

experiencing an outbreak of BRD must be initiated during the first 45 days of the production period, shall not exceed a single 14-consecutive-day treatment, should not occur concurrent with or following administration of an injectable macrolide, and should not

occur within 3 days following administration of a nonmacrolide injectable BRD therapy. Tilmicosin medicated feed treatment has not been evaluated in cattle with severe clinical disease. Cattle with severe clinical illness should be evaluated for

individual treatment with an alternative non-macrolide therapy.

\* \* \* \* \*

(e) *Conditions of use.* It is used in feed as follows:

Tilmicosin phosphate in grams/ton	Indications for use	Limitations	Sponsor
(1) 181 to 363 .....	Swine: For the control of swine respiratory disease associated with <i>Actinobacillus pleuropneumoniae</i> and <i>Pasteurella multocida</i> .	Feed continuously as the sole ration for 21-day period, beginning approximately 7 days before an anticipated disease outbreak. The safety of tilmicosin has not been established in male swine intended for breeding purposes. Swine intended for human consumption must not be slaughtered within 7 days of the last treatment with this drug product.	000986
(2) 568 to 757 .....	Cattle: For the control of bovine respiratory disease (BRD) associated with <i>Mannheimia haemolytica</i> , <i>Pasteurella multocida</i> , and <i>Histophilus somni</i> in groups of beef and nonlactating dairy cattle, where active BRD has been diagnosed in at least 10 percent of the animals in the group.	Feed continuously for 14 days to provide 12.5 milligrams/kilogram/head/day. The safety of tilmicosin has not been established in cattle intended for breeding purposes. This drug product is not approved for use in female dairy cattle 20 months of age or older. Use in these cattle may cause drug residues in milk. This drug product is not approved for use in calves intended to be processed for veal. A withdrawal period has not been established in preruminating calves. Cattle intended for human consumption must not be slaughtered within 28 days of the last treatment with this drug product.	000986

Dated: December 5, 2011.

**Bernadette Dunham,**  
Director, Center for Veterinary Medicine.  
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**FOR FURTHER INFORMATION CONTACT:**  
Quyen P. Huynh at (202) 622-3880 (not a toll-free number).

**SUPPLEMENTARY INFORMATION:**  
**Background**

On August 10, 1995, the Department of the Treasury (Treasury Department) and the Internal Revenue Service (IRS) published final regulations under Treas. Reg. § 1.881-3 relating to conduit financing arrangements pursuant to the authority granted by section 7701(l) of the Internal Revenue Code (the conduit financing regulations). See TD 8611 (1995-37 IRB 20; 60 FR 40997). On December 22, 2008, the Treasury Department and the IRS published in the **Federal Register** (73 FR 246) a notice of proposed rulemaking (REG-113462-08) that proposed amending § 1.881-3(a)(2)(i)(C) of the conduit financing regulations to treat an entity disregarded as an entity separate from its owner for U.S. tax purposes as a person for purposes of determining whether a conduit financing arrangement exists. The proposed regulations were proposed to be effective as of the date final regulations are published in the **Federal Register**. In addition, the preamble to the proposed regulations requested comments on whether “hybrid instruments” (instruments treated as debt for foreign law purposes and equity for U.S.

purposes) should constitute *per se* “financing transactions” under § 1.881-3(a)(2)(ii)(A) and part of a “financing arrangement” within the meaning of § 1.881-3(a)(2)(i)(A), or whether, at a minimum, certain hybrid instruments should be so treated, depending on specific factors or criteria.

Only one comment letter responding to the notice of proposed rulemaking was received. No public hearing was requested or held. After consideration of the comment, this Treasury decision adopts the proposed regulations with minor edits to *Example 3* and to clarify that the effective date of the final regulations also applies to new *Example 3*.

**Explanation and Summary of Comment**

The comment supported the proposed regulations and their interpretation of the term “person” to include a business entity that is disregarded as an entity separate from its single member owner under § 301.7701-1 through § 301.7701-3. The comment stated that to disregard an entity that is “regarded” for purposes of claiming treaty benefits would be inconsistent with the policy and purpose of the anti-conduit financing regulations.

As relates to hybrid instruments, the comment did not support either approach raised in the preamble to the proposed regulations, expressing both policy and administrative concerns with

**DEPARTMENT OF THE TREASURY**

**Internal Revenue Service**

**26 CFR Part 1**

[TD 9562]

RIN 1545-BH77

**Conduit Financing Arrangements**

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

**ACTION:** Final regulation.

**SUMMARY:** This document contains final regulations relating to conduit financing arrangements. The final regulations apply to multiple-party financing arrangements that are effected through disregarded entities, and are necessary in order to determine which of those arrangements should be recharacterized as a conduit financing arrangement.

**DATES:** *Effective Date:* These regulations are effective on December 9, 2011.

*Applicability Date:* These regulations apply to payments made on or after December 9, 2011.

each. The comment stated that any specific abuses that the Treasury Department and the IRS were concerned about could be better addressed by a more targeted rule that described the specific transactions and limited the application of the regulations to those transactions. In light of the wide array of considerations raised, the Treasury Department and the IRS have decided to continue to study the area and not to provide any specific rules on hybrid instruments as part of this regulation package. Accordingly, these regulations are finalized without change, except to clarify that the effective date of the final regulations also applies to new *Example 3* and to make minor edits to *Example 3*. The Treasury Department and the IRS continue to solicit comments on the treatment of hybrid instruments in financing transactions.

No inference should be drawn from any provision of these final regulations as to the treatment of financing transactions entered into with disregarded entities before the effective date of these final regulations or involving hybrid instruments.

#### 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 is hereby certified that this regulation will not have a significant economic impact on a substantial number of small entities. Accordingly, a regulatory flexibility analysis is not required. Pursuant to section 7805(f) of the Internal Revenue Code, the notice of proposed rulemaking preceding this regulation was submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on its impact on small business.

#### Drafting Information

The principal author of these regulations is Quyen P. Huynh 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 in 26 CFR Part 1

Income taxes, Reporting and recordkeeping requirements.

#### Adoption of Amendments to the Regulations

Accordingly, 26 CFR part 1 is 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 1.881–3 is amended by:

■ 1. Removing the language “district director” throughout this section and adding “director of field operations” in its place.

■ 2. Removing the language “§ 1.1441–3(j)” throughout this section and adding “§ 1.1441–3(g)” in its place.

■ 3. Removing the language “§ 1.1441–7(d)” throughout this section and adding “§ 1.1441–7(f)” in its place.

■ 4. In the last sentence of paragraph (a)(3)(ii)(B), removing the second “financed” and adding “financing” in its place.

■ 5. Removing the parenthetical language “(or a similar interest in a partnership or trust)” in paragraphs (a)(2)(ii)(A)(2) and (a)(2)(ii)(B)(1) and adding “(or a similar interest in a partnership, trust, or other person)” in its place.

■ 6. Adding a new paragraph (a)(2)(i)(C).

■ 7. In paragraph (e), redesignating *Examples 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, and 25* as *Examples 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, and 26*, respectively.

■ 8. Adding a new *Example 3* in paragraph (e).

■ 9. Revising the paragraph heading and adding a new sentence at the end of paragraph (f).

The revisions and additions read as follows:

#### § 1.881–3 Conduit financing arrangements.

\* \* \* \* \*

(a) \* \* \*

(2) \* \* \*

(i) \* \* \*

(C) *Treatment of disregarded entities.*

For purposes of this section, the term person includes a business entity that is disregarded as an entity separate from its single member owner under § 301.7701–1 through § 301.7701–3.

\* \* \* \* \*

(e) *Examples.* \* \* \*

*Example 3. Participation of a disregarded intermediate entity.* The facts are the same as in *Example 2*, except that FS is an entity that is disregarded as an entity separate from its owner, FP, under § 301.7701–3. Under paragraph (a)(2)(i)(C) of this section, FS is a person and, therefore, may itself be an intermediate entity that is linked by financing transactions to other persons in a financing arrangement. The DS note held by FS and the FS note held by FP are financing transactions within the meaning of paragraph

(a)(2)(ii) of this section, and together constitute a financing arrangement within the meaning of paragraph (a)(2)(i) of this section.

\* \* \* \* \*

(f) *Effective/applicability date.* \* \* \* Paragraph (a)(2)(i)(C) and *Example 3* of paragraph (e) of this section apply to payments made on or after December 9, 2011.

**Steven T. Miller,**

*Deputy Commissioner for Services and Enforcement.*

Approved: November 29, 2011.

**Emily S. McMahon,**

*Acting Assistant Secretary of the Treasury (Tax Policy).*

[FR Doc. 2011–31672 Filed 12–8–11; 8:45 am]

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### DEPARTMENT OF HOMELAND SECURITY

#### Coast Guard

#### 46 CFR Part 8

[Docket No. USCG–2011–0745]

RIN 1625–AB79

#### International Anti-Fouling System Certificate

**AGENCY:** Coast Guard, DHS.

**ACTION:** Final rule.

**SUMMARY:** The Coast Guard is amending its vessel inspection regulations to add the International Anti-fouling System (IAFS) Certificate to the list of certificates a recognized classification society may issue on behalf of the Coast Guard. This action is being taken in response to recently enacted legislation implementing the International Convention on the Control of Harmful Anti-fouling Systems on Ships, 2001. This final rule will enable recognized classification societies to apply to the Coast Guard for authorization to issue IAFS Certificates to vessel owners on behalf of the Coast Guard.

**DATES:** This final rule is effective January 9, 2012.

**ADDRESSES:** Comments and material received from the public, if any, as well as documents mentioned in this preamble as being available in the docket, are part of docket USCG–2011–0745 and are 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. You may also find this docket on the