

the meaning of section 654 of the Treasury and General Government Appropriations Act, 1999, Public Law 105-277, 112 Stat. 2681 (1998).

List of Subjects

12 CFR Part 708a

Credit unions, Charter conversions.

12 CFR Part 708b

Credit unions, Mergers of credit unions.

12 CFR Part 790

Organization and functions (Government agencies).

By the National Credit Union Administration Board, on October 27, 2016.

Gerard Poliquin,

Secretary of the Board.

For the reasons discussed above, the National Credit Union Administration amends 12 CFR parts 708a, 708b, and 790 as follows:

PART 708a—BANK CONVERSIONS AND MERGERS

1. The authority citation for part 708a continues to read as follows:

Authority: 12 U.S.C. 1766, 1785(b), and 1785(c).

2. Revise the first sentence of the definition of "Regional Director" in § 708a.101 to read as follows:

§ 708a.101 Definitions.

* * * * *

Regional Director means either the director for the NCUA Regional Office for the region where a natural person credit union's main office is located or the director of the NCUA's Office of Consumer Financial Protection and Access. * * *

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PART 708b—MERGERS OF FEDERALLY-INSURED CREDIT UNIONS; VOLUNTARY TERMINATION OR CONVERSION OF INSURED STATUS

3. The authority citation for part 708b continues to read as follows:

Authority: 12 U.S.C. 1752(7), 1766, 1785, 1786, and 1789.

4. Revise the first sentence of the definition of "Regional Director" in § 708b.2 to read as follows:

§ 708b.2 Definitions.

* * * * *

Regional Director means either the director for the NCUA Regional Office for the region where a natural person credit union's main office is located or the director of the NCUA's Office of

Consumer Financial Protection and Access. * * * * *

PART 790—DESCRIPTION OF NCUA; REQUESTS FOR AGENCY ACTION

5. The authority citation for part 790 continues to read as follows:

Authority: 12 U.S.C. 1766, 1789, 1795f.

6. Revise paragraphs (b)(15)(i) introductory text and (b)(15)(ii) of § 790.2 to read as follows:

§ 790.2 Central and field office organization.

* * * * *

(b) * * *

(15) Office of Consumer Financial Protection and Access. (i) The Office of Consumer Financial Protection and Access contains four divisions:

* * * * *

(ii) The Office provides consumer services, including consumer education and complaint resolution; establishes, consolidates, and coordinates consumer financial protections within the agency; acts as the central liaison on consumer financial protection with other federal agencies; and nationalizes field of membership processing and chartering activities.

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DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

[TD 9786]

RIN 1545-BC70

Credit for Increasing Research Activities; Correction

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Correcting amendment.

SUMMARY: This document contains corrections to final regulations (TD 9786) that were published in the Federal Register on Tuesday, October 4, 2016 (81 FR 68299). The final regulations provided guidance regarding the application of the credit for increasing research activities.

DATES: This correction is effective November 3, 2016 and is applicable on or after October 4, 2016.

FOR FURTHER INFORMATION CONTACT: Martha Garcia or Jennifer Records of the Office of Associate Chief Counsel

(Passthroughs and Special Industries) at (202) 317-6853 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

The final regulations (TD 9786) that are the subject of this correction are under section 41 of the Internal Revenue Code.

Need for Correction

As published, the final regulations (TD 9786) 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. 2. Section 1.41-4(c)(6)(viii) is amended by:

a. Revising the fifth sentence of Example 14 paragraph (ii).

b. Revising the fifth sentence of Example 17 paragraph (i).

The revisions read as follows:

§ 1.41-4 Qualified research for expenditures paid or incurred in taxable years ending on or after December 31, 2003.

* * * * *

(c) * * *

(6) * * *

(viii) * * *

Example 14. * * *

(ii) * * * If X's research activities related to the development or improvement of Subset B constitute qualified research under section 41(d), without regard to section 41(d)(4)(E), and the allocable expenditures are qualified research expenditures under section 41(b), X may include \$6,250 (25% x \$25,000) of the software research expenditures of Subset B in computing the amount of X's credit, pursuant to paragraph (c)(6)(vi)(C) of this section.

* * * * *

Example 17. * * *

(i) * * * The ability to use the idle employees' computers would save X significant costs because X would not have

to buy new hardware to expand the computing power. * * *

* * * * *

Martin V. Franks,

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

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DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

[TD 9792]

RIN 1545-BJ48

United States Property Held by Controlled Foreign Corporations in Transactions Involving Partnerships; Rents and Royalties Derived in the Active Conduct of a Trade or Business

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Final regulations and removal of temporary regulations.

SUMMARY: This document contains final regulations that provide rules regarding the treatment as United States property of property held by a controlled foreign corporation (CFC) in connection with certain transactions involving partnerships. In addition, the final regulations provide rules for determining whether a CFC is considered to derive rents and royalties in the active conduct of a trade or business for purposes of determining foreign personal holding company income (FPHCI), as well as rules for determining whether a CFC holds United States property as a result of certain related party factoring transactions. This document finalizes proposed regulations, and withdraws temporary regulations, published on September 2, 2015. It also finalizes proposed regulations, and withdraws temporary regulations, published on June 14, 1988. The final regulations affect United States shareholders of CFCs.

DATES:

Effective Date: These regulations are effective on November 3, 2016.

Applicability Dates: For dates of applicability, see §§ 1.954-2(i), 1.956-1(g), 1.956-2(h), 1.956-3(d), and 1.956-4(f).

FOR FURTHER INFORMATION CONTACT: Rose E. Jenkins, (202) 317-6934 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

On September 2, 2015, the Department of the Treasury (Treasury Department) and the IRS published final and temporary regulations under sections 954 and 956 (TD 9733) (the 2015 temporary regulations) in the **Federal Register** (80 FR 52976, as corrected at 80 FR 66415 and 80 FR 66416). On the same date, the Treasury Department and the IRS published a notice of proposed rulemaking (REG-155164-09) (the 2015 proposed regulations) in the **Federal Register** (80 FR 53058, as corrected at 80 FR 66485) cross-referencing the temporary regulations and proposing additional regulations under section 956 regarding the treatment as United States property of property held by a CFC in connection with certain transactions involving partnerships. No public hearing was requested or held. Formal written comments were received with respect to the 2015 proposed regulations under section 956 and are available at www.regulations.gov or upon request. No comments were received with respect to the 2015 proposed regulations under section 954. This Treasury decision adopts the 2015 proposed regulations, with the changes described in the Summary of Comments and Explanation of Revisions section of this preamble, as final regulations and removes the corresponding temporary regulations. No changes are made to the regulations under section 954.

Additionally, on June 14, 1988, the Treasury Department and the IRS published temporary regulations under sections 304, 864, and 956 (TD 8209) in the **Federal Register** (53 FR 22163), which included guidance under section 956(c)(3) treating as United States property certain trade or service receivables acquired by a CFC from a related United States person in certain factoring transactions (the 1988 temporary regulations). On the same date, the Treasury Department and the IRS published a notice of proposed rulemaking (INTL-49-86, subsequently converted to REG-209001-86) (the 1988 proposed regulations) in the **Federal Register** (53 FR 22186) cross-referencing the 1988 temporary regulations. Although formal written comments were received on the 1988 proposed regulations, none relate to the specific issues addressed in these final regulations. This Treasury decision adopts § 1.956-3 of the 1988 proposed regulations without substantive change as a final regulation (together with the 2015 proposed regulations adopted as final regulations, these final regulations) and removes the corresponding

temporary regulations. This preamble does not discuss the formal written comments concerning other rules in the 1988 proposed regulations, which are beyond the scope of these final regulations. The other portions of the 1988 proposed regulations remain in proposed form, except to the extent withdrawn in the partial withdrawal of the notice of proposed rulemaking published in the Proposed Rules section of this issue of the **Federal Register** (REG-122387-16).

The Treasury Department and the IRS published Revenue Ruling 90-112 (1990-2 CB 186) (see § 601.601(d)(2)(ii)(b)), on December 31, 1990, before promulgating the rule in § 1.956-2(a)(3) that, prior to modification by this document, addressed the application of section 956 when a CFC is a partner in a partnership that holds property that would be United States property if owned directly by the CFC. This Treasury decision withdraws Revenue Ruling 90-112.

Summary of Comments and Explanation of Revisions

Section 956 determines the amount that a United States shareholder (as defined in section 951(b)) of a CFC must include in gross income with respect to the CFC under section 951(a)(1)(B). This amount is determined, in part, based on the average of the amounts of United States property held, directly or indirectly, by the CFC at the close of each quarter during its taxable year. For this purpose, in general, the amount taken into account with respect to any United States property is the adjusted basis of the property, reduced by any liability to which the property is subject. See section 956(a) and § 1.956-1(e). Section 956(e) grants the Secretary authority to prescribe such regulations as may be necessary to carry out the purposes of section 956, including regulations to prevent the avoidance of section 956 through reorganizations or otherwise.

These final regulations retain the basic approach and structure of the 2015 proposed regulations and the portion of the 1988 proposed regulations that relates to § 1.956-3, with certain revisions, as discussed in this Summary of Comments and Explanation of Revisions.

1. Changes to § 1.956-1 To Conform to the Current Statute

These final regulations take into account certain statutory changes in section 13232(a) of the Revenue Reconciliation Act of 1993 (Pub. L. 103-66, 107 Stat. 312) (the 1993 Act) regarding the methodology for