

a calendar month is the product of the Federal long-term rate determined under section 1274(d) for that month, based on annual compounding, multiplied by the adjustment factor described in paragraph (c) of this section.

(c) *Adjustment factor.* The adjustment factor is a percentage equal to—

- (1) The excess of 100 percent, over
- (2) The product of—
  - (i) 59 percent, and

(ii) The sum of the maximum rate in effect under section 1 applicable to individuals and the maximum rate in effect under section 1411 applicable to individuals for the month to which the adjusted applicable Federal rate applies.

(d) *Effective/applicability date.* The rules of this section apply to the determination of the long-term tax-exempt rate and the adjusted Federal long-term rate beginning with the rates determined during August 2016 that apply during September 2016.

■ **Par. 4.** Section 1.1288–1 is added to read as follows:

**§ 1.1288–1 Adjustment of applicable Federal rate for tax-exempt obligations.**

(a) *In general.* In applying section 483 or section 1274 to a tax-exempt obligation, the applicable Federal rate is adjusted to take into account the tax exemption for interest on the obligation. For each applicable Federal rate determined under section 1274(d), the Secretary computes a corresponding adjusted applicable Federal rate by multiplying the applicable Federal rate by the adjustment factor described in paragraph (b) of this section. The Internal Revenue Service publishes the applicable Federal rates and the adjusted applicable Federal rates for each month in the Internal Revenue Bulletin (see § 601.601(d)(2)(ii) of this chapter).

(b) *Adjustment factor.* The adjustment factor is a percentage equal to—

- (1) The excess of 100 percent, over
- (2) The product of—
  - (i) 59 percent, and

(ii) The sum of the maximum rate in effect under section 1 applicable to individuals and the maximum rate in effect under section 1411 applicable to individuals for the month to which the adjusted applicable Federal rate applies.

(c) *Effective/applicability date.* The rules of this section apply to the determination of adjusted applicable Federal rates beginning with the rates

determined during August 2016 that apply during September 2016.

**John Dalrymple,**

*Deputy Commissioner for Services and Enforcement.*

Approved: April 8, 2016.

**Mark J. Mazur,**

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

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**DEPARTMENT OF THE TREASURY**

**Internal Revenue Service**

**26 CFR Part 1**

**[TD 9751]**

**RIN 1545–BN22**

**PATH Act Changes to Section 1445; Correction**

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

**ACTION:** Correcting amendment.

**SUMMARY:** This document contains corrections to final regulations (TD 9721) that were published in the **Federal Register** on Friday, February 19, 2016 (81 FR 8398). The final regulations are regarding the taxation of, and withholding on, foreign persons upon certain dispositions of, and distributions with respect to, United States real property interests (USRPIs).

**DATES:** This correction is effective April 26, 2016 and is applicable on or after February 19, 2016.

**FOR FURTHER INFORMATION CONTACT:** Milton M. Cahn or David A. Levine of the Office of Associate Chief Counsel (International) at (202) 317–6937 (not a toll-free number).

**SUPPLEMENTARY INFORMATION:**

**Background**

The final regulations (TD 9751) that are the subject of this correction are under section 897 and 1445 of the Internal Revenue Code.

**Need for Correction**

As published, the final regulations (TD 9751) 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. 3.** Section 1.1445–5 is amended by revising the last sentence of paragraph (b)(3)(ii)(A) to read as follows:

**§ 1.1445–5 Special rules concerning distributions and other transactions by corporations, partnerships, trusts, and estates.**

\* \* \* \* \*

(b) \* \* \*

(3) \* \* \*

(ii) \* \* \*

(A) \* \* \* In general, a foreign person is a nonresident alien individual, foreign corporation, foreign partnership, foreign trust, or foreign estate, but not a qualified foreign pension fund (as defined in section 897(l)) or an entity all of the interests of which are held by a qualified foreign pension fund.

\* \* \* \* \*

**Martin V. Franks,**

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

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**DEPARTMENT OF JUSTICE**

**Bureau of Prisons**

**28 CFR Part 550**

**[BOP–1168–F]**

**RIN 1120–AB68**

**Drug Abuse Treatment Program**

**AGENCY:** Bureau of Prisons, Justice.

**ACTION:** Final rule.

**SUMMARY:** In this document, the Bureau of Prisons (Bureau) revises the Residential Drug Abuse Treatment Program (RDAP) regulations to allow greater inmate participation in the program and positively impact recidivism rates.

**DATES:** This rule is effective on May 26, 2016.

**FOR FURTHER INFORMATION CONTACT:** Sarah Qureshi, Office of General Counsel, Bureau of Prisons, phone (202) 353–8248.

**SUPPLEMENTARY INFORMATION:** In this document, the Bureau revises the Residential Drug Abuse Treatment Program (RDAP) regulations to allow greater inmate participation in the