value of its stock is owned by individuals who are not residents of a country that grants an equivalent exemption to U.S. corporations. However, under section 883(c)(2), section 883(c)(1) does not apply to a foreign corporation that is a controlled foreign corporation as defined in section 957(a)(CFC). In addition, under section 883(c)(3), section 883(c)(1) does not apply to a foreign corporation whose stock is primarily and regularly traded on an established securities market in the

United States or in a foreign country that grants an equivalent exemption to U.S. corporations.

On August 26, 2003, the IRS and the Treasury Department issued final regulations under section 883 in TD 9087 (68 FR 51394). The final regulations provide, in general, that a foreign corporation organized in a qualified foreign country and engaged in the international operation of ships or aircraft may exclude qualified income from gross income for purposes of U.S. Federal income taxation provided that the corporation can satisfy certain ownership and related substantiation and reporting requirements. A foreign corporation that meets these requirements is a "qualified foreign corporation." A foreign country that grants U.S. corporations an equivalent exemption from gross income is a "qualified foreign country." The final regulations also provide definitions of the terms "qualified income" and "equivalent exemption." In addition, the final regulations specify how a foreign corporation can satisfy the ownership and related substantiation and reporting requirements, and the information that the foreign corporation must include on its U.S. income tax return in order to claim an exemption.

In general, a foreign corporation must own or lease an entire ship or aircraft, and the ship or aircraft must carry cargo or passengers for hire, in order for the foreign corporation to be engaged in the operation of a ship or aircraft for this purpose. Section 1.883-1(e). Section 1.883-1(f) provides rules for determining whether income is derived from the international operation of a ship or aircraft. Section 1.883-1(g)(1) provides rules for determining whether certain activities of a foreign corporation that is engaged in the international operation of ships or aircraft are so closely related to that operation as to be considered incidental to the international operation of ships or aircraft. The final regulations provide a nonexclusive list of activities that are considered incidental to the international operation of ships or aircraft. Income from these incidental activities is deemed to be income derived from the international operation of a ship or aircraft for purposes of the exclusion under section 883. Section 1.883-1(g)(2) also provides a nonexclusive list of activities that are not incidental to the international operation of ships or aircraft. The final regulations reserve on whether services, including ground services, maintenance, catering, and other services, are considered incidental to the

international operation of ships or aircraft.

Section 1.883-1(h) provides that an equivalent exemption may exist if a foreign country generally imposes no tax on income or specifically provides a domestic tax law exemption for income derived from the international operation of ships or aircraft. Alternatively, a foreign country may exchange a diplomatic note, or enter into an agreement, with the United States that provides for a reciprocal exemption for purposes of section 883. Section 1.883-1(h)(3)(i) generally provides that a foreign country that grants an exemption from taxation for income from the international operation of ships or aircraft solely through an income tax convention with the United States is not considered to grant an equivalent exemption. Thus, a corporation organized in such a country may not claim an exclusion under section 883, and can only claim available treaty benefits to exempt income derived from international transport.

The final regulations require that a foreign corporation must satisfy one of three stock ownership tests to satisfy the ownership requirements of section 883(c): A publicly-traded test in § 1.883-2(a), a CFC stock ownership test in § 1.883-3(a), or a qualified shareholder stock ownership test in § 1.883-4(a). Under § 1.883-3(a), a foreign corporation satisfies the CFC stock ownership test if it meets an "income inclusion test" and satisfies certain substantiation and reporting requirements under § 1.883-3(c) and (d). The income inclusion test requires that more than 50 percent of the CFC's adjusted net foreign base company income (as defined in § 1.954-1(d) and as increased or decreased by section 952(c)) derived from the international operation of ships or aircraft be includible in the gross income of one or more U.S. citizens, individual residents of the United States, or domestic corporations. Section 1.883-3(b). This rule prevents individuals residing in foreign countries that do not grant an equivalent exemption to U.S. corporations from benefiting from the section 883 exemption by owning a CFC through a domestic partnership, estate or trust.

Section 1.883-4 of the final regulations provides rules for when a foreign corporation satisfies the qualified shareholder stock ownership test. To satisfy this test, qualified shareholders must own (applying the attribution rules of § 1.883-4(c)) more than 50 percent of the value of a foreign corporation's outstanding shares for half the number of days in the corporation's

taxable year. The foreign corporation must also meet the substantiation and reporting requirements of § 1.883-4(d) and (e). Under the reporting requirements of § 1.883-4(e), a foreign corporation must attach a statement with certain information to its Form 1120-F, "U.S. Income Tax Return of a Foreign Corporation," including the names and addresses of individual shareholders with large shareholdings (at least 5 percent) in the foreign corporation.

## 2. Elimination of Foreign Base Company Shipping Income

Section 415 of the American Jobs Creation Act of 2004 (Pub. L. 108-357 (118 Stat. 1418) (AJCA) repealed section 954(a)(4) and (f), eliminating foreign base company shipping income as a type of foreign base company income, and therefore, as subpart F income. The repeal is effective for taxable years of foreign corporations beginning after December 31, 2004, and for taxable years of United States shareholders with or within which such taxable years of foreign corporations end. Section 423 of AJCA also delayed the applicability date of the final regulations under section 883(a) and (c) for one year, until taxable years beginning after September 24, 2004.

Commentators noted that the repeal of the foreign base company shipping provisions created uncertainty about the application of the income inclusion test for CFCs that no longer have foreign base company income.

On August 5, 2005, the IRS and the Treasury Department issued TD 9218 (70 FR 45529) to conform the applicability date of the final regulations in light of section 423 of AJCA. The preamble to TD 9218 also acknowledged commentators' concerns regarding the application of the income inclusion test after the repeal of the foreign base company shipping provisions. The preamble stated that a CFC that satisfied the income inclusion test prior to the effective date of section 415 of AJCA would continue to satisfy that test after the effective date of the legislation, provided the CFC is able to demonstrate that if the foreign base company shipping provisions had not been repealed, more than 50 percent of its current earnings and profits derived from the international operation of ships or aircraft would have been attributable to amounts includible in the gross income of one or more U.S. citizens, individual residents of the United States, or domestic corporations (pursuant to section 951(a)(1)(A) or another provision of the Code) for the

taxable years of such persons in which the taxable year of the CFC ends.

The preamble to TD 9218 also stated that the IRS and the Treasury Department would issue regulations to clarify the application of the income inclusion test, and invited further comments on the most appropriate way to accomplish a clarification consistent with the principles of the existing section 883 regulations, and the repeal of the foreign base company shipping provisions.

### 3. Issuance of Notice 2006-43

The IRS and the Treasury Department received a number of comments in response to the preamble language in TD 9218 dealing with the income inclusion test. Generally, commentators stated that to require CFCs to calculate hypothetical amounts of subpart F income as though the foreign base company shipping provisions had not been repealed was too complex an approach to administer properly. Commentators proposed several alternative approaches they viewed as simpler to the approach described in TD 9218.

After considering these comments, the IRS and the Treasury Department issued Notice 2006-43, "Interim Guidance With Respect to the Application of Treas. Reg. § 1.883-3," (2006-21 IRB 921 (May 22, 2006)), which announced a new approach. Under the Notice, a CFC would satisfy the stock ownership test of § 1.883-1(c)(2) if it met a "qualified U.S. person ownership test" and satisfied revised substantiation and reporting requirements. To satisfy the qualified U.S. person ownership test, a corporation would be required to be a CFC for more than half the days of its taxable year, and more than 50 percent of the total value of the CFC's outstanding stock would have to be owned (within the meaning of section 958(a) as modified by the Notice) by one or more qualified U.S. persons for more than half the days of its taxable year. See § 601.601(d)(2).

These temporary regulations incorporate the rules of Notice 2006-43, with certain amendments, and respond to comments that have been received concerning other portions of the existing section 883 regulations.

### 4. Additional Comments

The following additional comments were received regarding the final regulations.

#### A. Ground Services

The final regulations reserved on whether the performance of a variety of ground services should be treated as

activities that are incidental to the international operation of ships or aircraft. Section 1.883-1(g)(3). The IRS and the Treasury Department have received a number of comments from the air transport industry requesting guidance under section 883 on the treatment of ground services, including cargo handling, maintenance services, catering, and customer service. Commentators have pointed to recent changes in the Commentaries to Article 8 (Shipping, Inland Waterways Transport and Air Transport) of the Model Tax Convention on Income and on Capital published by the Organisation for Economic Co-operation and Development (the OECD Model Convention) that clarify the circumstances under which certain services performed by an enterprise engaged in the operation of ships or aircraft in international traffic may be either ancillary or directly related to such operations, and thereby covered services for purposes of Article 8 of the OECD Model Convention.

#### B. U.S. Income Tax Conventions as Equivalent Exemptions

Commentators have also suggested that countries that provide an exemption to U.S. corporations only through an income tax convention with the United States should be treated as granting an equivalent exemption for purposes of section 883. In support of their position, commentators cite the Senate Committee Report to the Tax Reform Act of 1986 (Pub. L. 99-514 (100 Stat. 2085)), which states:

The committee intends that a country which, as a result of a treaty with the United States, exempts U.S. citizens and domestic corporations from tax in the country on income derived from the operation of ships or aircraft, has an equivalent exemption, even though the treaty technically contains certain additional requirements other than residence, such as U.S. registration or documentation of the ship or aircraft.

(S. Rep. No. 99-313, at 343-44 (1986))

Prior to 2001, a foreign country that provided an exemption from taxation for income from the international operation of ships or aircraft through an income tax convention was treated as granting an equivalent exemption for purposes of section 883. See Rev. Rul. 89-42 (1989-1 CB 234); Rev. Rul. 97-31 (1997-2 CB 77) (supplementing Rev. Rul. 89-42). In 2001, however, the IRS and the Treasury Department reconsidered this position, and concluded that an exemption under an income tax convention could not constitute an equivalent exemption for purposes of section 883(a) because the Code and income tax conventions have

different eligibility requirements, and provide exemptions that vary in scope. See Rev. Rul. 2001-48 (2001-2 CB 324) (modifying and superseding Rev. Rul. 97-31). The position taken in Rev. Rul. 2001-48 was incorporated into § 1.883-1(h)(3)(i) of the final regulations. See § 601.601(d)(2).

#### C. Reporting Requirements Related to Qualified Shareholder Stock Ownership Test

In connection with the substantiation and reporting requirements for the qualified shareholder stock ownership test under § 1.883-4(a), the IRS and the Treasury Department have continued to receive comments expressing concern over the requirement that the names and addresses of individual shareholders with large shareholdings (at least 5 percent) in corporations relying on this ownership test be disclosed on Form 1120-F. Recent comments have suggested that in lieu of providing such names and addresses, taxpayers should be permitted to submit a sworn statement by a U.S. tax practitioner subject to Circular 230 with their return that states that the taxpayer satisfies the qualified shareholder stock ownership test, and that the names and addresses of shareholders with large shareholdings are available for inspection by the IRS at the office of that such practitioner.

### Explanation of Provisions

These temporary regulations incorporate the rules of Notice 2006-43 and also address a number of comments that have been received concerning other portions of the existing section 883 regulations.

#### 1. Modifications to the Income Inclusion Test

These temporary regulations generally adopt the qualified U.S. person ownership test contained in Notice 2006-43. A CFC meets the qualified U.S. person ownership test in § 1.883-3T(b)(1) only if more than 50 percent of the total value of all the outstanding stock of the CFC is owned (within the meaning of section 958(a), as modified in § 1.883-3T(b)(4)), by one or more qualified U.S. persons. The term *qualified U.S. person* means a U.S. citizen, resident alien, domestic corporation, or domestic trust described in section 501(a). For purposes of applying the qualified U.S. person ownership test, the value of the stock of the CFC that is owned (directly or indirectly) through bearer shares is not taken into account in the numerator, but is taken into account in the denominator to determine the portion of the overall

stock value that is owned by qualified U.S. persons. Section 1.883-3T(b)(3).

For purposes of applying the qualified U.S. person ownership test, the attribution rules of section 958(a) will apply to determine the ownership interests of qualified U.S. persons held through foreign entities. In addition, the temporary regulations extend the attribution rules of section 958(a) to domestic partnerships, domestic trusts not described in section 501(a), and domestic estates. In the case of these domestic entities, stock will be treated as owned proportionately by the partners, beneficiaries, grantors, or other interest holders in such entities, respectively, applying the rules of section 958(a) as if the domestic partnership, estate, or trust were a foreign partnership, estate, or trust, respectively. The regulations also contain conforming changes to the substantiation and reporting provisions in this section to reflect the new qualified U.S. person ownership test for CFCs. A CFC that fails this test will not be a qualified foreign corporation unless it meets either the publicly-traded test of § 1.883-2(a) or the qualified shareholder stock ownership test of § 1.883-4(a).

### *2. Activities Incidental to the International Operation of Ships or Aircraft*

The IRS and the Treasury Department recognize that guidance is needed on the extent to which ground services that are conducted by foreign corporations engaged in the international operation of ships or aircraft are so closely related to such operation that they are considered activities incidental to the international operation of ships or aircraft. Section 1.883-1T(g)(1)(xi) treats the provision of goods and services by engineers, ground and equipment maintenance staff, cargo handlers, catering staff, and customer services personnel, and the provision of facilities such as passenger lounges, counter space, ground handling equipment, and hanger facilities as activities incidental to the international operation of a ship or aircraft. The regulations also make clear that such services will be treated as incidental, whether provided to another enterprise as part of a pooling arrangement, alliance, or other joint venture.

### *3. Countries Providing an Exemption Only Through an Income Tax Convention*

In response to comments and further study, the IRS and the Treasury Department believe that it is appropriate to provide additional guidance on when

a country that only provides for an exemption by means of an income tax convention with the United States will be considered as granting an equivalent exemption for purposes of section 883(a). Section 1.883-1(h)(1), which sets forth the various bases on which equivalent exemptions may be claimed, is broadened by § 1.883-1T(h)(1)(ii) to include a domestic tax law exemption by income tax convention. Section 1.883-1T(h)(3) sets out the conditions under which an exemption under an income tax convention may constitute an equivalent exemption.

If a foreign country provides an exemption from tax under a shipping and air transport or gains article of an income tax convention with the United States, and it does not otherwise provide an equivalent exemption through a diplomatic note, domestic statutory law, or by generally not imposing income tax on foreign corporations engaged in the international operation of ships or aircraft, a corporation organized in that country may treat that income tax convention as providing an equivalent exemption for purposes of section 883, but only if the foreign corporation meets all the conditions for claiming benefits with respect to such income under the income tax convention, and the category of income for which the convention grants benefits is also described in § 1.883-1(h)(2).

For example, if a foreign corporation is seeking an exemption with respect to non-incidental container-related income, it may not treat an exemption provided by an income tax convention for that type of income as an equivalent exemption, because that category of income is not listed in § 1.883-1(h)(2). Equivalent exemptions are determined separately with respect to each category of income listed in § 1.883-1(h)(2). As a result, the foreign corporation may treat an exemption under an income tax convention with respect to another category of income that is listed in § 1.883-1(h)(2) (for example, incidental bareboat charter income) as an equivalent exemption for purposes of section 883.

A foreign corporation that is entitled to treat an income tax convention as providing an equivalent exemption with respect to a particular category of income under § 1.883-1T(h)(1)(ii) will not always qualify for an exclusion from gross income under section 883. For example, a corporation that is a resident of a foreign country for purposes of an income tax convention because that is where it is managed and controlled is not a qualified foreign corporation under § 1.883-1(c)(1), and may not

claim an exclusion from gross income under section 883, if it is not also organized in that country. Similarly, a foreign corporation that does not meet one of the stock ownership tests described in § 1.883-1(c)(2) is not a qualified foreign corporation under § 1.883-1(c)(1), and may not claim an exclusion from gross income under section 883, even though it would satisfy the limitation on benefits article under the relevant convention.

### *4. Countries That Provide an Exemption Through an Income Tax Convention and by Other Means*

As provided in the final regulations, a foreign corporation that qualifies for an exemption from tax under an income tax convention and an equivalent exemption under section 883 through a diplomatic note, domestic statutory law, or by generally imposing no income tax on foreign corporations engaged in the international operation of ships or aircraft will continue to have the choice of whether to claim an exemption under the income tax convention or under section 883. Section 1.883-1T(h)(3)(ii)(A). If a foreign corporation chooses to claim an exemption under an income tax convention, it may also choose to claim an exemption under section 883 for any category of income listed in § 1.883-1(h)(2), to the extent that such income is also exempt under an income tax convention. Section 1.883-1T(h)(3)(ii)(B).

The rules provided in § 1.883-1(h)(3)(iii) of the final regulations for certain joint ventures also continue in modified form. A foreign corporation resident in a country that only provides an exemption through an income tax convention with the United States, and that participates in a joint venture entity that is fiscally transparent for U.S. tax purposes but not under the law of the treaty jurisdiction, will not be able to take advantage of the new rules on equivalent exemptions under income tax conventions, and must rely on § 1.883-1T(h)(3)(iii).

### *5. Reporting Requirements Related to Qualified Shareholder Stock Ownership Test*

Upon further study and review, the IRS and the Treasury Department have decided to bring the disclosure required under each of the stock ownership tests provided in § 1.883-1(c)(2) into greater accord with the disclosure required for comparable stock ownership tests with similar tax policy objectives. For example, reporting in conjunction with the stock ownership tests found in the branch profits tax regulations and limitation on benefits articles in U.S.

income tax conventions does not require the disclosure of certain shareholder names and addresses to the IRS. See § 1.884-5 and Form 8833, "Treaty-Based Return Position Disclosure Under Section 6114 or 7701(b)." Consequently, these regulations have eliminated the requirement that the names and addresses of shareholders in corporations relying on the various stock ownership tests in § 1.883-1(c)(1) (that is, under the closely held exception to the publicly-traded test, the CFC stock ownership test, and the qualified shareholder stock ownership test) be disclosed on Form 1120-F. See §§ 1.883-2T(e), 1.883-3T(c), and 1.883-4T(d).

Foreign corporations will continue to have to report on Form 1120-F certain summary information regarding the shareholdings that are relied upon to satisfy the applicable stock ownership test (for example, aggregate percentage of interests held by shareholders by country of residence). Under new § 1.883-1T(c)(3)(i)(G), they also will have to report whether any shareholder whose stock holdings are relied upon to meet an ownership test holds such stock either directly or indirectly through bearer shares. In addition, each qualified shareholder and intermediary (if any) must declare under penalties of perjury that its ownership interest in the foreign corporation or any corporate intermediary is not held through bearer shares. Conforming amendments to the substantiation and documentation requirements in §§ 1.883-2T(e) and 1.883-4T(d)(4) have been made.

Commentators suggested alternative methods for making the names and addresses of 5-percent shareholders available to the IRS. However, these methods were not adopted due to the complexity of the regimes proposed, and questions as to whether such approaches would in fact address the commentators' concerns. Instead, the IRS and the Treasury Department chose to rely on procedures already in place in § 1.883-1(c)(3) and as modified by § 1.883-1T(c)(3), which requires, among other things, that a foreign corporation obtain ownership statements to document and substantiate all representations it has made on Form 1120-F, and that it provide substantiating documentation in response to a written request from the Commissioner. Such information must be provided to the IRS within 30 days (rather than the 60 days allowed by § 1.883-1(c)(3)) of a written request by the Commissioner, because the names and addresses of relevant shareholders will no longer be provided on the Form

1120-F by taxpayers. See § 1.883-1T(c)(3).

The IRS and the Treasury Department believe that these revised reporting rules will simultaneously reduce disclosure concerns raised by taxpayers and encourage greater reporting of the information the IRS needs to administer section 883. The IRS and the Treasury Department also believe these changes, in conjunction with the remaining reporting requirements in §§ 1.883-2(f), 1.883-2T(f), 1.883-3T(d), 1.883-4(e), and 1.883-4T(e), will provide sufficient information to ensure the sound and efficient administration of section 883.

**Effective Dates**

See § 1.883-5T(d) for effective date of these temporary regulations and § 1.883-5T(e) for applicability dates that apply to these temporary regulations.

**Effect on Other Documents**

The following publications are modified as of June 25, 2007: Notice 2006-43 (2006-21 IRB 921 (May 22, 2006)) Rev. Rul. 2001-48 (2001-2 CB 324)

**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 has also 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 Special Analyses section of the preamble to the cross-reference notice of proposed rulemaking published elsewhere in this issue of the **Federal Register**. Pursuant to section 7805(f) of the 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 regulations is Patricia A. Bray of the Office of Associate Chief Counsel (International). However, other personnel from the IRS and the Treasury Department participated in their development.

**List of Subjects**

26 CFR Part 1

Income taxes, Reporting and recordkeeping requirements.

26 CFR Part 602

Reporting and recordkeeping requirements.

**Amendments to the Regulations**

■ Accordingly, 26 CFR parts 1 and 602 are 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 1.883-0 is amended by:

- 1. Revising the entries for § 1.883-1(g)(3) and (h)(3).
- 2. Revising the entry for § 1.883-2(e)(2).
- 3. Revising the entry for § 1.883-3.
- 4. Adding the entries for § 1.883-5(d) and (e).

The revisions and additions read as follows:

**§ 1.883-0 Outline of major topics.**

\* \* \* \* \*

**§ 1.883-1 Exclusion of income from the international operation of ships or aircraft.**

\* \* \* \* \*

(g) \* \* \*

(3) [Reserved]. For further guidance, see the entry for § 1.883-1T(g)(3).

\* \* \* \* \*

(h) \* \* \*

(3) [Reserved]. For further guidance, see the entries for § 1.883-1T(h)(3).

\* \* \* \* \*

**§ 1.883-2 Treatment of publicly-traded corporations.**

\* \* \* \* \*

(e)(2) [Reserved]. For further guidance, see the entry for § 1.883-2T(e)(2).

\* \* \* \* \*

**§ 1.883-3 Treatment of controlled foreign corporations.**

[Reserved]. For further guidance, see the entry for § 1.883-3T.

\* \* \* \* \*

**§ 1.883-5 Effective/applicability dates.**

\* \* \* \* \*

(d) [Reserved]. For further guidance, see the entry for § 1.883-5T(d).

(e) [Reserved]. For further guidance, see the entry for § 1.883-5T(e).

■ **Par. 3.** Section 1.883-0T is added to read as follows:

**§ 1.883-0T Outline of major topics (temporary).**

This section lists the major paragraphs contained in §§ 1.883-1T through 1.883-5T.

**§ 1.883-1T Exclusion of income from the international operation of ships or aircraft (temporary).**

(a) through (c)(3)(i) [Reserved]. For further guidance, see entries for § 1.883-1(a) through (c)(3)(i).

(ii) Further documentation.

(A) General rule.

(B) Names and addresses of certain shareholders.

(c)(4) through (g)(2) [Reserved]. For further guidance, see entries for § 1.883-1(c)(4) through (g)(2).

(3) Other services. [Reserved].

(g)(4) through (h)(2) [Reserved]. For further guidance, see entries for § 1.883-1(g)(4) through (h)(2).

(3) Special rules with respect to income tax conventions.

(i) Countries with only an income tax convention.

(ii) Countries with both an income tax convention and an equivalent exemption.

(A) General rule.

(B) Special rule for simultaneous benefits under section 883 and an income tax convention.

(iii) Participation in certain joint ventures.

(iv) Independent interpretation of income tax conventions.

(h)(4) through (j) [Reserved]. For further guidance, see entries for § 1.883-1(h)(4) through (j).

**§ 1.883-2T Treatment of publicly-traded corporations (temporary).**

(a) through (e)(1) [Reserved]. For further guidance, see entries for § 1.883-2(a) through (e)(1).

(2) Availability and retention of documents for inspection.

(f) [Reserved]. For further guidance, see entry for § 1.883-2(f).

**§ 1.883-3T Treatment of controlled foreign corporations (temporary).**

(a) General rule.

(b) Qualified U.S. person ownership test.

(1) General rule.

(2) Qualified U.S. person.

(3) Treatment of bearer shares.

(4) Attribution of ownership through certain domestic entities.

(5) Examples.

(c) Substantiation of CFC stock ownership.

(1) In general.

(2) Ownership statements from qualified U.S. persons.

(3) Ownership statements from intermediaries.

(4) Three-year period of validity.

(5) Availability and retention of documents for inspection.

(d) Reporting requirements.

**§ 1.883-5T Effective/applicability dates (temporary).**

(a) through (c) [Reserved]. For further guidance, see entries for § 1.883-5(a) through (c).

(d) Effective date.

(e) Applicability dates.

(f) Expiration date.

■ **Par. 4.** Section 1.883-1 is amended by:

■ 1. Revising paragraphs (c)(3)(i)(D), (c)(3)(ii), (g)(1)(ix), (g)(1)(x), (g)(3), (h)(1)(ii), and (h)(3).

■ 2. Revising paragraphs (c)(3)(i)(G) and (H).

■ 3. Adding new paragraph (c)(3)(i)(I).

■ 4. Adding paragraph (g)(1)(xi).

■ 5. Revising paragraph (g)(3).

The revisions and additions read as follows:

**§ 1.883-1 Exclusion of income from the international operation of ships or aircraft.**

\* \* \* \* \*

(c) \* \* \*

(3) \* \* \*

(i) \* \* \*

(D) [Reserved]. For further guidance, see § 1.883-1T(c)(3)(i)(D).

\* \* \* \* \*

(G) through (I) [Reserved]. For further guidance, see § 1.883-1T(c)(3)(i)(G) through (I).

(ii) [Reserved]. For further guidance, see § 1.883-1T(c)(3)(ii).

\* \* \* \* \*

(g) \* \* \*

(1) \* \* \*

(ix) through (xi) [Reserved]. For further guidance, see § 1.883-1T(g)(1)(ix) through (xi).

(2) \* \* \*

(3) [Reserved]. For further guidance, see § 1.883-1T(g)(3).

\* \* \* \* \*

(h) \* \* \*

(1) \* \* \*

(ii) [Reserved]. For further guidance, see § 1.883-1T(h)(1)(ii).

\* \* \* \* \*

(3) [Reserved]. For further guidance, see § 1.883-1T(h)(3).

\* \* \* \* \*

■ **Par. 5.** Section 1.883-1T is added to read as follows:

**§ 1.883-1T Exclusion of income from the international operation of ships or aircraft (temporary).**

(a) through (c)(3)(i)(C) [Reserved]. For further guidance, see § 1.883-1(a) through (c)(3)(i)(C).

(D) The applicable authority for an equivalent exemption, for example, the citation of a statute in the country where the corporation is organized, a diplomatic note between the United States and such country, or an income tax convention between the United States and such country in the case of a corporation described in paragraphs (h)(3)(i) through (iii) of this section;

(c)(3)(i)(E) through (F) [Reserved]. For further guidance, see § 1.883-1(c)(3)(i)(E) through (F).

(G) A statement that none of the foreign corporation's shares or shares of any intermediary entity, if any, that are

held by qualified shareholders and relied on to satisfy any of the stock ownership tests described in § 1.883-1(c)(2) are issued in bearer form;

(H) Any other information required under § 1.883-2(f), § 1.883-2T(f), § 1.883-3T(d), § 1.883-4(e), or § 1.883-4T(e), as applicable; and

(I) Any other relevant information specified in Form 1120-F, "U.S. Income Tax Return of a Foreign Corporation," and its accompanying instructions.

(ii) *Further documentation*—(A) *General rule.* Except as provided in this paragraph (c)(3)(ii)(B), if the Commissioner requests in writing that the foreign corporation document or substantiate representations made under paragraph (c)(3)(i) of this section, or under § 1.883-2(f), § 1.883-2T(f), § 1.883-3T(d), § 1.883-4(e), or § 1.883-4T(e), as applicable, the foreign corporation must provide the documentation or substantiation within 60 days following the written request. If the foreign corporation does not provide the documentation and substantiation requested within the 60-day period, but demonstrates that the failure was due to reasonable cause and not willful neglect, the Commissioner may grant the foreign corporation a 30-day extension. Whether a failure to obtain the documentation or substantiation in a timely manner was due to reasonable cause and not willful neglect shall be determined by the Commissioner after considering all the facts and circumstances.

(B) *Names and addresses of certain shareholders.* If the Commissioner requests the names and permanent addresses of individual qualified shareholders of a foreign corporation, as represented on each such individual's ownership statement, to substantiate the requirements of the exception to the closely-held test in the publicly-traded test in § 1.883-2(e), the qualified shareholder stock ownership test in § 1.883-4(a), or the qualified U.S. person ownership test in § 1.883-3T(b), the foreign corporation must provide the documentation and substantiation within 30 days following the written request. If the foreign corporation does not provide the documentation and substantiation within the 30-day period, but demonstrates that the failure was due to reasonable cause and not willful neglect, the Commissioner may grant the foreign corporation a 30-day extension. Whether a failure to obtain the documentation or substantiation in a timely manner was due to reasonable cause and not willful neglect shall be determined by the Commissioner after considering all the facts and circumstances.

(c)(4) through (g)(1)(viii) [Reserved]. For further guidance see § 1.883-1(c)(4) through (g)(1)(viii).

(ix) Arranging by means of a space or slot charter for the carriage of cargo listed on a bill of lading or airway bill or similar document issued by the foreign corporation on the ship or aircraft of another corporation engaged in the international operation of ships or aircraft;

(x) The provision of containers and related equipment by the foreign corporation in connection with the international carriage of cargo for use by its customers, including short-term use within the United States immediately preceding or following the international carriage of cargo (and for this purpose, a period of five days or less shall be presumed to be short-term); and

(xi) The provision of goods and services by engineers, ground and equipment maintenance staff, cargo handlers, catering staff, and customer services personnel, and the provision of facilities such as passenger lounges, counter space, ground handling equipment, and hanger facilities.

(2) [Reserved]. For further guidance, see § 1.883-1(g)(2).

(3) *Other services.* [Reserved].

(g)(4) through (h)(1)(i) [Reserved]. For further guidance, see § 1.883-1(g)(4) through (h)(1)(i).

(ii) Specifically provides a domestic law tax exemption for income derived from the international operation of ships or aircraft, either by statute, decree, income tax convention, or otherwise; or (h)(1)(iii) and (h)(2) [Reserved]. For further guidance, see § 1.883-1(h)(1)(iii) and (h)(2).

(3) *Special rules with respect to income tax conventions*—(i) *Countries with only an income tax convention.* If a foreign country only provides an exemption from tax for profits from the operation of ships or aircraft in international transport or international traffic under the shipping and air transport or gains article of an income tax convention with the United States, a foreign corporation organized in that country may treat that exemption as an equivalent exemption for purposes of section 883, but only if—

(A) The foreign corporation meets all the conditions for claiming benefits with respect to such profits under the income tax convention; and

(B) The profits that are exempt pursuant to the income tax convention also fall within a category of income described in paragraphs (h)(2)(i) through (viii) of this section.

(ii) *Countries with both an income tax convention and an equivalent exemption*—(A) *General rule.* If a

foreign country provides an exemption from tax for profits from the operation of ships or aircraft in international transport or international traffic under the shipping and air transport or gains article of an income tax convention, and that foreign country also provides an equivalent exemption under section 883 by some other means for one or more categories of income under paragraph (h)(2) of this section, the foreign corporation may choose annually whether to claim an exemption under section 883 or the income tax convention. Except as provided in this paragraph (h)(3)(ii)(B), any such choice will apply with respect to all categories of qualified income of the foreign corporation and cannot be made separately with respect to different categories of income. If a foreign corporation bases its claim for an exemption on section 883, it must satisfy all of the requirements of this section to qualify for an exemption from U.S. income tax. If the foreign corporation bases its claim for an exemption on an income tax convention, it must satisfy all of the requirements for claiming benefits under the income tax convention. See § 1.883-4(b)(3) for rules about satisfying the stock ownership test of § 1.883-1(c)(2) using shareholders resident in a foreign country that offers an exemption under an income tax convention.

(B) *Special rule for simultaneous benefits under section 883 and an income tax convention.* If a foreign corporation is organized in a foreign country that offers an exemption from tax under an income tax convention and also by some other means, such as by diplomatic note or domestic statutory law, with respect to the same category of income, and the foreign corporation chooses to claim an exemption under an income tax convention under paragraph (h)(3)(ii)(A) of this section, it may simultaneously claim an exemption under section 883 with respect to a category of income exempt from tax by such other means if it satisfies the requirements of paragraphs (h)(3)(i)(A) and (B) of this section for each category of income, satisfies one of the stock ownership tests of paragraph (c)(2) of this section, and complies with the substantiation and reporting requirements in paragraph (c)(3) of this section.

(iii) *Participation in certain joint ventures.* A foreign corporation resident in a foreign country that provides an exemption only through an income tax convention will not be precluded from treating that exemption as an equivalent exemption if it derives income through a participation, directly or indirectly, in

a pool, partnership, strategic alliance, joint operating agreement, code-sharing arrangement, or other joint venture described in § 1.883-1(e)(2), and the foreign corporation would be ineligible to claim benefits under the convention for that category of income solely because the joint venture was not fiscally transparent, within the meaning of § 1.894-1(d)(3)(iii)(A), with respect to that category of income under the income tax laws of the foreign corporation's country of residence.

(iv) *Independent interpretation of income tax conventions.* Nothing in §§ 1.883-1 through 1.883-5, or in this section and §§ 1.883-2T through 1.883-5T, affects the rights or obligations under any income tax convention. The definitions provided in §§ 1.883-1 through 1.883-5, or in this section and §§ 1.883-2T through 1.883-5T, shall not give meaning to similar terms used in any income tax convention, or provide guidance regarding the scope of any exemption provided by such convention, unless the income tax convention entered into force after August 26, 2003, and it, or its legislative history, explicitly refers to section 883 and guidance promulgated under that section for its meaning.

■ **Par. 6.** Section 1.883-2 is amended by revising paragraphs (e)(2), (f)(3), and (f)(4)(ii) to read as follows:

**§ 1.883-2 Treatment of publicly-traded corporations.**

\* \* \* \* \*

(e) \* \* \*

(2) [Reserved]. For further guidance, see § 1.883-2T(e)(2).

(f) \* \* \*

(3) [Reserved]. For further guidance, see § 1.883-2T(f)(3).

(4) \* \* \*

(ii) [Reserved]. For further guidance, see § 1.883-2T(f)(4)(ii).

\* \* \* \* \*

■ **Par. 7.** Section 1.883-2T is added to read as follows:

**§ 1.883-2T Treatment of publicly-traded corporations (temporary).**

(a) through (e)(1) [Reserved]. For further guidance, see § 1.883-2(a) through (e)(1).

(2) *Availability and retention of documents for inspection.* The documentation described in § 1.883-2(e)(1) must be retained by the corporation seeking qualified foreign corporation status until the expiration of the statute of limitations for the taxable year of the foreign corporation to which the documentation relates. Such documentation must be made available for inspection by the Commissioner at such time and such place as the

Commissioner may request in writing in accordance with § 1.883-1T(c)(3)(ii)(A) or (B), as applicable.

(f) through (f)(2) [Reserved]. For further guidance, see § 1.883-2(f) through (f)(2).

(3) A description of each class of stock relied upon to meet the requirements of § 1.883-2(d), including whether the class of stock is issued in registered or bearer form, the number of issued and outstanding shares in that class of stock as of the close of the taxable year, and the value of each class of stock in relation to the total value of all the corporation's shares outstanding as of the close of the taxable year;

(4) and (4)(i) [Reserved]. For further guidance, see § 1.883-2(f)(4) and (f)(4)(i).

(ii) With respect to all qualified shareholders who own directly, or by application of the attribution rules in § 1.883-4(c), stock in the closely-held block of stock upon which the corporation intends to rely to satisfy the exception to the closely-held test of § 1.883-2(d)(3)(ii)—

(A) The total number of qualified shareholders, as defined in § 1.883-4(b)(1);

(B) The total percentage of the value of the shares owned, directly or indirectly, by such qualified shareholders by country of residence, determined under § 1.883-4(b)(2) (residence of individual shareholders) or § 1.883-4(d)(3) (special rules for residence of certain shareholders); and

(C) The days during the taxable year of the corporation that such qualified shareholders owned, directly or indirectly, their shares in the closely held block of stock.

(5) [Reserved]. For further guidance, see § 1.883-2(f)(5).

■ **Par. 8.** Section 1.883-3 is revised to read as follows:

**§ 1.883-3 Treatment of controlled foreign corporations.**

[Reserved]. For further guidance, see § 1.883-3T.

■ **Par. 9.** Section 1.883-3T is added to read as follows:

**§ 1.883-3T Treatment of controlled foreign corporations (temporary).**

(a) *General rule.* A foreign corporation satisfies the stock ownership test of § 1.883-1(c)(2) if it is a controlled foreign corporation (as defined in section 957(a)), satisfies the qualified U.S. person ownership test in paragraph (b) of this section, and satisfies the substantiation and reporting requirements of paragraphs (c) and (d) of this section, respectively. A CFC that fails the qualified U.S. person

ownership test of paragraph (b) of this section will not satisfy the stock ownership test of § 1.883-1(c)(2) unless it meets either the publicly-traded test of § 1.883-2(a) or the qualified shareholder stock ownership test of § 1.883-4(a).

(b) *Qualified U.S. person ownership test—(1) General rule.* A foreign corporation will satisfy the requirements of the qualified U.S. person ownership test only if—

(i) Is a CFC for more than half the days in the corporation's taxable year; and

(ii) More than 50 percent of the total value of its outstanding stock is owned (within the meaning of section 958(a) and paragraph (b)(4) of this section) by one or more qualified U.S. persons for more than half the days of the CFC's taxable year, provided such days of ownership are concurrent with the time period during which the foreign corporation satisfies the requirement in paragraph (b)(1)(i) of this section.

(2) *Qualified U.S. person.* For purposes of this section, the term *qualified U.S. person* means a U.S. citizen, resident alien, domestic corporation, or domestic trust described in section 501(a), but only if the person provides the CFC with an ownership statement as described in paragraph (c)(2) of this section, and the CFC meets the reporting requirements of paragraph (d) of this section with respect to that person.

(3) *Treatment of bearer shares.* For purposes of applying the qualified U.S. person ownership test, the value of the stock of a CFC that is owned (directly or indirectly) through bearer shares by qualified U.S. persons is not taken into account in the numerator of the fraction, but is taken into account in the denominator to determine the portion of the value of stock owned by qualified U.S. persons.

(4) *Attribution of ownership through certain domestic entities.* For purposes of applying the qualified U.S. person ownership test of paragraph (b)(1) of this section, stock owned, directly or indirectly, by or for a domestic partnership, domestic trust not described in section 501(a), or domestic estate, shall be treated as owned proportionately by its partners, beneficiaries, grantors, or other interest holders, respectively, applying the rules of section 958(a) as if such domestic entity were a foreign entity. Stock considered to be owned by a person by reason of the preceding sentence shall, for purposes of applying such sentence, be treated as actually owned by such person.

(5) *Examples.* The qualified U.S. person ownership test of paragraph (b)(1) of this section is illustrated in the following examples:

*Example 1.* Ship Co is a CFC for more than half the days of Ship Co's taxable year. Ship Co is organized in a qualified foreign country. All of its shares are owned by a domestic partnership for the entire taxable year. All of the partners in the domestic partnership are citizens and residents of foreign countries. Ship Co fails the qualified U.S. person ownership test of paragraph (b)(1) of this section because none of the value of Ship Co's stock is owned, applying the attribution rules of paragraph (b)(4) of this section, for at least half the number of days of Ship Co's taxable year, by one or more qualified U.S. persons. Therefore, Ship Co must satisfy the qualified shareholder stock ownership test of § 1.883-4(a) in order to satisfy the stock ownership test of § 1.883-1(c)(2), and be considered a qualified foreign corporation.

*Example 2.* Ship Co is a CFC for more than half the days of its taxable year. Ship Co is organized in a qualified foreign country. Corp A, a foreign corporation whose stock is owned by a citizen and resident of a foreign country, owns 40 percent of the value of the stock of Ship Co for the entire taxable year. X, a domestic partnership, owns the remaining 60 percent of the value of the stock of Ship Co for Ship Co's entire taxable year. X is owned by 20 partners, all of whom are U.S. citizens and each of whom has owned a 5-percent interest in X for the entire taxable year of Ship Co. Ship Co satisfies the qualified U.S. person ownership test of paragraph (b)(1) of this section because 60 percent of the value of the stock of Ship Co is owned, applying the attribution of ownership rules of paragraph (b)(4) of this section, for at least half the number of days of Ship Co's taxable year by the partners of X, who are all qualified U.S. persons as defined in paragraph (b)(2) of this section. If Ship Co satisfies the substantiation and reporting requirements of paragraphs (c) and (d) of this section, it will meet the stock ownership test of § 1.883-1(c)(2).

*Example 3.* Ship Co is a foreign corporation organized in a qualified foreign country. Ship Co has two classes of stock, Class A representing 60 percent of the vote and value of all the shares outstanding of Ship Co, and Class B representing the remaining 40 percent of the vote and value of Ship Co. A, a U.S. citizen, holds for the entire taxable year all of the Class A stock, which is issued in bearer form, and B, a nonresident alien, owns all the Class B stock, which is in registered form. Ship Co cannot satisfy the qualified U.S. person ownership test of paragraph (b)(1) of this section because A's bearer shares cannot be taken into account as being owned by a qualified U.S. person in determining if the qualified U.S. person ownership test has been met; the shares are, however, taken into account in determining the total value of Ship Co's outstanding shares.

(c) *Substantiation of CFC stock ownership—(1) In general.* A foreign

corporation that relies on this CFC test to satisfy the stock ownership test of § 1.883-1(c)(2) must establish all the facts necessary to demonstrate to the Commissioner that it satisfies the qualified U.S. person ownership test of paragraph (b)(1) of this section. Specifically, the CFC must obtain a written ownership statement, signed under penalties of perjury by an individual authorized to sign that person's Federal tax or information return, from—

(i) Each qualified U.S. person upon whose stock ownership it relies to meet this test; and

(ii) Each domestic intermediary described in paragraph (b)(4) of this section, each foreign intermediary (including a foreign corporation, partnership, trust, or estate), and mere legal owners or record holders acting as nominees standing in the chain of ownership between each such qualified U.S. person and the CFC, if any.

(2) *Ownership statements from qualified U.S. persons.* A qualified U.S. person ownership statement must contain the following information:

(i) The qualified U.S. person's name, permanent address, and taxpayer identification number.

(ii) If the qualified U.S. person owns shares directly in the CFC, the number of shares of each class of stock of the CFC owned by the qualified person, the period of time during the taxable year of the CFC when the person owned the stock, and a representation that its interest in the CFC is not held through bearer shares.

(iii) If the qualified person owns an indirect interest in the CFC through an intermediary described in paragraph (c)(1)(ii) of this section, the name of that intermediary, the amount and nature of the interest in the intermediary, the period of time during the taxable year of the CFC when the person held such interest, and, in the case of an interest in a foreign corporate intermediary, a representation that such interest is not held through bearer shares.

(iv) Any other information as specified in guidance published by the Internal Revenue Service (see § 601.601(d)(2) of this chapter).

(3) *Ownership statements from intermediaries.* An intermediary ownership statement required of an intermediary described in paragraph (c)(1)(ii) of this section must contain the following information:

(i) The intermediary's name, permanent address, and taxpayer identification number, if any.

(ii) If the intermediary directly owns stock in the CFC, the number of shares of each class of stock of the CFC owned

by the intermediary, the period of time during the taxable year of the CFC when the intermediary owned the stock, and a representation that such interest is not held through bearer shares.

(iii) If the intermediary indirectly owns the stock of the CFC, the name and address of each intermediary standing in the chain of ownership between it and the CFC, the period of time during the taxable year of the CFC when the intermediary owned the interest, the percentage of interest it holds indirectly in the CFC, and, in the case of a foreign corporate intermediary, a representation that its interest is not held through bearer shares.

(iv) Any other information as specified in guidance published by the Internal Revenue Service (see § 601.601(d)(2) of this chapter).

(4) *Three-year period of validity.* The rules of § 1.883-4(d)(2)(ii) apply for purposes of determining the validity of the ownership statements required under paragraph (c)(2) of this section.

(5) *Availability and retention of documents for inspection.* The documentation described in this paragraph (c) must be retained by the corporation seeking qualified foreign corporation status (the CFC) until the expiration of the statute of limitations for the taxable year of the CFC to which the documentation relates. Such documentation must be made available for inspection by the Commissioner at such place as the Commissioner may request in writing in accordance with § 1.883-1T(c)(3)(ii).

(d) *Reporting requirements.* A foreign corporation that relies on the CFC test of this section to satisfy the stock ownership test of § 1.883-1(c)(2) must provide the following information in addition to the information required by § 1.883-1(c)(3) to be included in its Form 1120-F, "U.S. Income Tax Return of a Foreign Corporation," for the taxable year. The information must be based upon the documentation received by the foreign corporation pursuant to paragraph (c) of this section and must be current as of the end of the corporation's taxable year—

(1) The percentage of the value of the shares of the CFC that is owned by all qualified U.S. persons identified in paragraph (c)(2) of this section, applying the attribution of ownership rules of paragraph (b)(4) of this section;

(2) The period during which such qualified U.S. persons held such stock;

(3) The period during which the foreign corporation was a CFC;

(4) A statement that the CFC is directly held by qualified U.S. persons and does not have any bearer shares outstanding or, in the alternative, that it

is not relying on direct or indirect ownership of such shares to meet the qualified U.S. person ownership test; and

(5) Any other relevant information specified by Form 1120-F, and its accompanying instructions, or in guidance published by the Internal Revenue Service (see § 601.601(d)(2) of this chapter).

■ **Par. 10.** Section 1.883-4 is amended by:

■ 1. Revising paragraphs (d)(4)(i)(C) and (d)(4)(i)(D).

■ 2. Removing paragraph (e)(2).

■ 3. Redesignating paragraphs (e)(3) and (e)(4) as paragraphs (e)(2) and (e)(3), respectively, and revising them.

The revisions read as follows:

**§ 1.883-4 Qualified shareholder stock ownership test.**

\* \* \* \* \*

(d) \* \* \*

(4) \* \* \*

(i) \* \* \*

(C) and (D) [Reserved]. For further guidance, see § 1.883-4T(d)(4)(i)(C) and (D).

(e) \* \* \*

(2) and (3) [Reserved]. For further guidance, see § 1.883-4T(e)(2) and (3).

■ **Par. 11.** Section 1.883-4T is added to read as follows:

**§ 1.883-4T Qualified shareholder stock ownership test (temporary).**

(a) through (d)(4)(i)(B) [Reserved]. For further guidance see § 1.883-4(a) through (d)(4)(i)(B).

(C) If the individual directly owns stock in the corporation seeking qualified foreign corporation status, the name of the corporation, the number of shares in each class of stock of the corporation that are so owned, with a statement that such shares are not issued in bearer form, and the period of time during the taxable year of the foreign corporation when the individual owned the stock;

(D) If the individual directly owns an interest in a corporation, partnership, trust, estate, or other intermediary that directly or indirectly owns stock in the corporation seeking qualified foreign corporation status, the name of the intermediary, the number and class of shares or the amount and nature of the interest of the individual in such intermediary, and, in the case of a corporate intermediary, a statement that such shares are not held in bearer form, and the period of time during the taxable year of the foreign corporation seeking qualified foreign corporation status when the individual held such interest;

(d)(4)(i)(E) through (e)(1) [Reserved]. For further guidance see § 1.883–4(d)(4)(i)(E) through (e)(1).

(2) With respect to all qualified shareholders relied upon to satisfy the 50 percent ownership test of § 1.883–4(a), the total number of such qualified shareholders as defined in § 1.883–4(b)(1); the total percentage of the value of the outstanding shares owned, applying the attribution rules of § 1.883–4(c), by such qualified shareholders by country of residence or organization, whichever is applicable; and the period during the taxable year of the foreign corporation that such stock was held by qualified shareholders; and

(3) Any other relevant information specified by the Form 1120–F, “U.S. Income Tax Return of a Foreign Corporation,” and its accompanying instructions, or in guidance published by the Internal Revenue Service (see § 601.601(d)(2) of this chapter).  
**■ Par. 12.** Section 1.883–5 is amended by revising the heading and adding paragraphs (d) and (e) to read as follows:

**§ 1.883–5 Effective/applicability dates.**

(d) through (e) [Reserved]. For further guidance, see § 1.883–5T(d) through (e).

**■ Par. 13.** Section 1.883–5T is added to read as follows:

**§ 1.883–5T Effective/applicability dates (temporary).**

(a) through (c) [Reserved]. For further guidance, see § 1.883–5(a) through (c).

(d) *Effective date.* These regulations are effective on June 25, 2007.

(e) *Applicability dates.* Sections 1.883–1T, 1.883–2T, 1.883–3T, and 1.883–4T are applicable to taxable years of the foreign corporation beginning after June 25, 2007. Taxpayers may elect to apply § 1.883–3T to any open taxable years of the foreign corporation beginning on or after December 31, 2004.

(f) *Expiration date.* The applicability of §§ 1.883–1T, 1.883–2T, 1.883–3T, and 1.883–4T expires on or before June 22, 2010.

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

**■ Par. 14.** The authority citation for part 602 continues to read as follows:

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

**■ Par. 15.** In § 602.101, paragraph (b) is amended by adding entries in numerical order to the table to read as follows:

**§ 602.101 OMB Control numbers.**

\* \* \* \* \*

(b) \* \* \*

CFR part or section where identified and described	Current OMB Control No.
* * * * *	*
§ 1.883–1T .....	1545–1667
§ 1.883–2T .....	1545–1667
§ 1.883–3T .....	1545–1667
§ 1.883–4T .....	1545–1667
§ 1.883–5T .....	1545–1667
* * * * *	*

**Kevin M. Brown,**  
*Deputy Commissioner for Services and Enforcement.*

Approved: June 14, 2007.

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

[FR Doc. E7–12039 Filed 6–22–07; 8:45 am]

**BILLING CODE 4830–01–P**

**DEPARTMENT OF LABOR**

**Mine Safety and Health Administration**

**30 CFR Part 75**

**RIN 1219–AB52**

**Sealing of Abandoned Areas**

**AGENCY:** Mine Safety and Health Administration, Labor.

**ACTION:** Extension of comment period.

**SUMMARY:** The Mine Safety and Health Administration (MSHA) is extending the comment period for the Emergency Temporary Standard (ETS) on sealing of abandoned areas of underground coal mines published on May 22, 2007 (72 FR 28796).

**DATES:** The comment period will close on August 17, 2007.

**ADDRESSES:** Comments must be clearly identified and may be submitted by any of the following methods:

(1) *Federal Rulemaking Portal:* <http://www.regulations.gov>. Follow the instructions for submitting comments.

(2) *Electronic mail:* [zzMSHA-Comments@dol.gov](mailto:zzMSHA-Comments@dol.gov). Include “RIN 1219–AB52” in the subject line of the message.

(3) *Telefax:* (202) 693–9441. Include “RIN 1219–AB52” in the subject.

(4) *Regular Mail:* MSHA, Office of Standards, Regulations, and Variances, 1100 Wilson Blvd., Room 2350, Arlington, Virginia 22209–3939.

(5) *Hand Delivery or Courier:* MSHA, Office of Standards, Regulations, and Variances, 1100 Wilson Blvd., Room

2350, Arlington, Virginia 22209–3939. Sign in at the receptionist’s desk on the 21st floor.

(6) *Docket:* Comments can be accessed electronically at <http://www.msha.gov> under the “Rules and Regs” link. MSHA will post all comments on the Internet without change, including any personal information provided. Comments may also be reviewed at the Office of Standards, Regulations, and Variances, 1100 Wilson Blvd., Room 2350, Arlington, Virginia. Sign in at the receptionist’s desk on the 21st floor.

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**FOR FURTHER INFORMATION CONTACT:**

Patricia W. Silvey, Director, Office of Standards, Regulations, and Variances, MSHA, 1100 Wilson Boulevard, Room 2350, Arlington, Virginia 22209–3939. Ms. Silvey can be reached at [Silvey.Patricia@dol.gov](mailto:Silvey.Patricia@dol.gov) (Internet E-mail), (202) 693–9440 (voice), or (202) 693–9441 (facsimile). This notice is available on the Internet at <http://www.msha.gov/REGSINFO.HTM>.

**SUPPLEMENTARY INFORMATION:**

MSHA issued an ETS on May 22, 2007, which included hearing dates and a deadline for receiving comments. The comment period was scheduled to close on July 6, 2007, forty-five days from the date of publication, and the last hearing date was scheduled on July 19, 2007. MSHA believes this action allows commenters sufficient time to prepare comments including post-hearing comments. MSHA will accept written comments and other appropriate data for the record from any interested party up to the close of the comment period on August 17, 2007.

Dated: June 18, 2007.

**Richard E. Stickler,**  
*Assistant Secretary for Mine Safety and Health.*

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