affecting the human environment.'' 16 CFR 1021.5(c)(2). This rule falls within the categorical exclusion, so no environmental assessment or environmental impact statement is required.

H. Preemption

Section 26(a) of the CPSA, 15 U.S.C. 2075(a), provides that where a consumer product safety standard is in effect and applies to a product, no state or political subdivision of a state may either establish or continue in effect a requirement dealing with the same risk of injury unless the state requirement is identical to the Federal standard. Section 26(c) of the CPSA also provides that states or political subdivisions of states may apply to the CPSC for an exemption from this preemption under certain circumstances. Section 1404(a) of the VGBA specifies that a rule issued under section 1404(b) of the VGBA shall be treated as a consumer product safety standard under the CPSA, thus, implying that the preemptive effect of section 26(a) of the CPSA would apply. Therefore, the rule will invoke the preemptive effect of section 26(a) of the CPSA when it becomes effective.

I. The Congressional Review Act

The Congressional Review Act (CRA; 5 U.S.C. 801–808) states that, before a rule may take effect, the agency issuing the rule must submit the rule, and certain related information, to each House of Congress and the Comptroller General. 5 U.S.C. 801(a)(1). The submission must indicate whether the rule is a ''major rule.'' The CRA states that the Office of Information and Regulatory Affairs (OIRA) determines whether a rule qualifies as a ''major rule.'' Pursuant to the CRA, this rule does not qualify as a ''major rule,'' as defined in 5 U.S.C. 804(2). To comply with the CRA, the Office of the General Counsel will submit the required information to each House of Congress and the Comptroller General.

Alberta E. Mills,

Secretary, U.S. Consumer Product Safety Commission.

[FR Doc. 2020–18496 Filed 9–17–20; 8:45 am]

BILLING CODE 6355–01–P

DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

[TD 9915]

RIN 1545–BP56

Rehabilitation Credit Allocated Over a 5-Year Period

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Final regulations.

SUMMARY: This document contains final regulations concerning the rehabilitation credit, including rules to coordinate the new 5-year period over which the credit may be claimed with other special rules for investment credit property. These final regulations affect taxpayers that claim the rehabilitation credit.

DATES: *Effective Date:* These regulations are effective on September 18, 2020.

Applicability Date: For date of applicability, see § 1.47–7(f).

FOR FURTHER INFORMATION CONTACT: Barbara J. Campbell, (202) 317–4137.

SUPPLEMENTARY INFORMATION:

Background

This document amends the Income Tax Regulations (26 CFR part 1) to finalize rules under section 47 of the Internal Revenue Code (Code). On May 22, 2020, the Department of the Treasury (Treasury Department) and the IRS published a notice of proposed rulemaking (REG–124327–19) in the **Federal Register** (85 FR 31096) (proposed regulations). The proposed regulations were necessary to address the amendments to section 47 by section 13402 of Public Law 115–97, 131 Stat. 2054 (2017), commonly referred to as the Tax Cuts and Jobs Act (TCJA). The proposed regulations provide that the rehabilitation credit is properly determined in the year the qualified rehabilitated building (QRB) is placed in service but allocated ratably over the 5-year period beginning in such year as required by the TCJA, rather than being allocated entirely to the taxable year the QRB is placed in service as under section 47 prior to the TCJA. The proposed regulations add § 1.47–7(a) through (f) and include: A general rule for calculating the rehabilitation credit; definitions of *ratable share* and *rehabilitation credit determined;* and a rule coordinating the changes to section 47 with the special rules in section 50. The proposed regulations also contain examples, including examples illustrating the interaction of section 47 with rules in section 50(a) (recapture in case of dispositions, etc.), section 50(c) (basis adjustment to investment credit property), and section 50(d)(5) (relating to certain leased property when the lessee is treated as owner and subject to an income inclusion requirement). The preamble to the proposed regulations contains a detailed explanation regarding the amendment of section 47 by the TCJA and the addition of § 1.47–7(a) through (f).

The Treasury Department and the IRS received three written comments on the proposed regulations. No requests for a public hearing were made, and no public hearing was held. After consideration of the comments, this Treasury decision adopts the proposed regulations without modification.

Summary of Comments

The three comments submitted in response to the proposed regulations are available at *www.regulations.gov* or upon request.

Two of the comments were supportive of the proposed regulations and did not provide any suggested revisions or additions. This summary of comments does not further address those comments.

The other comment did not disagree with or suggest revision to any of the rules in the proposed regulations. The comment raised issues that the commenter believes the proposed regulations did not address. These include the potential impact of the new 5-year period on a partner's capital account under § 1.704–1 (partner's distributive share) when a partnership directly owns the property, whether and how the partnership allocates the rehabilitation credit to partners, potential reporting obligations by a partnership on Schedule K–1 (Form 1065), the treatment of the remaining ratable share when a partner sells a partnership interest within the 5-year credit period, and the interaction of § 1.704–1 with § 1.50–1 (lessee's income inclusion following election of lessor of investment credit property to treat lessee as acquirer).

With respect to the potential impact of the new 5-year period on a partner's capital account under § 1.704–1 when the partnership directly owns the QRB, the comment concluded that for partners ''there would be a capital account effect that would not take into account the 5-year allocation of the credit.'' Partnership capital accounting rules are addressed in the regulations to section 704, and therefore are not included in these final regulations. However, for clarification, the Treasury Department and the IRS agree that there would be a capital account adjustment that would not take into account the 5-year credit period. In other words, the full amount of the capital account adjustment under § 1.704–1 is reflected in a partner's capital account in the year the rehabilitation credit is determined.

With respect to whether and how the partnership allocates the rehabilitation credit to partners, the comment specifically asked ''whether the partners are allocated 20 percent of the credit each year although all of the credit basis is reduced in the first year when the property is placed in service or whether, after the first year, the remaining four years over which the credit is spread is taken into account and applied solely at the partner level over those remaining years, consistent with the section 1.50–1 regulations.'' Partnership allocation rules of general business credits are specifically addressed in the regulations to section 704, and therefore are not included in these final regulations. However, for clarification, the rehabilitation credit is not allocated by the partnership, but is calculated at the partner level and claimed by the partner ratably over the 5-year credit period. As under section 47 prior to the TCJA, the partnership allocates qualified rehabilitation expenditures (QREs) to its partners. Under section 47(b), QREs with respect to any QRB are taken into account for the taxable year in which the QRB is placed in service.

By way of further explanation, the calculation of the rehabilitation credit at the partner level is made as part of calculating the investment credit under section 46, which is listed as a current year general business credit under section 38. Section 1.704–1(b)(4)(ii), which requires allocations with respect to the investment tax credit provided by section 38 to be made in accordance with the partners' interests in the partnership, provides that allocations of cost or qualified investment (as opposed to the investment credit itself, which is not determined at the partnership level) that are made in accordance with § 1.46–3(f) shall be deemed to be made in accordance with the partners' interests in the partnership. For purposes of the investment credit, part of those allocations to partners would include QREs to calculate the rehabilitation credit. Partners then compute the investment credit at the partner level based on partner level limitations. *See also* TD 9872 (84 FR 34775) and TD 9776 (81 FR 47701) (these Treasury decisions relate to § 1.50–1 and both preambles contain relevant descriptions of how the rehabilitation credit is calculated in the context of passthrough entities, including that the calculation is done at the partner level in the case of partnerships and the S corporation shareholder level in the case of subchapter S corporations).

Lastly, addressing issues related to potential reporting obligations by a partnership on Schedule K–1, the sale of a partnership interest within the 5-year credit period, and the interaction of § 1.704–1 with § 1.50–1 (including amending § 1.704–1 as recommended in the comment) is beyond the scope of the final regulations.

Applicability Date

These final regulations apply to taxable years beginning on or after September 18, 2020. However, taxpayers may choose to apply these final regulations for QREs paid or incurred after December 31, 2017, in taxable years beginning before September 18, 2020, provided the taxpayers apply the final regulations in their entirety and in a consistent manner. See section 7805(b)(7).

Special Analyses

This regulation is not subject to review under section 6(b) of Executive Order 12866 pursuant to the Memorandum of Agreement (April 11, 2018) between the Treasury Department and the Office of Management and Budget regarding review of tax regulations.

In accordance with the Regulatory Flexibility Act (5 U.S.C. chapter 6), it is hereby certified that these final regulations will not have a significant economic impact on a substantial number of small entities. Although the rules may affect small entities, data are not readily available about the number of taxpayers affected. The economic impact of these regulations is not likely to be significant, however, because these final regulations substantially incorporate statutory changes made to section 47 by the TCJA that have been effective for QREs paid or incurred after December 31, 2017. The final regulations will assist taxpayers in understanding the changes to section 47 and make it easier for taxpayers to comply with those changes and section 50, which was not changed by the TCJA.

Pursuant to section 7805(f) of the Internal Revenue Code, these regulations were submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on their impact on small business. No comments were received from the Small Business Administration.

Drafting Information

The principal author of these final regulations is Barbara J. Campbell, Office of the Associate Chief Counsel (Passthroughs and Special Industries), IRS. However, other personnel from the Treasury Department and the IRS participated in their development.

List of Subjects in 26 CFR Part 1

Income taxes, Reporting and recordkeeping requirements.

Amendments to the Regulations

Accordingly, 26 CFR part 1 is amended as follows:

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 1.47–7 is added to read as follows:

§ 1.47–7 Rehabilitation credit allocated over a 5-year period.

(a) *In general.* For purposes of section 46, for any taxable year during the 5-year period beginning in the taxable year in which a qualified rehabilitated building, as defined in section 47(c)(1) and § 1.48–12(b), is placed in service, the rehabilitation credit for the taxable year is an amount equal to the ratable share for the taxable year, provided the requirements of section 47 are satisfied. Except as provided by section 13402(c)(2) of Public Law 115–97, 131 Stat. 2054 (2017), this section applies with respect to qualified rehabilitation expenditures, as defined in section 47(c)(2) and § 1.48–12(c), paid or incurred after December 31, 2017.

(b) *Ratable share.* For purposes of paragraph (a) of this section, the term *ratable share* means, for any taxable year during the 5-year period described in such paragraph, the amount equal to 20 percent of the rehabilitation credit determined with respect to the qualified rehabilitated building, allocated ratably to each year during such period.

(c) *Rehabilitation credit determined.* The term *rehabilitation credit determined* means the amount equal to 20 percent of the qualified rehabilitation expenditures, as defined in section 47(c)(2) and § 1.48–12(c), taken into account under section 47(b)(1) for the taxable year in which the qualified rehabilitated building is placed in service. However, if the taxpayer claims the additional first year depreciation for the qualified rehabilitation expenditures pursuant to § 1.168(k)–2(g)(9), the term *rehabilitation credit determined* means the amount equal to 20 percent of the remaining rehabilitated basis, as defined in § 1.168(k)–2(g)(9)(i)(B), of the qualified rehabilitated building for the taxable year in which such building is placed in service.

(d) *Coordination with section 50.* For purposes of section 50 and § 1.50–1, the amount of the rehabilitation credit determined is the amount defined in paragraph (c) of this section.

(e) *Examples.* The provisions of paragraphs (a) through (d) of this section are illustrated by the following examples. Assume that the additional first year depreciation deduction provided by section 168(k) is not allowed or allowable for the qualified rehabilitation expenditures.

(1) *Example 1: Rehabilitation Credit Determined and Ratable Share.* Between February 1, 2021 and October 1, 2021, X, a calendar year C corporation, incurred qualified rehabilitation expenditures of $200,000 with respect to a qualified rehabilitated building. X placed the building in service on October 15, 2021. X's rehabilitation credit determined in 2021 under paragraph (c) of this section is $40,000 ($200,000 × 0.20). For purposes of section 46, for each taxable year during the 5-year period beginning in 2021, the ratable share allocated under paragraph (b) of this section for the year is $8,000 ($40,000 × 0.20).

(2) *Example 2: Coordination with section 50(c).* The facts are the same as in paragraph (e)(1) of this section (Example 1). For purposes of determining the amount of X's basis adjustment in 2021 under section 50(c), the amount of the rehabilitation credit determined under paragraph (c) of this section is $40,000.

(3) *Example 3: Coordination with section 50(a).* The facts are the same as in paragraph (e)(1) of this section (Example 1). In 2021 and 2022, X claimed the full amount of the ratable share allowed under section 46, or $8,000 per taxable year. X's total allowable ratable share for 2023 through 2025 is $24,000 ($8,000 allowable per taxable year). On November 1, 2023, X disposes of the qualified rehabilitated building. Under section 50(a)(1)(B)(iii), because the period of time between when the qualified rehabilitated building was placed in service is more than two, but less than 3 full years, the applicable recapture percentage is 60%. Based on these facts, X has an increase in tax of $9,600 under section 50(a) ($16,000 of credit claimed in 2021 and 2022 × 0.60) and has $3,200 of credits remaining in each of 2023 through 2025, after forgoing $4,800 in credits in each of the years 2023 through 2025 ($8,000 × 0.60).

(4) *Example 4: Coordination with section 50(d)(5) and § 1.50–1; C corporation lessee.* X, a calendar year C corporation, leases nonresidential real property from Y. The property is a qualified rehabilitated building that is placed in service on October 15, 2021. Under paragraph (c) of this section, the amount of the rehabilitation credit determined is $100,000. Y elects under § 1.48–4 to treat X as having acquired the property. The shortest recovery period that could be available to the property under section 168 is 39 years. Because Y has elected to treat X as having acquired the property, Y does not reduce its basis in the property under section 50(c). Instead, pursuant to section 50(d)(5) and § 1.50–1, X, the lessee of the property, must include ratably in gross income over 39 years an amount equal to the rehabilitation credit determined with respect to such property.

(5) *Example 5: Coordination with section 50(d)(5) and § 1.50–1; partnership lessee.* A and B, calendar year taxpayers, form a partnership, the AB partnership, that leases nonresidential real property from Y. The property is a qualified rehabilitated building that is placed in service on October 15, 2021. Under paragraph (c) of this section, the amount of the rehabilitation credit determined is $200,000. Y elects under § 1.48–4 to treat the AB partnership as having acquired the property. The shortest recovery period that could be available to the property under section 168 is 39 years. Because Y has elected to treat the AB partnership as having acquired the property, Y does not reduce its basis in the building under section 50(c). Instead, A and B, the ultimate credit claimants, as defined in § 1.50–1(b)(3)(ii), must include the amount of the rehabilitation credit determined under paragraph (c) of this section with respect to A and B ratably in gross income over 39 years, the shortest recovery period available with respect to such property.

(f) *Applicability date.*

This section applies to taxable years beginning on or after September 18, 2020. Taxpayers may choose to apply this section for taxable years beginning before September 18, 2020, provided the taxpayer applies this section in its entirety and in a consistent manner.

Sunita Lough,

Deputy Commissioner for Services and Enforcement.

Approved: September 4, 2020.

David J. Kautter,

Assistant Secretary of the Treasury (Tax Policy).

[FR Doc. 2020–20671 Filed 9–16–20; 4:15 pm]

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DEPARTMENT OF HOMELAND SECURITY

Coast Guard

33 CFR Parts 1, 2, 3, 5, 6, 8, 13, 17, 23, 25, 26, 27, 40, 45, 50, 51, 52, 55, 62, 64, 66, 67, 70, 72, 74, 76, 80, 82, 83, 100, 101, 103, 104, 105, 106, 107, 109, 114, 115, 117, 118, 125, 126, 127, 143, 145, 146, 148, 149, 150, 151, 153, 154, 155, 156, 160, 161, 162, 164, 165, 166, 167, 169, and 177

46 CFR Parts 1, 2, 4, 7, 8, 16, 28, 30, 35, 39, and 68

[Docket No. USCG–2020–0304]

Navigation and Navigable Waters, and Shipping; Technical, Organizational, and Conforming Amendments

AGENCY: Coast Guard, DHS.

ACTION: Final rule.

SUMMARY: This final rule makes non-substantive technical, organizational, and conforming amendments to existing Coast Guard regulations. In addition, this technical amendment updates the statutory authority citations for many Coast Guard regulations since the Frank LoBiondo Coast Guard Authorization Act of 2018 redesignated existing United States Code provisions into new titles and sections. This rule will have no substantive effect on the regulated public.

DATES: This final rule is effective September 18, 2020.

ADDRESSES: To view documents mentioned in this preamble as being available in the docket, go to *https://www.regulations.gov,* type USCG–2020–0304 in the ''SEARCH'' box and click ''SEARCH.'' Click on Open Docket Folder on the line associated with this rule.

FOR FURTHER INFORMATION CONTACT: For information about this document call or email Kate Sergent, Coast Guard; telephone 202–372–3860, email *kate.e.sergent@uscg.mil.*

SUPPLEMENTARY INFORMATION: