

**INFORMATION CONTACT** section of this document.

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## DEPARTMENT OF THE TREASURY

### Internal Revenue Service

#### 26 CFR Part 1

[REG-109367-06]

RIN 1545-BF52

#### Section 1221(a)(4) Capital Asset Exclusion for Accounts and Notes Receivable

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

**ACTION:** Withdrawal of notice of proposed rulemaking.

**SUMMARY:** This document withdraws a notice of proposed rulemaking relating to the circumstances in which accounts or notes receivable are “acquired \* \* \* for services rendered” within the meaning of section 1221(a)(4).

**FOR FURTHER INFORMATION CONTACT:** K. Scott Brown, (202) 622-7454 (not a toll-free call).

#### SUPPLEMENTARY INFORMATION:

##### Background

On August 7, 2006, the Treasury Department and the IRS published in the **Federal Register** (71 FR 44600) proposed regulations § 1.1221-1(e) under section 1221(a)(4) of the Internal Revenue Code. These regulations sought to clarify the circumstances in which accounts or notes receivable are “acquired \* \* \* for services rendered” within the meaning of section 1221(a)(4).

Written comments were received from interested parties, and public hearings to discuss these regulations were held on November 7, 2006, and August 22, 2007. Most of the comments focused on the decisions in *Burbank Liquidating Corp. v. Commissioner*, 39 T.C. 999 (1963), *acq. sub nom. United Assocs., Inc.*, 1965-1 C.B. 3, *aff'd in part and rev'd in part on other grounds*, 335 F.2d 125 (9th Cir. 1964) and *Federal National Mortgage Association v. Commissioner*, 100 T.C. 541 (1993). The Treasury Department and the IRS considered the comments and have decided to withdraw the proposed regulations.

The IRS will not challenge return reporting positions of taxpayers under

section 1221(a)(4) that apply existing law, including *Burbank Liquidating; Federal National Mortgage Association; and Bielfeldt v. Commissioner*, 231 F.3d 1035 (7th Cir. 2000), *cert. denied*, 534 U.S. 813 (2001). See also Rev. Rul. 80-56 (1980-1 C.B. 154) and Rev. Rul. 80-57 (1980-1 C.B. 157). The IRS and the Treasury Department will continue to study this area and may issue guidance in the future.

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

Income taxes, Reporting and recordkeeping requirement.

#### Withdrawal of Notice of Proposed Rulemaking

Accordingly, under the authority of 26 U.S.C. 7805, the notice of proposed rulemaking (REG-109367-06) published in the **Federal Register** on August 7, 2006 (71 FR 44600) is withdrawn.

**Linda E. Stiff,**

*Deputy Commissioner for Services and Enforcement.*

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## DEPARTMENT OF THE TREASURY

### Office of International Investment

#### 31 CFR Part 800

RIN 1505-AB88

#### Regulations Pertaining to Mergers, Acquisitions, and Takeovers by Foreign Persons

**AGENCY:** Department of the Treasury.

**ACTION:** Proposed Rule; Notice of Inquiry and Public Meeting.

**SUMMARY:** This proposed regulation amends regulations in part 800 of 31 CFR that implement section 721 of the Defense Production Act of 1950, as amended. The proposed regulations would implement amendments made by the Foreign Investment and National Security Act of 2007 to section 721 of the Defense Production Act of 1950 (“section 721”). While the proposed regulations retain many features of the existing regulations, a number of changes have been made to increase clarity, reflect developments in business practices over the past several years, and make additional improvements based on experiences with the existing regulations.

**DATES:** *Comment Date:* Written comments must be received by June 9, 2008.

*Public Meeting Date:* The public meeting will be held from 10 a.m. until 12 p.m. on May 2, 2008.

**ADDRESSES:** *Comments:* Written comments on the proposed regulations may be submitted electronically via the federal government E-Rulemaking Portal: [www.regulations.gov](http://www.regulations.gov). Written comments may be submitted by mail to: Nova Daly, Deputy Assistant Secretary, U.S. Department of the Treasury, 1500 Pennsylvania Avenue, NW., Washington, DC 20220. All comments and attachments submitted are part of the public record and subject to disclosure. Do not include any material in your comments that you consider to be confidential or inappropriate for public disclosure.

You may view copies of this proposed rule and any comments we receive about this proposal at [www.regulations.gov](http://www.regulations.gov). You may personally inspect and photocopy comments at the Department of the Treasury Library, Room 1428, Main Treasury Building, 1500 Pennsylvania Avenue, NW., Washington, DC. You can make an appointment to inspect comments by calling (202) 622-0990.

A link to written comments will be established on the following Web site: <http://www.treas.gov/offices/international-affairs/cfius/index.shtml>.

*Public Meeting Address:* The public meeting will be held in the Cash Room of the Treasury Building, at 1500 Pennsylvania Avenue, NW., Washington, DC 20220.

**FOR FURTHER INFORMATION CONTACT:** For questions about this Proposed Rule or the Notice of Inquiry and Public Meeting, contact: Nova Daly, Deputy Assistant Secretary, U.S. Department of the Treasury, 1500 Pennsylvania Avenue, NW., Washington, DC 20220; telephone: (202) 622-2752; or e-mail: [Nova.Daly@do.treas.gov](mailto:Nova.Daly@do.treas.gov), or Welby Leaman, Senior Advisor; telephone: (202) 622-0099; or e-mail: [Welby.Leaman@do.treas.gov](mailto:Welby.Leaman@do.treas.gov).

#### SUPPLEMENTARY INFORMATION:

##### I. Background With Regard to the Notice of Inquiry and Public Meeting

The President has directed the Secretary of the Treasury to issue regulations implementing section 721 of the Defense Production Act of 1950, as amended. On October 24, 2007, the Department of the Treasury convened a public meeting at the Department of the Treasury to solicit a wide array of views on several broad topics, including from businesses and professionals active in international mergers and acquisitions, in order to inform regulatory development. The purpose of this second notice of inquiry and public meeting is to continue to seek public input on these important matters,