

of section 954(d)(3)) (related person transferee) in one or more exchanges pursuant to which the related person transferee's adjusted basis in such specified United States property is determined, in whole or in part, by reference to the controlled foreign corporation's adjusted basis in such specified United States property, then, solely for purposes of applying section 956 following such exchange, the controlled foreign corporation's adjusted basis in any United States property received in the exchange (or exchanges) shall be no less than the aggregate adjusted basis of the specified United States property as determined under paragraph (e)(6)(iii) of this section, and the related person transferee's adjusted basis in such specified United States property shall be no less than the adjusted basis of such specified United States property in the hands of the controlled foreign corporation as determined under paragraph (e)(6)(iii) of this section. This paragraph (e)(6)(v) shall also apply in the case of one or more successive transfers of the specified United States property by a related person transferee to one or more persons related to the controlled foreign corporation (within the meaning of section 954(d)(3)). This paragraph (e)(6)(v) shall apply regardless of whether a subsequent transfer was part of a plan (or series of related transactions) that includes the controlled foreign corporation's acquisition of the specified United States property.

(vi) *Examples.* The rules of this paragraph (e)(6) are illustrated by the following examples:

Example 1. (i) Facts. USP, a domestic corporation, is the common parent of an affiliated group that joins in the filing of a consolidated return. USP owns 100 percent of the stock of US1 and US2, both domestic corporations and members of the USP consolidated group. US1 owns 100 percent of the stock of CFC, a controlled foreign corporation. US2 issues \$100x of its stock to CFC in exchange for \$10x of CFC stock and \$90x cash. US2's transfer of its stock to CFC is described in section 351, US2 recognizes no gain in the exchange under section 1032(a), and CFC's basis in the US2 stock acquired in the exchange is determined under section 362(a).

(ii) *Analysis.* The US2 stock acquired by CFC in the exchange constitutes specified United States property under paragraph (e)(6)(ii) of this section because CFC acquires the US2 stock from US2, the issuing corporation. Therefore, because CFC's adjusted basis in the US2 stock is determined under section 362(a), then for purposes of applying section 956, CFC's adjusted basis in the US2 stock shall, under paragraph (e)(6)(iii) of this section, be no less than \$90x, the fair market value of the property

exchanged by CFC for the US2 stock (the \$10x of CFC stock issued in the exchange does not constitute property for purposes of paragraph (e)(6)(iii) of this section). Pursuant to paragraph (e)(6)(iv) of this section, for purposes of § 1.956-2(d)(1)(i)(a) CFC shall be treated as acquiring its adjusted basis of no less than \$90x in the US2 stock at the time of its transfer of property to US2 in exchange for the US2 stock. The result would be the same if, instead of CFC transferring \$90x of cash to US2 in the exchange, CFC assumes a \$90x liability of US2.

Example 2. (i) Facts. USP, a domestic corporation, owns 100 percent of the stock of USS, a domestic corporation. USP also owns 100 percent of the stock of CFC, a controlled foreign corporation. USP's adjusted basis in its USS stock equals the fair market value of the USS stock, or \$100x. USP transfers its USS stock to CFC in exchange for \$100x of CFC stock. USP's transfer of its USS stock to CFC is described in section 351, USP recognizes no gain in the exchange under section 351(a), and CFC's adjusted basis in the USS stock acquired in the exchange, determined under section 362(a), equals \$100x.

(ii) *Analysis.* The USS stock acquired by CFC in the exchange does not constitute specified United States property under paragraph (e)(6)(ii) of this section because CFC acquires the USS stock from USP. Therefore, CFC's adjusted basis in the USS stock, for purposes of section 956, is not determined under this paragraph (e)(6). Instead, CFC's adjusted basis in the USS stock is determined under the general rule of section 956(a) and under paragraphs (e)(1) through (4) of this section. As determined under section 362(a), CFC's adjusted basis in the USS stock is \$100x.

Example 3. (i) Facts. USP, a domestic corporation, owns 100 percent of the stock of CFC1, a controlled foreign corporation. CFC1 holds specified United States property (within the meaning of paragraph (e)(6)(ii) of this section) with an adjusted basis of \$30x for purposes of applying section 956 that was determined under paragraph (e)(6)(iii) of this section. CFC1 owns 100 percent of the stock of CFC2, a controlled foreign corporation. CFC1 transfers the specified United States property to CFC2 in an exchange described in section 351. CFC2's adjusted basis in the specified United States property is determined under section 362(a).

(ii) *Analysis.* In the section 351 exchange, CFC1 transferred specified United States property to CFC2 with an adjusted basis that was determined under paragraph (e)(6)(iii) of this section. Further, CFC2's adjusted basis in the specified United States property is determined under section 362(a) by reference, in whole or in part, to CFC1's adjusted basis in such property. Therefore, for purposes of applying section 956, pursuant to paragraph (e)(6)(v) of this section CFC2's adjusted basis in the specified United States property shall be no less than \$30x. Paragraph (e)(6)(v) of this section would also apply if CFC2 subsequently transfers the specified United States property to another person related to CFC1 (within the meaning of section 954(d)(3)) if such related person's adjusted basis in the specified United States

property is determined by reference, in whole or in part, to CFC2's adjusted basis in such property. See also § 1.956-1T(b)(4) if one of the principal purposes of CFC1's transfer of property to CFC2 was the avoidance of the application of section 956 with respect to CFC1.

(vii) *Effective/applicability dates.* This paragraph (e)(6) applies to property acquired in exchanges occurring on or after June 24, 2011. For transactions that occur prior to June 24, 2011, see § 1.956-1T(e)(6) as contained in 26 CFR Part 1 revised as of April 1, 2011.

■ **Par. 3.** Section 1.956-1T is amended by removing paragraph (e)(6) and revising paragraph (f) to read as follows:

§ 1.956-1T Shareholder's pro rata share of a controlled foreign corporation's increase in earnings invested in United States property (temporary).

* * * * *

(f) *Effective/applicability date.* Paragraph (e)(5) of this section applies to investments made on or after June 14, 1988.

Steven T. Miller,
Deputy Commissioner for Services and Enforcement.

Approved: June 11, 2011.

Emily S. Mahon,
Acting Assistant Secretary of the Treasury (Tax Policy).

[FR Doc. 2011-15741 Filed 6-23-11; 8:45 am]

BILLING CODE 4830-01-P

DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

[TD 9529]

RIN 1545-BK01

Requirements for Taxpayers Filing Form 5472; Correction

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Correcting amendment.

SUMMARY: This document contains correcting amendments to temporary regulations (TD 9529) that were published in the **Federal Register** on Friday, June 10, 2011 (76 FR 33997) removing the duplicate filing requirement for Form 5472, "Information Return of a 25% Foreign-Owned U.S. corporation or a Foreign Corporation Engaged in a U.S. Trade or Business."

DATES: This correction is effective on June 24, 2011, and is applicable on June 10, 2011.

FOR FURTHER INFORMATION CONTACT:

Gregory A. Spring, (202) 435-5265 (not a toll-free number).

SUPPLEMENTARY INFORMATION:**Background**

The temporary regulations that are the subject of this correction are under section 6038A of the Internal Revenue Code.

Need for Correction

As published, temporary regulations (TD 9529) contain errors that may prove to be misleading and are in need of clarification.

List of Subjects in 26 CFR Part 1

Income taxes, Reporting and recordkeeping requirements.

Correction of Publication

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

PART 1—INCOME TAXES

■ **Paragraph 1.** The authority citation for part 1 continues to read in part as follows:

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

■ **Par. 2.** Section 1.6038A-1T is amended by adding paragraph (o) to read as follows:

§ 1.6038A-1T General requirements and definitions (temporary).

* * * * *

(o) *Expiration date.* The applicability of this section expires on June 10, 2014.

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■ **Par. 3.** Section 1.6038A-2T is amended by adding paragraph (i) to read as follows:

§ 1.6038A-2T Requirement of return (temporary).

* * * * *

(i) *Expiration date.* The applicability of this section expires on June 10, 2014.

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LaNita Van Dyke,

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

[FR Doc. 2011-15943 Filed 6-23-11; 8:45 am]

BILLING CODE 4830-01-P

DEPARTMENT OF THE TREASURY**Internal Revenue Service****26 CFR Part 1**

[TD 9529]

RIN 1545-BK01

Requirements for Taxpayers Filing Form 5472; Correction

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Correction to temporary regulations.

SUMMARY: This document contains corrections to temporary regulations (TD 9529) that were published in the **Federal Register** on Friday, June 10, 2011 (76 FR 33997) removing the duplicate filing requirement for Form 5472, "Information Return of a 25% Foreign-Owned U.S. corporation or a Foreign Corporation Engaged in a U.S. Trade or Business."

DATES: This correction is effective on June 24, 2011, and is applicable on June 10, 2011.

FOR FURTHER INFORMATION CONTACT:

Gregory A. Spring, (202) 435-5265 (not a toll-free number).

SUPPLEMENTARY INFORMATION:**Background**

The temporary regulations that are the subject of this correction are under section 6038A of the Internal Revenue Code.

Need for Correction

As published, temporary regulations (TD 9529) contain errors that may prove to be misleading and are in need of clarification.

Correction of Publication

Accordingly, the publication of the temporary regulations (TD 9529) which were the subject of FR Doc. 2011-14468 is corrected as follows:

1. On page 33998, column 3, in the preamble, under the paragraph heading "Special Analyses", the last paragraph of the column, first and second lines, the language "It has been determined that this temporary regulation is not a significant" is corrected to read "It has been determined that these temporary regulations are not a significant".

2. On page 33999, column 1, in the preamble, under the paragraph heading "Special Analyses", the first paragraph of the column, third and fourth lines, the language "section 7805(f) of the Code, this regulation has been submitted to the" is corrected to read "section 7805(f) of the Code, these regulations have been submitted to the".

3. On page 33999, column 1, in the preamble, under the paragraph heading "Drafting Information", sixth line of the paragraph, the language "Department participated in its" is corrected to read "Department participated in their".

LaNita Van Dyke,

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

[FR Doc. 2011-15946 Filed 6-23-11; 8:45 am]

BILLING CODE 4830-01-P

DEPARTMENT OF THE TREASURY**Internal Revenue Service****26 CFR Parts 1 and 54**

[TD 9531]

RIN 1545-BH88

Extension of Time for Filing Returns

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Final and removal temporary regulations

SUMMARY: This document contains final regulations relating to the automatic extensions of time to file returns for partnership, trust, and estate taxpayers, and automatic extensions of time for filing returns for pension excise taxes. The objective of these final regulations is to reduce overall taxpayer burden by providing an extension period that strikes the most reasonable balance for these pass-through entities and the large number of taxpayers who require information from these entities for completion of their income tax returns.

DATES: Effective Date: These regulations are effective on June 24, 2011.

Applicability Date: For dates of applicability of these regulations, see §§ 1.6081-2(h), 1.6081-6(g), and 54.6081-1(f).

FOR FURTHER INFORMATION CONTACT: Jason Bremer, (202) 622-4910 (not a toll-free number).

SUPPLEMENTARY INFORMATION:**Background**

This document contains amendments to 26 CFR parts 1 and 54 under section 6081 of the Internal Revenue Code (Code). On November 8, 2005, the Treasury Department and the IRS published a notice of proposed rulemaking (REG-144898-04) by cross-reference to temporary regulations (TD 9229) in the **Federal Register** (70 FR 67356, 70 FR 67397) relating to the simplification of procedures for obtaining automatic extensions of time