

significant regulatory action as defined in Executive Order 12866. Therefore, a regulatory assessment is not required. It has also been determined that section 553(b) of the Administrative Procedure Act (5 U.S.C. chapter 5) does not apply to these regulations, and because the regulations do not impose a collection of information on small entities, the Regulatory Flexibility Act (5 U.S.C. chapter 6) does not apply. Pursuant to section 7805(f) of the Code, these regulations have been submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on its impact on small business.

Comments and Requests for Public Hearing

Before these proposed regulations are adopted as final regulations, consideration will be given to any electronic or written comments (a signed original and eight (8) copies) that are submitted timely to the IRS. The Treasury Department and the IRS request comments on all aspects of the proposed rules. All comments will be available for public inspection and copying. A public hearing will be scheduled if requested in writing by any person that timely submits comments. If a public hearing is scheduled, notice of the date, time, and place for the public hearing will be published in the Federal Register.

Drafting Information

The principal author of these regulations is Jeffrey L. Parry of the Office of 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.

Proposed Amendments to the Regulations

Accordingly, 26 CFR part 1 is proposed to be 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 1.904-4 is amended by adding paragraph (c)(2)(iii) and by adding a sentence at the end of paragraph (n) to read as follows:

§ 1.904-4 Separate application of section 904 with respect to certain categories of income.

* * * * *

(c) * * *
(2) * * *
(iii) Coordination with section 904(b), (f) and (g). The determination of whether foreign-source passive income is high-taxed is made before taking into account any adjustments under section 904(b) or any allocation or recapture of a separate limitation loss, overall foreign loss or overall domestic loss under section 904(f) and (g).

* * * * *
(n) * * * Paragraph (c)(2)(iii) of this section applies to taxable years ending on or after the date of publication of a Treasury decision adopting these rules as final regulations in the Federal Register.

Par. 3. Section 1.904(g)-3 is amended by revising paragraph (f), adding paragraph (i) and adding a sentence at the end of paragraph (k) to read as follows:

§ 1.904(g)-3 Ordering rules for the allocation of net operating losses, net capital losses, U.S. source losses, and separate limitation losses, and for the recapture of separate limitation losses, overall foreign losses, and overall domestic losses.

* * * * *
(f) Step Five: Recapture of overall foreign loss accounts. If the taxpayer's separate limitation income for the taxable year (reduced by any losses carried over under paragraph (b) of this section) exceeds the sum of the taxpayer's U.S. source loss and separate limitation losses for the year, so that the taxpayer has separate limitation income remaining after the application of paragraphs (d)(1) and (e) of this section, then the taxpayer shall recapture prior year overall foreign losses, if any, in accordance with § 1.904(f)-2, and reduce overall foreign loss accounts in accordance with § 1.904(f)-2. Such recapture shall include amounts determined under § 1.904(f)-2(c) and (d)(3) but not § 1.904(f)-2(d)(4).

* * * * *
(i) Step Eight: Dispositions under section 904(f)(3) in which gain would not otherwise be recognized. The taxpayer shall determine the amount of gain that would otherwise not be recognized but that must be recognized in accordance with § 1.904(f)-2(d)(4) (not exceeding the taxpayer's applicable overall foreign loss account) and then apply § 1.904(f)-2(a) and (b) to recapture overall foreign loss accounts in an amount equal to the gain recognized. To the extent this recognition of gain in a taxable year increases the amount of a net operating loss carryover to that taxable year, paragraphs (b) through (e) of this section shall be applied to

determine the allocation of the additional net operating loss, but only after the applicable overall foreign loss account has been recaptured as provided in this paragraph (i).
(k) * * * Paragraphs (f) and (i) of this section apply to taxable years ending on or after the date of publication of a Treasury decision adopting these rules as final regulations in the Federal Register.

Steven T. Miller,
Deputy Commissioner for Services and Enforcement.
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DEPARTMENT OF THE TREASURY
Internal Revenue Service

26 CFR Parts 1 and 301

[REG-125570-11]
RIN 1545-BK38

Disregarded Entities and the Indoor Tanning Services Excise Tax

AGENCY: Internal Revenue Service (IRS), Treasury.
ACTION: Notice of proposed rulemaking by cross-reference to temporary regulations.

SUMMARY: In the Rules and Regulations section of this issue of the Federal Register, the IRS is issuing temporary regulations relating to disregarded entities (including qualified subchapter S subsidiaries) and the indoor tanning services excise tax. These regulations affect disregarded entities responsible for collecting the indoor tanning services excise tax and owners of those disregarded entities. The text of the temporary regulations also serves as the text of the proposed regulations.

DATES: Comments and requests for a public hearing must be received by September 24, 2012.

ADDRESSES: Send submissions to: CC:PA:LPD:PR (REG-125570-11), Room 5205, Internal Revenue Service, P.O. Box 7604, Ben Franklin Station, Washington, DC 20044. Submissions may be hand-delivered to: CC:PA:LPD:PR Monday through Friday between the hours of 8 a.m. and 4 p.m. to: CC:PA:LPD:PR (REG-125570-11), Courier's Desk, Internal Revenue Service, 1111 Constitution Avenue NW., Washington, DC, or sent electronically via the Federal eRulemaking Portal at http://www.regulations.gov (IRS REG-125570-11).

FOR FURTHER INFORMATION CONTACT: Concerning the proposed regulations,

Michael H. Beker, (202) 622-3130; concerning submissions of comments and requests for a public hearing, Oluwafunmilayo Taylor, (202) 622-7180 (not toll-free numbers).

SUPPLEMENTARY INFORMATION:

Background

This document contains proposed amendments to the Income Tax Regulations (26 CFR part 1) under section 1361 of the Internal Revenue Code (Code) and the Procedure and Administration Regulations (26 CFR part 301) under section 7701 of the Code. The text of temporary regulations published in this issue of the **Federal Register** also serves as the text of these proposed regulations. The preamble to the temporary regulations explains the temporary regulations and these proposed regulations.

Special Analyses

It has been determined that this notice of proposed rulemaking is not a significant regulatory action as defined in Executive Order 12866, as supplemented by Executive Order 13563. Therefore, a regulatory assessment is not required. It has also been determined that section 553(b) of the Administrative Procedure Act (5 U.S.C. chapter 5) does not apply to these regulations, and because these regulations do not impose a collection of information on small entities, the Regulatory Flexibility Act (5 U.S.C. chapter 6) does not apply. Pursuant to section 7805(f) of the Internal Revenue Code, this regulation has been submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on its impact on small business.

Comments and Requests for a Public Hearing

Before these proposed regulations are adopted as final regulations, consideration will be given to any comments that are submitted timely to the IRS as prescribed in this preamble under the **ADDRESSES** heading. The IRS and the Treasury Department request comments on all aspects of the proposed rules. All comments will be available at www.regulations.gov or upon request. A public hearing will be scheduled if requested in writing by any person that timely submits written comments. If a public hearing is scheduled, notice of the date, time, and place for the public hearing will be published in the **Federal Register**.

Drafting Information

The principal author of these regulations is Michael H. Beker, Office

of the Associate Chief Counsel (Passthroughs and Special Industries). However, other personnel from the IRS and the Treasury Department participated in their development.

List of Subjects

26 CFR Part 1

Income taxes, Reporting and recordkeeping requirements.

26 CFR Part 301

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

Proposed Amendments to the Regulations

Accordingly, 26 CFR parts 1 and 301 are proposed to be amended as follows:

PART 1—INCOME TAX

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

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

Par. 2. Section 1.1361-4 is amended by adding paragraph (a)(8)(iii) to read as follows:

§ 1.1361-4 Effect of QSub election.

(a) * * *

(8) * * *

(iii) [The text of proposed § 1.1361-4(a)(8)(iii) is the same as the text of § 1.1361-4T(a)(8)(iii)(A) and (B) published elsewhere in this issue of the **Federal Register**.]

* * * * *

PART 301—PROCEDURE AND ADMINISTRATION

Par. 3. The authority citation for part 301 continues to read in part as follows:

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

Par. 4. Section 301.7701-2 is amended by adding new paragraphs (c)(2)(vi) and (e)(9) to read as follows:

§ 301.7701-2 Business entities; definitions.

* * * * *

(c) * * *

(2) * * *

(vi) [The text of proposed § 301.7701-2(c)(2)(vi) is the same as the text of § 301.7701-2T(c)(2)(vi) published elsewhere in this issue of the **Federal Register**.]

* * * * *

(e) * * *

(9) [The text of proposed § 301.7701-2(e)(9) is the same as the text of § 301.7701-2T(e)(9)(i) published

elsewhere in this issue of the **Federal Register**].

Steven T. Miller,

Deputy Commissioner for Services and Enforcement.

[FR Doc. 2012-15421 Filed 6-22-12; 8:45 am]

BILLING CODE 4830-01-P

DEPARTMENT OF VETERANS AFFAIRS

38 CFR Part 9

RIN 2900-AO24

Veterans' Group Life Insurance (VGLI) No-Health Period Extension

AGENCY: Department of Veterans Affairs.

ACTION: Proposed rule.

SUMMARY: The Department of Veterans Affairs (VA) proposes to amend its regulations governing eligibility for Veterans' Group Life Insurance (VGLI) to extend to 240 days the current 120-day "no-health" period during which veterans can apply for VGLI without proving that they are in good health for insurance purposes. The purpose of this proposed rule is to increase the opportunities for disabled veterans to enroll in VGLI, some of who would not qualify for VGLI coverage under existing provisions.

DATES: Comments must be received by VA on or before July 25, 2012.

ADDRESSES: Written comments may be submitted through <http://www.Regulations.gov>; by mail or hand delivery to Director, Regulations Management (02REG), Department of Veterans Affairs, 810 Vermont Ave. NW., Room 1068, Washington, DC 20420; or by fax to (202) 273-9026. Comments should indicate that they are submitted in response to "RIN 2900-AO24—Veterans' Group Life Insurance (VGLI) No-Health Period Extension." Copies of comments received will be available for public inspection in the Office of Regulation Policy and Management, Room 1063B, between the hours of 8 a.m. and 4:30 p.m., Monday through Friday (except holidays). Please call (202) 461-4902 for an appointment. (This is not a toll-free number.) In addition, during the comment period, comments may be viewed online through the Federal Docket Management System (FDMS) at <http://www.Regulations.gov>.

FOR FURTHER INFORMATION CONTACT:

Monica Keitt, Attorney/Advisor, Department of Veterans Affairs Regional Office and Insurance Center (310/290B), 5000 Wissahickon Avenue, P.O. Box