

subject to one or more partnership nonrecourse liabilities and income from the discharge of indebtedness relating to one or more partnership nonrecourse liabilities to which partnership property is subject, and then, if necessary, consists of a pro rata portion of the partnership's other items of income and gain for that year. \* \* \*

- \* \* \* \* \*
- (j) \* \* \*
- (2) \* \* \*
- (i) \* \* \*

(A) First, a pro rata portion of gain from the disposition of property subject to partnership nonrecourse liabilities and discharge of indebtedness income relating to partnership nonrecourse liabilities to which property is subject; \* \* \*

- (ii) \* \* \*

(A) First, a pro rata portion of gain from the disposition of property subject to partner nonrecourse debt and discharge of indebtedness income relating to partner nonrecourse debt to which property is subject. \* \* \*

- (l) *Effective/applicability dates.* \* \* \*
- (1) \* \* \*

(v) The first sentence of paragraph (f)(6) of this section and paragraphs (j)(2)(i)(A) and (j)(2)(ii)(A) of this section apply on and after November 17, 2011. \* \* \*

■ **Par. 4.** Section 1.721-1 is amended by adding new paragraph (d) to read as follows:

**§ 1.721-1 Nonrecognition of gain or loss on contribution.**

\* \* \* \* \*

(d) *Debt-for-equity exchange*—(1) *In general.* Except as otherwise provided in section 721 and the regulations under section 721, section 721 applies to a contribution of a partnership's indebtedness by a creditor to the debtor partnership in exchange for a capital or profits interest in the partnership (debt-for-equity exchange). See § 1.108-8(a) for rules in determining the debtor partnership's discharge of indebtedness income.

(2) *Exception.* Section 721 does not apply to a debt-for-equity exchange to the extent the transfer of the partnership interest to the creditor is in exchange for the partnership's indebtedness for unpaid rent, royalties, or interest (including accrued original issue discount) that accrued on or after the beginning of the creditor's holding period for the indebtedness. The debtor partnership will not recognize gain or loss upon the transfer of a partnership interest to a creditor in a debt-for-equity exchange for unpaid rent, royalties, or

interest (including accrued original issue discount).

(3) *Cross reference.* For rules in determining whether a partnership interest transferred to a creditor in a debt-for-equity exchange is treated as payment of interest or accrued original issue discount, see §§ 1.446-2 and 1.1275-2, respectively.

(4) *Effective/applicability date.* This paragraph (d) applies to debt-for-equity exchanges occurring on or after November 17, 2011.

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

Approved: November 8, 2011.

**Emily S. McMahon,**  
*Acting Assistant Secretary of the Treasury.*

[FR Doc. 2011-29553 Filed 11-15-11; 11:15 am]

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**DEPARTMENT OF THE TREASURY**

**Internal Revenue Service**

**26 CFR Part 301**

[TD 9554]

RIN 1545-BJ07

**Extending Religious and Family Member FICA and FUTA Exceptions to Disregarded Entities; Correction**

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

**ACTION:** Correcting amendment.

**SUMMARY:** This document describes a correction to final and temporary regulations (TD 9554) extending the exceptions from taxes under the Federal Insurance Contributions Act ("FICA") and the Federal Unemployment Tax Act ("FUTA") under sections 3121(b)(3) (concerning individuals who work for certain family members), 3127 (concerning members of religious faiths), and 3306(c)(5) (concerning persons employed by children and spouses and children under 21 employed by their parents) of the Internal Revenue Code ("Code") to entities that are disregarded as separate from their owners for Federal tax purposes. The temporary regulations also clarify the existing rule that the owners of disregarded entities, except for qualified subchapter S subsidiaries, are responsible for backup withholding and related information reporting requirements under section 3406. These regulations were published in the **Federal Register** on Tuesday, November 1, 2011 (76 FR 67363).

**DATES:** This correction is effective on November 17, 2011, and is applicable on November 1, 2011.

**FOR FURTHER INFORMATION CONTACT:** Joseph Perera, (202) 622-6040 (not a toll-free number).

**SUPPLEMENTARY INFORMATION:**

**Background**

The final and temporary regulations that are the subject of this document are under section 7701 of the Internal Revenue Code.

**Need for Correction**

As published, final and temporary regulations (TD 9554) contain an error that may prove to be misleading and is in need of clarification.

**List of Subjects in 26 CFR Part 301**

Employment taxes, Estate taxes, Excise taxes, Gift taxes, Income taxes, Penalties, Reporting and recording requirements.

**Correction of Publication**

Accordingly, 26 CFR part 301 is corrected by making the following correcting amendment:

**PART 301—PROCEDURE AND ADMINISTRATION**

■ **Paragraph 1.** The authority citation for part 301 continues to read in part as follows:

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

■ **Par. 2.** Section 301.7701-2T is added to read as follows:

**§ 301.7701-2T Business entities; definitions (temporary).**

(a) through (c)(2)(iv) [Reserved]. For further guidance, see § 301.7701-2(a) through (c)(2)(iv).

(A) *In general.* Section § 301.7701-2(c)(2)(i) (relating to certain wholly owned entities) does not apply to taxes imposed under Subtitle C—Employment Taxes and Collection of Income Tax (chapters 21, 22, 23, 23A, 24 and 25 of the Internal Revenue Code). However, § 301.7701-2(c)(2)(i) does apply to withholding requirements imposed under section 3406 (backup withholding). The owner of a business entity that is disregarded under § 301.7701-2 is subject to the withholding requirements imposed under section 3406 (backup withholding). Section 301.7701-2(c)(2)(i) also applies to taxes imposed under Subtitle A, including Chapter 2—Tax on Self Employment Income. The owner of an entity that is treated in the same manner as a sole proprietorship under § 301.7701-2(a) will be subject to tax on self-employment income.

(B) [Reserved]. For further guidance, see § 301.7701–2(c)(2)(iv)(B).

(C) *Exceptions.* For exceptions to the rule in § 301.7701–2(c)(2)(iv)(B), see sections 31.3121(b)(3)–1(d), 31.3127–1(c), and 31.3306(c)(5)–1(d).

(D) through (e)(4) [Reserved]. For further guidance, see § 301.7701–2(c)(2)(iv)(D) through (e)(4).

(5) Paragraphs (c)(2)(iv)(A) and (c)(2)(iv)(C) of this section apply to wages paid on or after November 17, 2011. For rules that apply to paragraph (c)(2)(iv)(A) of this section before November 17, 2011, see 26 CFR part 301 revised as of April 1, 2009. However, taxpayers may apply paragraphs (c)(2)(iv)(A) and (c)(2)(iv)(C) of this section to wages paid on or after January 1, 2009.

(e)(6) through (e)(7) [Reserved]. For further guidance, see § 301.7701–2(e)(6) through (e)(7).

(8) *Expiration Date.* The applicability of paragraphs (c)(2)(iv)(A) and (c)(2)(iv)(C) of this section expires on or before November 14, 2014.

**LaNita Van Dyke,**

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

[FR Doc. 2011–29560 Filed 11–16–11; 8:45 am]

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**DEPARTMENT OF HOMELAND SECURITY**

**Coast Guard**

**33 CFR Part 117**

[Docket No. USCG–2011–1042]

**Drawbridge Operation Regulation; China Basin, San Francisco, CA**

**AGENCY:** Coast Guard, DHS.

**ACTION:** Notice of temporary deviation from regulations.

**SUMMARY:** The Commander, Eleventh Coast Guard District, has issued a temporary deviation from the regulation governing the operation of the Third Street Drawbridge across China Basin, mile 0.0, at San Francisco, CA. The deviation is necessary to allow the City of San Francisco to inspect the bridge structure as required by the U.S. Department of Transportation. This deviation allows the bridge to be secured in the closed-to-navigation position during the deviation period.

**DATES:** This deviation is effective from 10 a.m. to 2 p.m. on November 16, 2011.

**ADDRESSES:** Documents mentioned in this preamble as being available in the docket are part of the docket USCG–

2011–1042 and are available online by going to <http://www.regulations.gov>, inserting USCG–2011–1042 in the “Keyword” box and then clicking “Search”. They are also available for inspection or copying at the Docket Management Facility (M–30), U.S. Department of Transportation, West Building Ground Floor, Room W12–140, 1200 New Jersey Avenue SE., Washington, DC 20590, between 9 a.m. and 5 p.m., Monday through Friday, except Federal holidays.

**FOR FURTHER INFORMATION CONTACT:** If you have questions on this rule, call or email David H. Sulouff, Chief, Bridge Section, Eleventh Coast Guard District; telephone (510) 437–3516, email [David.H.Sulouff@uscg.mil](mailto:David.H.Sulouff@uscg.mil) If you have questions on viewing the docket, call Renee V. Wright, Program Manager, Docket Operations, telephone (202) 366–9826.

**SUPPLEMENTARY INFORMATION:** The City of San Francisco requested a temporary change to the operation of the Third Street Drawbridge, mile 0.0, over China Basin, at San Francisco, CA. The drawbridge navigation span provides a vertical clearance of 3 feet above Mean High Water in the closed-to-navigation position. As required by 33 CFR 117.149, the draw shall open on signal if at least one hour notice is given to the San Francisco Department of Public Works. Navigation on the waterway is commercial and recreational.

The Third Street Drawbridge will be secured in the closed-to-navigation position from 10 a.m. to 2 p.m. on November 16, 2011, to allow the City of San Francisco to inspect the bridge structure as required by the U.S. Department of Transportation. This temporary deviation has been coordinated with the waterway users. No objections to the proposed temporary deviation were received.

Vessels that can transit the bridge, while in the closed-to-navigation position, may continue to do so at any time. In the event of an emergency, the drawbridge can open upon one hour notice.

In accordance with 33 CFR 117.35(e), the drawbridge must return to its regular operating schedule immediately at the end of the designated time period. This deviation from the operating regulations is authorized under 33 CFR 117.35.

Dated: November 3, 2011.

**D.H. Sulouff,**

*Bridge Section Chief, Eleventh Coast Guard District.*

[FR Doc. 2011–29652 Filed 11–16–11; 8:45 am]

**BILLING CODE 4910–15–P**

**ENVIRONMENTAL PROTECTION AGENCY**

**40 CFR Part 52**

[EPA–R06–OAR–2005–TX–0025; FRL–9489–8]

**Approval and Promulgation of Implementation Plans; Texas; Revisions to the New Source Review (NSR) State Implementation Plan (SIP); General Definitions; Definition of Modification of Existing Facility**

**AGENCY:** Environmental Protection Agency (EPA).

**ACTION:** Final rule.

**SUMMARY:** EPA is approving, as proposed July 18, 2011, several revisions to the State Implementation Plan (SIP) for the State of Texas that relate to severable portions of the definition of “modification of existing facility” in the general definitions for the Texas NSR Program. EPA finds that these changes to the Texas SIP comply with the Federal Clean Air Act (the Act or CAA) and EPA regulations, and are consistent with EPA policies. EPA is also disapproving a severable portion of the definition that was proposed for disapproval on September 23, 2009. EPA is taking these actions under section 110 of the Act.

**DATES:** This final rule is effective December 19, 2011.

**ADDRESSES:** EPA has established a docket for this action under Docket ID No. EPA–R06–OAR–2005–TX–0025. All documents in the docket are listed on the <http://www.regulations.gov> Web site. Although listed in the index, some information is not publicly available, e.g., confidential business information or other information whose disclosure is restricted by statute. Certain other material, such as copyrighted material, is not placed on the Internet and will be publicly available only in hard copy form. Publicly available docket materials are available either electronically through <http://www.regulations.gov> or in hard copy at the Air Permits Section (6PD–R), Environmental Protection Agency, 1445 Ross Avenue, Suite 700, Dallas, Texas 75202–2733. The file will be made available by appointment for public inspection in the Region 6 Freedom of Information Act Review Room between the hours of 8:30 a.m. and 4:30 p.m. weekdays except for legal holidays. Contact the person listed in the **FOR FURTHER INFORMATION CONTACT** paragraph below or Mr. Bill Deese at (214) 665–7253 to make an appointment. If possible, please make the appointment at least two working