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DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

[TD 9674]

RIN 1545-BM07

Guidelines for the Streamlined Process of Applying for Recognition of Section 501(c)(3) Status

Correction

In rule document 2014-15623 on pages 37630-37632 of the issue of Wednesday, July 2, 2014 make the following corrections:

§ 1.501(a)-1T [Corrected]

■ 1. On page 37631, in the third column, in § 1.501(a)-1T(f)(2), in the third line, “July 1, 2017” should read “June 30, 2017”.

§ 1.501(c)(3)-1T [Corrected]

■ 2. On page 37632, in the first column, in § 1.501(c)(3)-1T(h)(2), in the third line, “July 1, 2017” should read “June 30, 2017”.

§ 1.508-1T [Corrected]

■ 3. On page 37632, in the third column, in § 1.508-1T(c)(2), in the third and fourth lines, “July 3, 2017” should read “June 30, 2017”.

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DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

[TD 9678]

RIN 1545-BK99

Mixed Straddles; Straddle-by-Straddle Identification Under Section 1092

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Final regulations and removal of temporary regulations.

SUMMARY: This document contains final regulations relating to section 1092 identified mixed straddles established

after August 18, 2014. The final regulations explain how to account for unrealized gain or loss on a position held by a taxpayer prior to the time the taxpayer establishes a mixed straddle using straddle-by-straddle identification.

DATES: *Effective Date:* These regulations are effective on July 18, 2014.

Applicability Date: For the date of applicability, see § 1.1092(b)-6(e).

FOR FURTHER INFORMATION CONTACT: Pamela Lew of the Office of Associate Chief Counsel (Financial Institutions and Products) at (202) 317-6945 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

The Deficit Reduction Act of 1984, Public Law 98-369, amended section 1092 of the Internal Revenue Code (Code) relating to straddles. As amended, section 1092(b) instructed the Treasury Department and the IRS to write regulations governing mixed straddles. Regulations governing mixed straddles were issued in 1985, including § 1.1092(b)-2T (relating to holding periods and losses with respect to straddle positions) and § 1.1092(b)-3T (relating to mixed straddles) (collectively, the 1985 temporary regulations).

This document contains amendments to the Income Tax Regulations (26 CFR part 1) relating to mixed straddles subject to straddle-by-straddle identification under section 1092(b)(2)(A)(i)(I) (identified mixed straddles). On August 2, 2013, the Treasury Department and the IRS published in the **Federal Register** temporary regulations relating to identified mixed straddles (TD 9627 at 78 FR 46807) and a notice of proposed rulemaking cross-referencing the temporary regulations (REG-112815-12 at 78 FR 46854). The temporary regulations added § 1.1092(b)-6T, which provides that unrealized gain or loss on a position held prior to the establishment of an identified mixed straddle is taken into account at the time and has the character provided by provisions of the Code that would apply if the identified mixed straddle had not been established. The temporary regulations changed the timing of the recognition of the unrealized gain or loss as compared to § 1.1092(b)-3T(b)(6) of the 1985 temporary regulations, which provides that unrealized gain or loss on a position that becomes a position in an identified mixed straddle is recognized on the day prior to establishing the identified mixed straddle.

Section 1.1092(b)-6T applied to identified mixed straddles established after August 1, 2013, the date of filing of TD 9627 in the **Federal Register**. However, in response to comments raising concerns about the immediate applicability date of the temporary regulations, the regulations were corrected on October 29, 2013, to revise the applicability date (TD 9627 at 78 FR 64396 and REG-112815-12 at 78 FR 64430). As corrected, § 1.1092(b)-6T would apply to identified mixed straddles established after the date of publication of the final regulations in the **Federal Register**.

Written comments were received on the notice of proposed rulemaking and a public hearing was held on December 4, 2013. All comments were considered and the written comments are available for public inspection at <http://www.regulations.gov> or upon request.

After consideration of all comments, these final regulations adopt the provisions of the proposed regulations with certain clarifications, and the corresponding temporary regulations are removed. The comments and clarifications are discussed in this preamble.

Summary of Comments and Explanation of Revisions

In response to the request for comments in the notice of proposed rulemaking, several comments were received. The comments address three general categories of issues: (1) the immediate applicability date of § 1.1092(b)-6T; (2) the character mismatch and timing of gain or loss recognition for assets held by insurance companies; and (3) certain technical rules in the 1985 temporary regulations and the temporary regulations relating to identified mixed straddles.

1. Applicability Date

As previously noted, in response to comments raising concerns about the immediate applicability date of the temporary regulations, the regulations were corrected on October 29, 2013, to revise the applicability date. As corrected, § 1.1092(b)-6T would apply to identified mixed straddles established after the date of publication of final regulations in the **Federal Register**. The correction notices informed taxpayers that the Treasury Department and the IRS anticipated finalizing the regulations no later than June 30, 2014.

One commenter asked that the applicability date be delayed for at least six months after the publication date of the final regulations in the **Federal Register**.