

Proposed Rules

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This section of the FEDERAL REGISTER contains notices to the public of the proposed issuance of rules and regulations. The purpose of these notices is to give interested persons an opportunity to participate in the rule making prior to the adoption of the final rules.

DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

[REG–129067–15]

RIN 1545–BM99

Definition of Political Subdivision

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Withdrawal of notice of proposed rulemaking.

SUMMARY: This document withdraws a notice of proposed rulemaking regarding the definition of a political subdivision for purposes of tax-exempt bonds.

DATES: As of October 20, 2017, the notice of proposed rulemaking (REG–129067–15) that was published in the **Federal Register** on February 23, 2016, (81 FR 8870) is withdrawn.

FOR FURTHER INFORMATION CONTACT: Spence Hanemann at (202) 317–6980 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

On February 23, 2016, the Department of the Treasury (the Treasury Department) and the IRS published in the **Federal Register** a notice of proposed rulemaking (81 FR 8870) that defines *political subdivision* for purposes of tax-exempt bonds under section 103 of the Internal Revenue Code (the Proposed Regulations). The Treasury Department and the IRS received public comments and, on June 6, 2016, held a public hearing on the Proposed Regulations. In response to the Proposed Regulations, commenters stated that long-settled law establishes the meaning of political subdivision and that no further guidance is necessary. Commenters also stated that the Proposed Regulations would call into doubt the status of numerous existing issuers and users of tax-exempt bonds and that reorganizing these entities to qualify as political subdivisions under

the Proposed Regulations would be burdensome.

Executive Order 13789, issued on April 21, 2017, instructs the Secretary of the Treasury (the Secretary) to review all significant tax regulations issued on or after January 1, 2016, and to take concrete action to alleviate the burdens of regulations that (i) impose an undue financial burden on U.S. taxpayers; (ii) add undue complexity to the Federal tax laws; or (iii) exceed the statutory authority of the IRS. E.O. 13789 further instructs the Secretary to submit to the President within 60 days an interim report that identifies regulations that meet these criteria. Notice 2017–38 (2017–30 I.R.B. 147 (July 24, 2017)) included the Proposed Regulations in a list of eight regulations identified by the Secretary in the interim report as meeting at least one of the first two criteria specified in E.O. 13789.

E.O. 13789 further instructs the Secretary to submit to the President by September 18, 2017, a final report that recommends specific actions to mitigate the burden imposed by regulations identified in the interim report. On October 16, 2017, the Secretary published this final report in the **Federal Register** (82 FR 48013), recommending a complete withdrawal of the Proposed Regulations to mitigate their potential burden. To implement the Secretary's recommendation, the Treasury Department and the IRS are withdrawing the Proposed Regulations.

Drafting Information

The principal authors of this withdrawal notice are Spence Hanemann and Timothy Jones, Office of the Associate Chief Counsel (Financial Institutions and Products), IRS.

List of Subjects in 26 CFR Part 1

Income taxes, Reporting and recordkeeping requirements.

Withdrawal of Notice of Proposed Rulemaking

Accordingly, under the authority of 26 U.S.C. 7805, the notice of proposed rulemaking (REG–129067–15) that was published in the **Federal Register** on

February 23, 2016, (81 FR 8870) is withdrawn.

Kirsten Wielobob,

Deputy Commissioner for Services and Enforcement.

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DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 25

[REG–163113–02]

RIN 1545–BB71

Estate, Gift, and Generation-Skipping Transfer Taxes; Restrictions on Liquidation of an Interest

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Withdrawal of notice of proposed rulemaking.

SUMMARY: This document withdraws proposed regulations concerning the estate, gift and generation-skipping transfer (GST) tax treatment of lapses of liquidation rights in family-controlled entities, as well as the valuation of interests in family-controlled corporations and partnerships for estate, gift, and GST tax purposes. Specifically, the proposed regulations would have treated certain lapses of liquidation rights as transfers occurring at death. The proposed regulations also addressed the treatment of restrictions on liquidation and withdrawal in determining the value of transferred interests in family-controlled entities. This withdrawal affects certain transferors of interests in corporations and partnerships.

DATES: The notice of proposed rulemaking published August 4, 2016 (81 FR 51413) is withdrawn as of October 20, 2017.

FOR FURTHER INFORMATION CONTACT: John D. MacEachen, (202) 317–6859 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

Section 2704 of the Internal Revenue Code provides special rules for purposes of subtitle B (relating to estate, gift, and GST taxes). Under section 2704(a), a lapse of certain voting or liquidation