

has the authority to approve AMOCs for this AD, if requested using the procedures found in 14 CFR 39.19. In accordance with 14 CFR 39.19, send your request to your principal inspector or local Flight Standards District Office, as appropriate. If sending information directly to the International Section, send it to the attention of the person identified in paragraph (j)(2) of this AD. Information may be emailed to: 9-ANM-116-AMOC-REQUESTS@faa.gov. Before using any approved AMOC, notify your appropriate principal inspector, or lacking a principal inspector, the manager of the local flight standards district office/certificate holding district office.

(2) *Contacting the Manufacturer:* For any requirement in this AD to obtain instructions from a manufacturer, the instructions must be accomplished using a method approved by the Manager, International Section, Transport Standards Branch, FAA; or EASA; or Airbus SAS's EASA DOA. If approved by the DOA, the approval must include the DOA-authorized signature.

(3) *Required for Compliance (RC):* For any service information referenced in EASA AD 2019-0012 that contains RC procedures and tests: Except as required by paragraphs (h)(4) and (i)(2) of this AD, RC procedures and tests must be done to comply with this AD; any procedures or tests that are not identified as RC are recommended. Those procedures and tests that are not identified as RC may be deviated from using accepted methods in accordance with the operator's maintenance or inspection program without obtaining approval of an AMOC, provided the procedures and tests identified as RC can be done and the airplane can be put back in an airworthy condition. Any substitutions or changes to procedures or tests identified as RC require approval of an AMOC.

(4) *Paperwork Reduction Act Burden Statement:* A federal agency may not conduct or sponsor, and a person is not required to respond to, nor shall a person be subject to a penalty for failure to comply with a collection of information subject to the requirements of the Paperwork Reduction Act unless that collection of information displays a current valid OMB Control Number. The OMB Control Number for this information collection is 2120-0056. Public reporting for this collection of information is estimated to be approximately one hour per response, including the time for reviewing instructions, completing and reviewing the collection of information. All responses to this collection of information are mandatory. Comments concerning the accuracy of this burden and suggestions for reducing the burden should be directed to the FAA at: 800 Independence Ave. SW, Washington, DC 20591, Attn: Information Collection Clearance Officer, AES-200.

(j) Related Information

(1) For information about EASA AD 2019-0012, contact EASA, Konrad-Adenauer-Ufer 3, 50668 Cologne, Germany; telephone +49 221 89990 6017; email ADs@easa.europa.eu; Internet www.easa.europa.eu. You may find this EASA AD on the EASA website at <https://ad.easa.europa.eu>. You may view this EASA AD at the FAA, Transport Standards

Branch, 2200 South 216th St., Des Moines, WA. For information on the availability of this material at the FAA, call 206-231-3195. EASA AD 2019-0012 may be found in the AD docket on the internet at <http://www.regulations.gov> by searching for and locating Docket No. FAA-2019-0400.

(2) For more information about this AD, contact Sanjay Ralhan, Aerospace Engineer, International Section, Transport Standards Branch, FAA, 2200 South 216th St., Des Moines, WA 98198; telephone and fax 206-231-3223.

Issued in Des Moines, Washington, on May 29, 2019.

Michael Kaszycki,

Acting Director, System Oversight Division, Aircraft Certification Service.

[FR Doc. 2019-11832 Filed 6-6-19; 8:45 am]

BILLING CODE 4910-13-P

DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 39

[Docket No. FAA-2018-0453; Product Identifier 2018-NM-028-AD]

RIN 2120-AA64

Airworthiness Directives; Bombardier, Inc., Airplanes

AGENCY: Federal Aviation Administration (FAA), DOT.

ACTION: Supplemental notice of proposed rulemaking (SNPRM); reopening of comment period.

SUMMARY: We are revising an earlier proposal for certain Bombardier, Inc., Model DHC-8-400 series airplanes. This action revises the notice of proposed rulemaking (NPRM) by adding a requirement to replace the lower lock link of the nose landing gear (NLG), which would terminate the repetitive inspections proposed in the NPRM. This action also reduces the applicability in the NPRM. We are proposing this airworthiness directive (AD) to address the unsafe condition on these products. Since these actions would impose an additional burden over those in the NPRM, we are reopening the comment period to allow the public the chance to comment on these changes.

DATES: The comment period for the NPRM published in the **Federal Register** on May 30, 2018 (83 FR 24694), is reopened.

We must receive comments on this SNPRM by July 22, 2019.

ADDRESSES: You may send comments, using the procedures found in 14 CFR 11.43 and 11.45, by any of the following methods:

- *Federal eRulemaking Portal:* Go to <http://www.regulations.gov>. Follow the instructions for submitting comments.

- *Fax:* 202-493-2251.

- *Mail:* U.S. Department of Transportation, Docket Operations, M-30, West Building Ground Floor, Room W12-140, 1200 New Jersey Avenue SE, Washington, DC 20590.

- *Hand Delivery:* U.S. Department of Transportation, Docket Operations, M-30, West Building Ground Floor, Room W12-140, 1200 New Jersey Avenue SE, Washington, DC, between 9 a.m. and 5 p.m., Monday through Friday, except Federal holidays.

For service information identified in this NPRM, contact Bombardier, Inc., Q-Series Technical Help Desk, 123 Garratt Boulevard, Toronto, Ontario M3K 1Y5, Canada; telephone: 416-375-4000; fax: 416-375-4539; email: thd.qseries@aero.bombardier.com; internet: <http://www.bombardier.com>. You may view this referenced service information at the FAA, Transport Standards Branch, 2200 South 216th St., Des Moines, WA. For information on the availability of this material at the FAA, call 206-231-3195.

Examining the AD Docket

You may examine the AD docket on the internet at <http://www.regulations.gov> by searching for and locating Docket No. FAA-2018-0453; or in person at Docket Operations between 9 a.m. and 5 p.m., Monday through Friday, except Federal holidays. The AD docket contains this SNPRM, the regulatory evaluation, any comments received, and other information. The street address for Docket Operations (phone: 800-647-5527) is listed above. Comments will be available in the AD docket shortly after receipt.

FOR FURTHER INFORMATION CONTACT: Darren Gassetto, Aerospace Engineer, Mechanical Systems and Administrative Services Section, New York ACO Branch, FAA, 1600 Stewart Avenue, Suite 410, Westbury, NY 11590; telephone 516-228-7323; fax 516-794-5531.

SUPPLEMENTARY INFORMATION:

Comments Invited

We invite you to send any written relevant data, views, or arguments about this proposal. Send your comments to an address listed under the **ADDRESSES** section. Include "Docket No. FAA-2018-0453; Product Identifier 2018-NM-028-AD" at the beginning of your comments. We specifically invite comments on the overall regulatory, economic, environmental, and energy

aspects of this SNPRM. We will consider all comments received by the closing date and may amend this SNPRM based on those comments.

We will post all comments we receive, without change, to <http://www.regulations.gov>, including any personal information you provide. We will also post a report summarizing each substantive verbal contact we receive about this SNPRM.

Discussion

We issued an NPRM to amend 14 CFR part 39 by adding an AD that would apply to certain Bombardier, Inc., Model DHC-8-400 series airplanes. The NPRM published in the **Federal Register** on May 30, 2018 (83 FR 24694). The NPRM was prompted by reports of the NLG locking in a partially extended position due to loose bushings on a lock link of the NLG locking mechanism. The NPRM proposed to require repetitive inspections of the bushings and the lower lock link of the NLG for discrepancies, and corrective actions if necessary. We are issuing this AD to address excessive free play at the lock link of the NLG locking mechanism, and consequent inability to fully retract or deploy the NLG, which could result in collapse of the NLG and affect the safe landing of the airplane.

Actions Since the NPRM Was Issued

Since we issued the NPRM, we have determined that to adequately address the unsafe condition, it is necessary to require replacement of the NLG lower lock link with a new lower lock link having a new configuration.

Transport Canada Civil Aviation (TCCA), which is the aviation authority for Canada, has issued Canadian AD CF-2018-01R1, dated February 4, 2018 (referred to after this as the Mandatory Continuing Airworthiness Information, or "the MCAI"), to correct an unsafe condition for certain Bombardier, Inc., Model DHC-8-400 series airplanes. The MCAI states:

A landing incident took place whereby the aeroplane's nose landing gear (NLG) was locked in a partially-extended position, leading to gear collapse upon NLG touch down. The investigation revealed that the NLG was locked in this position due to the bushings on the lock link of the NLG locking mechanism becoming loose. This condition was present due to insufficient interference fit which resulted in some bushing outer diameter wear and fretting. A dislodged bushing will also cause the bushing sealant to break. Broken sealant allows moisture ingress and corrosion that can accelerate free play buildup. Excessive free play at the lock link can result in the inability to fully retract or deploy the NLG, resulting in a risk of NLG collapse on landing.

Bombardier Inc. has developed an inspection to identify and correct this condition. [The original version of this Canadian AD required] a repetitive inspection [to detect discrepancies] and corrective actions based on the inspection findings.

Revision 1 of this [Canadian] AD is issued to modify the NLG with a lower lock with improved bushing retention and greasing provisions. Implementing this modification is a terminating action to this [Canadian] AD. The modification has been introduced in production, therefore the applicability of this [Canadian] AD has been reduced. Clarifications have also been made to the retained text of the original version.

Discrepancies include any signs of migration of the bushings, broken or missing edge sealant, diagonal paint cracks on the sealant, and paint stripe misalignment. You may examine the MCAI in the AD docket on the internet at <http://www.regulations.gov> by searching for and locating Docket No. FAA-2018-0453.

Comments

We gave the public the opportunity to participate in developing this proposed AD. We considered the comments received.

Request To Include Revised Service Information

Horizon Air asked that Bombardier Service Bulletin 84-32-153, Revision A, dated February 27, 2018, be incorporated into the proposed AD (in the NPRM). Horizon Air added that a credit paragraph should also be included for the original issue of the referenced service information.

We partially agree with the commenter's request. We have revised this proposed AD to identify Bombardier Service Bulletin 84-32-153, Revision A, dated February 27, 2018, as the appropriate source of service information for the inspection specified in paragraph (g) of this proposed AD. Revision A merely clarifies certain actions and corrects a certain task number, and adds no new work. We have added paragraph (j) to this proposed AD to provide credit for actions done before the effective date of this AD using the original issue of the referenced service information. However, for clarification, we have included the correct task number for greasing all drag strut joints, which is AMM Task 12-20-01-640-802. Bombardier Service Bulletin 84-32-153, dated September 22, 2017, specifies AMM Task 12-20-01-640-803, which is incorrect. We have redesignated subsequent paragraphs accordingly.

Request To Add Terminating Action for Repetitive Inspections

Horizon Air asked that we include an option for terminating action for the repetitive inspections required by paragraph (g) of the proposed AD (in the NPRM). Horizon Air stated that Bombardier Service Bulletin 84-32-154, Revision A, dated November 21, 2018, includes a modification that involves reconfiguration of the lower lock link of the NLG by adding new bushings with improved retention and greasing provisions.

We partially agree with the commenter's request. We agree to include terminating action for the repetitive inspections, but to adequately address the unsafe condition, we have determined that it is necessary to mandate this action instead of providing it as an option. We have added paragraph (k) of this proposed AD to require the modification, which would terminate the repetitive inspections specified by paragraph (g) of this proposed AD. We have redesignated subsequent paragraphs accordingly.

Request To Include Global Alternative Method of Compliance (AMOC)

Horizon Air asked that we incorporate Global AMOC AARDG-2018/A02 to Canadian AD CF-2018-01 into the FAA proposed AD (in the NPRM). Horizon Air stated that this global AMOC provides the initial compliance time for lower lock links of the NLG that have been repaired based on flight cycles accumulated since repair, instead of total flight cycles accumulated. Horizon Air added that justification for this AMOC was that repair of the lower lock link in accordance with the applicable component maintenance manual yields the same bushing retention properties as a new part.

We agree with the commenter's request. Canadian AD CF-2018-01R1 added compliance times for a repaired or replaced NLG lower lock link. Therefore, we have included paragraph (h) in this proposed AD to allow the compliance times to be measured from the time of repair or replacement of the existing lower lock link for a repair or replacement that was done using a specified method.

Request To Exclude Setup and Closeout Actions

Horizon Air asked that the job setup and closeout actions specified in Bombardier Service Bulletin 84-32-153, Revision A, dated February 27, 2018, be excluded from the requirements of paragraph (g) of the proposed AD (in the NPRM). Horizon Air stated that these

actions do not directly correct the unsafe condition. Horizon Air added that incorporating these actions restricts an operator's ability to perform other maintenance in conjunction with incorporation of the referenced service information.

We partially agree with the commenter's request. We agree to remove the closeout actions, but to adequately perform the corrective actions the job setup actions specified in Bombardier Service Bulletin 84-32-153, Revision A, dated February 27, 2018, must be included. Paragraph 3.A., "Job Set-Up," of Bombardier Service Bulletin 84-32-153, Revision A, dated February 27, 2018, includes specific airplane maintenance manual tasks and instructions that properly establish a baseline needed to evaluate excessive play at the lower lock link of the NLG locking mechanism, and correctly address the unsafe condition. In addition, the operator is directed to paragraph 3.A.(5) of the Job Setup section in the Accomplishment Instructions of Bombardier Service

Bulletin 84-32-153, Revision A, dated February 27, 2018, for the applicable corrective action. Therefore, we have revised the requirements of paragraph (g) accordingly.

Related Service Information Under 1 CFR Part 51

Bombardier has issued the following service information:

- Service Bulletin 84-32-153, Revision A, dated February 27, 2018, which describes procedures for an inspection of the bushings and the lower lock link of the NLG for discrepancies. The service information also describes procedures for repair or replacement of a discrepant lock link.

- Service Bulletin 84-32-154, Revision A, dated November 21, 2018, which describes procedures for replacement of the existing lower lock link with a new configuration lock link.

This service information is reasonably available because the interested parties have access to it through their normal course of business or by the means identified in the ADDRESSES section.

FAA's Determination and Requirements of This SNPRM

This product has been approved by the aviation authority of another country, and is approved for operation in the United States. Pursuant to our bilateral agreement with the State of Design Authority, we have been notified of the unsafe condition described in the MCAI and service information referenced above. We are proposing this AD because we evaluated all pertinent information and determined an unsafe condition exists and is likely to exist or develop on other products of the same type design.

Certain changes described above expand the scope of the NPRM. As a result, we have determined that it is necessary to reopen the comment period to provide additional opportunity for the public to comment on this SNPRM.

Costs of Compliance

We estimate that this proposed AD affects 64 airplanes of U.S. registry.

We estimate the following costs to comply with this proposed AD:

ESTIMATED COSTS

Action	Labor cost	Parts cost	Cost per product	Cost on U.S. operators
Inspection	2 work-hours × \$85 per hour = \$170 per inspection cycle.	\$0	\$170 per inspection cycle	\$10,880 per inspection cycle.
Replacement ...	6 work-hours × \$85 per hour = \$510	5,923	\$6,433	\$411,712.

We have received no definitive data that enables us to provide cost estimates for the on-condition actions specified in this proposed AD.

Authority for This Rulemaking

Title 49 of the United States Code specifies the FAA's authority to issue rules on aviation safety. Subtitle I, section 106, describes the authority of the FAA Administrator. Subtitle VII: Aviation Programs, describes in more detail the scope of the Agency's authority.

We are issuing this rulemaking under the authority described in Subtitle VII, Part A, Subpart III, Section 44701: "General requirements." Under that section, Congress charges the FAA with promoting safe flight of civil aircraft in air commerce by prescribing regulations for practices, methods, and procedures the Administrator finds necessary for safety in air commerce. This regulation is within the scope of that authority because it addresses an unsafe condition that is likely to exist or develop on products identified in this rulemaking action.

This proposed AD is issued in accordance with authority delegated by the Executive Director, Aircraft Certification Service, as authorized by FAA Order 8000.51C. In accordance with that order, issuance of ADs is normally a function of the Compliance and Airworthiness Division, but during this transition period, the Executive Director has delegated the authority to issue ADs applicable to transport category airplanes and associated appliances to the Director of the System Oversight Division.

Regulatory Findings

We determined that this proposed AD would not have federalism implications under Executive Order 13132. This proposed AD would not have a substantial direct effect on the States, on the relationship between the national Government and the States, or on the distribution of power and responsibilities among the various levels of government.

For the reasons discussed above, I certify this proposed regulation:

1. Is not a "significant regulatory action" under Executive Order 12866;

2. Will not affect intrastate aviation in Alaska; and

3. Will not have a significant economic impact, positive or negative, on a substantial number of small entities under the criteria of the Regulatory Flexibility Act.

List of Subjects in 14 CFR Part 39

Air transportation, Aircraft, Aviation safety, Incorporation by reference, Safety.

The Proposed Amendment

Accordingly, under the authority delegated to me by the Administrator, the FAA proposes to amend 14 CFR part 39 as follows:

PART 39—AIRWORTHINESS DIRECTIVES

- 1. The authority citation for part 39 continues to read as follows:

Authority: 49 U.S.C. 106(g), 40113, 44701.

§ 39.13 [Amended]

- 2. The FAA amends § 39.13 by adding the following new airworthiness directive (AD):

Bombardier, Inc.: Docket No. FAA–2018–0453; Product Identifier 2018–NM–028–AD.

(a) Comments Due Date

We must receive comments by July 22, 2019.

(b) Affected ADs

None.

(c) Applicability

This AD applies to Bombardier, Inc., Model DHC–8–400, –401, and –402 airplanes, certificated in any category, serial numbers 4001 through 4585 inclusive, and 4587.

(d) Subject

Air Transport Association (ATA) of America Code 32, Landing gear.

(e) Reason

This AD was prompted by reports of the nose landing gear (NLG) locking in a partially extended position due to loose bushings on a lock link of the NLG locking mechanism. We are issuing this AD to address excessive free play at the lock link of the NLG locking

mechanism, and consequent inability to fully retract or deploy the NLG, which could result in collapse of the NLG and affect the safe landing of the airplane.

(f) Compliance

Comply with this AD within the compliance times specified, unless already done.

(g) Repetitive Inspections and Corrective Actions

Except as provided by paragraphs (h) and (i) of this AD: Do a general visual inspection for the NLG lower lock link part number and discrepancies of the bushings and of the lower lock link of the NLG locking mechanism, at the applicable time specified in paragraph (g)(1) or (g)(2) of this AD, in accordance with paragraphs 3.A. and 3.B., or 3.A. and 3.D., as applicable, of the Accomplishment Instructions of Bombardier Service Bulletin 84–32–153, Revision A, dated February 27, 2018. If any discrepancy is found, before further flight, repair or replace the NLG lower lock link, as applicable, in accordance with paragraphs 3.B. or 3.D., as applicable, of Bombardier

Service Bulletin 84–32–153, Revision A, dated February 27, 2018. Repeat the inspection thereafter at intervals not to exceed 1,600 flight cycles on any NLG lower lock link.

(1) For airplanes on which an NLG lower lock link has accumulated 7,200 or fewer total flight cycles as of the effective date of this AD: Before the accumulation of 8,000 total flight cycles on the NLG lower lock link.

(2) For airplanes on which an NLG lower lock link has accumulated more than 7,200 total flight cycles as of the effective date of this AD: Within 800 flight cycles on the NLG lower lock link after the effective date of this AD.

(h) Inspections After Repair or Replacement of NLG Lower Lock Link

For airplanes with an NLG lower lock link that is repaired or replaced as specified in paragraph (h)(1), (h)(2), (h)(3), or (h)(4) of this AD: The next inspection specified by paragraph (g) of this AD is required for the NLG lower lock link on the airplane at the applicable time specified in figure 1 to paragraph (h) of this AD.

Figure 1 to the introductory text of paragraph (h) – Compliance times for next inspection on repaired or replaced NLG lower lock link

Flight Cycles as of the Effective Date of this AD	Compliance Time
Airplanes on which the NLG lower lock link has accumulated 7,200 or fewer flight cycles since the NLG lower link was repaired or replaced	Before the accumulation of 8,000 flight cycles on the NLG lower lock link since the repair or replacement
Airplanes on which the NLG lower lock link has accumulated more than 7,200 flight cycles since the NLG lower link was repaired or replaced	Within 800 flight cycles on the NLG lower lock link after the effective date of this AD

(1) Repaired as specified in Bombardier Repair Drawing 8/4–32–0338.

(2) Repaired as specified in the Goodrich Aerospace Canada Ltd. Component Maintenance Manual, Part Number (P/N) 47300, 32–21–03.

(3) Replaced with a serviceable lock link having P/N 47324–1 (SCR–093–17–B); or

(4) Replaced with a new lock link having P/N 47324–1.

(i) Lock Link Excepted From Inspection Requirements

The inspections specified in this AD are not required for any new NLG lower lock link having P/N 47324–3.

(j) Credit for Previous Actions

This paragraph provides credit for actions required by paragraph (g) of this AD, if those actions were performed before the effective date of this AD using Bombardier Service

Bulletin 84–32–153, dated September 22, 2017, provided all drag strut joints were greased, as specified in paragraphs 3.B.(1)(h) and 3.D.(1)(c)5 of the Accomplishment Instructions of this service information, using AMM Task 12–20–01–640–802.

(k) Terminating Action for Repetitive Inspections

Within 8,000 flight cycles or 48 months on the NLG lower lock link after the effective date of this AD, whichever occurs first: Replace the existing NLG lower lock link with a new lower lock link having P/N 47324–3, in accordance with paragraphs 3.A. and 3.B. of the Accomplishment Instructions of Bombardier Service Bulletin 84–32–154, Revision A, dated November 21, 2018. Replacement of the lower lock link on the NLG terminates the repetitive inspections required by paragraphs (g) and (h) of this AD for that airplane.

(l) Other FAA AD Provisions

The following provisions also apply to this AD:

(1) *Alternative Methods of Compliance (AMOCs):* The Manager, New York ACO Branch, FAA, has the authority to approve AMOCs for this AD, if requested using the procedures found in 14 CFR 39.19. In accordance with 14 CFR 39.19, send your request to your principal inspector or local Flight Standards District Office, as appropriate. If sending information directly to the manager of the New York ACO Branch, send it to ATTN: Program Manager, Continuing Operational Safety, FAA, New York ACO Branch, 1600 Stewart Avenue, Suite 410, Westbury, NY 11590; telephone 516–228–7300; fax 516–794–5531. Before using any approved AMOC, notify your appropriate principal inspector, or lacking a principal inspector, the manager of the local

flight standards district office/certificate holding district office.

(2) *Contacting the Manufacturer:* For any requirement in this AD to obtain corrective actions from a manufacturer, the action must be accomplished using a method approved by the Manager, New York ACO Branch, FAA; or Transport Canada Civil Aviation (TCCA); or Bombardier, Inc.'s TCCA Design Approval Organization (DAO). If approved by the DAO, the approval must include the DAO-authorized signature.

(m) Related Information

(1) Refer to Mandatory Continuing Airworthiness Information (MCAI) Canadian AD CF-2018-01R1, dated February 4, 2018, for related information. This MCAI may be found in the AD docket on the internet at <http://www.regulations.gov> by searching for and locating Docket No. FAA-2018-0453.

(2) For more information about this AD, contact Darren Gassetto, Aerospace Engineer, Mechanical Systems and Administrative Services Section, New York ACO Branch, FAA, 1600 Stewart Avenue, Suite 410, Westbury, NY 11590; telephone 516-228-7323; fax 516-794-5531.

Issued in Des Moines, Washington, on May 31, 2019.

Michael Kaszycki,

*Acting Director, System Oversight Division,
Aircraft Certification Service.*

[FR Doc. 2019-11879 Filed 6-6-19; 8:45 am]

BILLING CODE 4910-13-P

DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

[REG-109826-17]

RIN 1545-BN89

Exception for Interests Held by Foreign Pension Funds

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Notice of proposed rulemaking.

SUMMARY: This document contains proposed regulations regarding the exception from taxation with respect to gain or loss of a qualified foreign pension fund attributable to certain interests in United States real property. The proposed regulations also include rules for certifying that a qualified foreign pension fund is not subject to withholding on certain dispositions of, and distributions with respect to, certain interests in United States real property. The proposed regulations affect certain holders of certain interests in United States real property and withholding agents that are required to withhold tax on certain dispositions of, and distributions with respect to, such property.

DATES: Written or electronic comments and requests for a public hearing must be received by September 5, 2019.

ADDRESSES: Send submissions to: CC:PA:LPD:PR (REG-109826-17), Internal Revenue Service, Room 5203, P.O. Box 7604, Ben Franklin Station, Washington, DC 20044. Submissions may be hand-delivered Monday through Friday between the hours of 8 a.m. and 4 p.m. to CC:PA:LPD:PR (REG-109826-17), Courier's Desk, Internal Revenue Service, 1111 Constitution Avenue NW, Washington, DC 20224, or sent electronically via the Federal eRulemaking Portal at <http://www.regulations.gov> (IRS REG-109826-17).

FOR FURTHER INFORMATION CONTACT: Concerning the proposed regulations, Milton Cahn or Logan M. Kincheloe, (202) 317-6937; concerning submissions of comments or requests for a public hearing, Regina Johnson, (202) 317-6901 (not toll-free numbers).

SUPPLEMENTARY INFORMATION:

Background

I. In General

This document contains proposed amendments to 26 CFR part 1 under sections 897, 1445, and 1446 (the "proposed regulations"). Section 323(a) of the Protecting Americans from Tax Hikes Act of 2015, Public Law 114-113, div. Q (the "PATH Act"), added section 897(l) to the Code, and Section 101(q) of the Tax Technical Corrections Act of 2018, Public Law 115-141, div. U (the "Technical Corrections Act") amended certain aspects of section 897(l). Section 897(l) provides an exemption to the application of section 897(a) on gain or loss on certain dispositions of, and distributions with respect to, United States real property interests ("USRPIs") for certain foreign pension funds and their subsidiaries. The proposed regulations contain rules relating to the qualification for the exemption under section 897(l), as well as rules relating to withholding requirements under sections 1445 and 1446 for dispositions of USRPIs by foreign pension funds and their subsidiaries.

II. Taxation of Foreign Persons Under Section 897

Section 897(a)(1) provides that gain or loss of a nonresident alien individual or foreign corporation from the disposition of a USRPI is taken into account under section 871(b)(1) or 882(a)(1), as applicable, as if the nonresident alien individual or foreign corporation were engaged in a trade or business within the United States during the taxable year and such gain or loss were

effectively connected with that trade or business.

Section 897(c)(1)(A) defines a USRPI as an interest in real property (including an interest in a mine, well, or other natural deposit) located in the United States or the Virgin Islands, and any interest (other than solely as a creditor) in any domestic corporation unless the taxpayer establishes that such corporation was at no time a United States real property holding corporation ("USRPHC") during the applicable testing period (generally, the five-year period ending on the date of the disposition of the interest). Under section 897(c)(2), a USRPHC means any corporation if the fair market value of its USRPIs equals or exceeds 50 percent of the total fair market value of its USRPIs, its interests in real property located outside the United States, plus any other assets that are used or held for use in a trade or business. However, section 897(c)(1)(B) generally provides that an interest in a corporation is not a USRPI if the corporation does not hold any USRPIs as of the date its stock is sold and the corporation disposed of all of the USRPIs that it held during the applicable testing period in transactions in which the full amount of gain, if any, was recognized.

Section 897(h)(1) provides that any distribution by a qualified investment entity (QIE) to a nonresident alien individual, a foreign corporation, or other QIE is, to the extent attributable to gain from sales or exchanges by the QIE of USRPIs, treated as gain recognized by such nonresident alien individual, foreign corporation, or other QIE from the sale or exchange of a USRPI, subject to certain exceptions. Under section 897(h)(4)(A), a QIE includes any real estate investment trust (REIT) and certain regulated investment companies.

III. Exception for Qualified Foreign Pension Funds Under Section 897(l)

Section 897(l)(1) provides that a qualified pension fund is not treated as a nonresident alien individual or foreign corporation for purposes of section 897. Cf. section 897(a) (subjecting nonresident alien individuals and foreign corporations to tax on gain or loss from the disposition of a USRPI). For this purpose, an entity all the interests of which are held by a qualified foreign pension fund (referred to in this Preamble and the proposed regulations as a "qualified controlled entity") is also treated as a qualified foreign pension fund.

Under section 897(l)(2), a qualified foreign pension fund is defined as any trust, corporation, or other organization or arrangement (any one of which is