

assistance. If an applicant does not have a DUNS number, it can be obtained free of charge through the Dun & Bradstreet (D&B) online Web process at <http://fedgov.dnb.com/webform>. Information on CCR's on-line registration can be found at <http://www.ccr.gov>. Additional information on these requirements can be found at [http://www.grants.gov/applicants/register\\_your\\_organization.jsp](http://www.grants.gov/applicants/register_your_organization.jsp).

**CHAPTER II—FEDERAL RAILROAD ADMINISTRATION, DEPARTMENT OF TRANSPORTATION**

**PART 261—CREDIT ASSISTANCE FOR SURFACE TRANSPORTATION PROJECTS**

3. Revise the authority citation for part 261 to read as follows:

**Authority:** secs. 1501, *et seq.*, Pub. L. 105–178, 112 Stat. 107, 241, as amended; sec. 1601, 1602, Pub. L. 109–59, 119 Stat. 1144; 23 U.S.C. 601–609 and 315; 49 CFR 1.49.

**CHAPTER VI—FEDERAL TRANSIT ADMINISTRATION, DEPARTMENT OF TRANSPORTATION**

**PART 640—CREDIT ASSISTANCE FOR SURFACE TRANSPORTATION PROJECTS**

4. Revise the authority for Part 640 to read as follows:

**Authority:** secs. 1501, *et seq.*, Pub. L. 105–178, 112 Stat. 107, 241, as amended; sec. 1601, 1602, Pub. L. 109–59, 119 Stat. 1144; 23 U.S.C. 601–609 and 315; 49 CFR 1.51.

5. Add 49 CFR Chapter XIII to read as follows:

**CHAPTER XIII—MARITIME ADMINISTRATION, DEPARTMENT OF TRANSPORTATION**

**PART 1700—CREDIT ASSISTANCE FOR SURFACE TRANSPORTATION PROJECTS**

Sec.

1700.1 Cross-reference to credit assistance.

**Authority:** secs. 1501, *et seq.*, Pub. L. 105–178, 112 Stat. 107, 241, as amended; sec. 1601, 1602, Pub. L. 109–59, 119 Stat. 1144; 23 U.S.C. 601–609 and 315; 49 CFR 1.66.

**§ 1700.1 Cross-reference to credit assistance.**

The regulations in 49 CFR Part 80 shall be followed in complying with the requirements of this part. Title 49, CFR Part 80 implements the Transportation Infrastructure Finance and Innovation Act of 1998, secs. 1501, *et seq.*, (Pub. L. 105–178, 112 Stat. 107, 241), as amended; sec. 1601, 1602, Pub. L. 109–59, 119 Stat. 1144; 23 U.S.C. 601–609.

[FR Doc. E9–1117 Filed 1–16–09; 8:45 am]

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**DEPARTMENT OF THE TREASURY**

**Internal Revenue Service**

**26 CFR Part 1**

[REG–150670–07]

RIN 1545–BH49

**Guidance Regarding the Treatment of Stock of a Controlled Corporation Under Section 355(a)(3)(B); Correction**

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

**ACTION:** Correction to notice of proposed rulemaking by cross-reference to temporary regulations.

**SUMMARY:** This document contains a correction to a notice of proposed rulemaking by cross-reference to temporary regulations (REG–150670–07) that was published in the **Federal Register** on Monday, December 15, 2008 (73 FR 75979) giving guidance regarding the distribution of stock of a controlled corporation acquired in a transaction described in section 355(a)(3)(B) of the Internal Revenue Code. This action is necessary in light of amendments to section 355(b). The text of those regulations also serves as the text of these proposed regulations. These regulations will affect corporations and their shareholders.

**FOR FURTHER INFORMATION CONTACT:** Russell P. Subin, (202) 622–7790 (not a toll-free number).

**SUPPLEMENTARY INFORMATION:**

**Background**

The correction notice that is the subject of this document is under section 355 of the Internal Revenue Code.

**Need for Correction**

As published, the notice of proposed rulemaking by cross-reference to temporary regulations (REG–150670–07) contains an error that may prove to be misleading and is in need of clarification.

**Correction of Publication**

Accordingly, the publication of the notice of proposed rulemaking by cross-reference to temporary regulations (REG–150670–07), which was the subject of FR Doc. E8–29545, is corrected as follows:

On page 75980, column 2, under the CFR part heading “PART 1—INCOME TAXES”, line 2 of the authority citation, the language “Section 1.355–2(g) also issued under 26” is corrected to read

“Section 1.355–2(g) and (i) also issued under 26”.

**LaNita Van Dyke,**

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

[FR Doc. E9–1104 Filed 1–16–09; 8:45 am]

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**DEPARTMENT OF THE TREASURY**

**Internal Revenue Service**

**26 CFR Part 1**

[REG–149519–03]

RIN 1545–BC63

**Section 707 Regarding Disguised Sales, Generally**

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

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

**SUMMARY:** This document withdraws proposed regulations relating to the treatment of transactions between a partnership and its partners as disguised sales of partnership interests between the partners under section 707(a)(2)(B) of the Internal Revenue Code. The withdrawal affects partnerships and their partners.

**FOR FURTHER INFORMATION CONTACT:** Deane M. Burke or Allison R. Carmody, (202) 622–3070 (not a toll-free number).

**SUPPLEMENTARY INFORMATION:**

**Background**

Section 707(a)(2)(B) provides that, under regulations prescribed by the Secretary, if transfers of property between a partner or partners and a partnership, when viewed together, are properly characterized as a sale or exchange of property, such transfers shall be treated as either transactions between the partnership and one who is not a partner or between two or more partners acting other than in their capacity as partners. The legislative history of section 707(a)(2)(B) indicates the provision was adopted as a result of Congressional concern that taxpayers were deferring or avoiding tax on sales of partnership property, including sales of partnership interests, by characterizing sales as contributions of property, including money, followed or preceded by related partnership distributions. See H.R. Rep. No. 861, 98th Cong. 2nd Sess. 861 (1984), 1984–3 (Vol. 2) CB 115. Specifically, Congress was concerned about court decisions that allowed tax-free treatment in cases that were economically

indistinguishable from sales of property to a partnership or another partner, and believed that these transactions should be treated for tax purposes in a manner consistent with their underlying economic substance. See H.R. Rep. No. 432, 98th Cong. 2nd Sess. 1218 (1984) (H.R. Rep.), and S. Pt. No. 169 (Vol. I), 98th Cong. 2nd Sess. 225 (1984) (S. Pt.) (discussing *Communications Satellite Corp. v. United States*, 625 F.2d 997 (Ct. Cl. 1980), and *Jupiter Corp. v. United States*, 2 Cl. Ct. 58 (1983), both of which involved disguised sales of a partnership interest).

On October 9, 2001, the IRS and the Treasury Department issued Notice 2001-64 (2001-2 CB 316), (see § 601.601(d)(2)(ii)(b)), announcing that the IRS and the Treasury Department were considering issuing proposed regulations under section 707(a)(2)(B), relating to disguised sales of partnership interests. The IRS and the Treasury Department requested comments on the scope and substance of guidance concerning disguised sales of partnership interests, including any applicable safe harbors or exceptions. Written comments in response to Notice 2001-64 were received and considered in drafting proposed regulations.

In response to requests, on November 26, 2004, the Treasury Department and the IRS published in the **Federal Register** (69 FR 68838) a notice of proposed rulemaking under section 707(a)(2)(B), (REG-149519-03) relating to disguised sales of partnership interests. The proposed regulations sought to amend the existing regulations for disguised sales of property (existing property regulations) by adding rules for disguised sales of partnership interests and by revising the rules relating to disguised sales of property. The proposed regulations for disguised sales of partnership interests include a framework similar to that in the existing property regulations, with a general rule that would apply based on all of the facts and circumstances.

The Treasury Department and the IRS received written comments on the proposed regulations from interested parties. The Treasury Department and the IRS, having now thoroughly considered those comments, have decided to withdraw the proposed regulations. The Treasury Department and the IRS will continue to study this area and may issue guidance in the future. Until new guidance is issued, any determination of whether transfers between a partner or partners and a partnership is a transfer of a partnership interest will be based on the statutory language, guidance provided in legislative history, and case law.

### List of Subjects in 26 CFR Part 1

Income taxes, Reporting and recordkeeping requirements.

### Withdrawal of Notice of Proposed Rulemaking

Accordingly, under the authority of 26 U.S.C. 7805, the notice of proposed rulemaking (REG-149519-03) that was published in the **Federal Register** on November 26, 2004 (69 FR 68838) is withdrawn.

#### L.E. Stiff,

Deputy Commissioner for Services and Enforcement.

[FR Doc. E9-1101 Filed 1-16-09; 8:45 am]

BILLING CODE 4830-01-P

## DEPARTMENT OF THE TREASURY

### Internal Revenue Service

#### 26 CFR Part 1

[REG-143686-07]

RIN 1545-BH35

### The Allocation of Consideration and Allocation and Recovery of Basis in Transactions Involving Corporate Stock or Securities

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

**ACTION:** Notice of proposed rulemaking.

**SUMMARY:** This document contains proposed regulations under sections 301, 302, 304, 351, 354, 356, 358, 368, 861, 1001, and 1016 of the Internal Revenue Code (Code). The proposed regulations provide guidance regarding the recovery of stock basis in distributions under section 301 and transactions that are treated as dividends to which section 301 applies, as well as guidance regarding the determination of gain and the basis of stock or securities received in exchange for, or with respect to, stock or securities in certain transactions. The proposed regulations affect shareholders and security holders of corporations. These proposed regulations are necessary to provide such shareholders and security holders with guidance regarding the allocation and recovery of basis on distributions of property.

**DATES:** Written or electronic comments, and a request for a public hearing, must be received by April 21, 2009.

**ADDRESSES:** Send submissions to: CC:PA:LPD:PR (REG-143686-07), room 5203, Internal Revenue Service, P.O. Box 7604, Ben Franklin Station, Washington, DC 20044. Submissions may be hand-delivered Monday through

Friday between the hours of 8 a.m. and 4 p.m. to CC:PA:LPD:PR (REG-143686-07), Courier's Desk, Internal Revenue Service, 1111 Constitution Avenue, NW., Washington, DC, or sent electronically, via the Federal eRulemaking Portal at [www.regulations.gov](http://www.regulations.gov) (IRS#REG-143686-07).

#### FOR FURTHER INFORMATION CONTACT:

Concerning the proposed regulations under sections 301, 302, and 304, Theresa M. Kolish, (202) 622-7530; concerning the proposed regulations under sections 351, 354, 356, 358, 368, 1001, and 1016, Rebecca O. Burch, (202) 622-7550; concerning the proposed regulations under section 861, Jeffrey L. Parry, (202) 622-4476; concerning submission of comments or to request a hearing, Richard Hurst (202) 622-7180 (not toll free numbers).

#### Background

The primary objective of these proposed regulations is to provide a single model for stock basis recovery by a shareholder that receives a constructive or actual distribution to which section 301 applies and a single model for sale and exchange transactions to which section 302(a) applies, including certain elements of a reorganization exchange. Further to this objective, these proposed regulations define the scope of the exchange that must be analyzed under particular Code provisions, and provide a methodology for determining gain realized under section 356 and stock basis under section 358.

In addition, these proposed regulations respond to comments received by the IRS and Treasury Department regarding the current section 358 regulations, such as suggestions to expand the tracing rules to stock transfers that are subject to section 351 but do not qualify as reorganizations, questions regarding whether (and, if so, to what extent) shareholder elections constitute terms of an exchange, and whether the terms of an exchange control for purposes of qualifying a transaction as a reorganization under section 368. Finally, these proposed regulations include amendments to the section 304 regulations that import the statutory amendments to that section. See section 226 of the Tax Equity and Fiscal Responsibility Act of 1982, Public Law 97-248 (96 Stat. 325, 490) (September 3, 1982), section 712(l) of the Deficit Reduction Act of 1984, Public Law 98-369 (98 Stat. 494, 953-55) (July 18, 1984), section 1875(b) of the Tax Reform Act of 1986, Public Law 99-514 (100