

§ 1.937-2 [Amended]

■ **Par. 11.** In § 1.937-2 amend paragraph (d) by removing “§ 1.863-3(f)” and adding in its place “§ 1.863-3(e)”.

§ 1.937-3 [Amended]

■ **Par. 12.** In § 1.937-3 amend paragraph (d) by removing “§ 1.863-3(f)” and adding in its place “§ 1.863-3(e)”.

■ **Par. 13.** Section 1.1502-13 is amended by revising paragraph (c)(7)(ii)(N) to read as follows:

§ 1.1502-13 Intercompany transactions.

* * * * *

(c) * * *

(7) * * *

(ii) * * *

(N) *Example (14): Source of income under section 863—(1) Intercompany sale—(i) Facts.* S manufactures inventory property solely in the United States and recognizes \$75x of income on sales to B in Year 1. B conducts further production activity on the inventory property solely in Country Y and then sells the inventory property to X in Country Y and recognizes \$25x of income on the sale to X, also in Year 1. Title passes from S to B, and from B to X, in Country Y. Assume that applying § 1.863-3 on a single entity basis, including the formula for apportionment of multi-country production activities by reference to the basis of production assets, \$10x would be treated as foreign source income and \$90x would be treated as U.S. source income (that is, 10 percent of the production occurred outside the United States and 90 percent occurred within the United States, as measured by the basis of assets used in production activities with respect to the property). Assume further that, on a separate entity basis, S would have \$0x of foreign source income and \$75x of U.S. source income and all of B's \$25x of income would be foreign source income.

(ii) *Analysis.* Under the matching rule, both S's \$75x intercompany item and B's \$25x corresponding item are taken into account in Year 1. In determining the source of S and B's income from the inventory property sales, the attributes of S's intercompany item and B's corresponding item are redetermined to the extent necessary to produce the same effect on consolidated taxable income (and consolidated tax liability) as if S and B were divisions of a single corporation. See paragraph (c)(1)(i) of this section. On a single entity basis, S and B would have \$10x that would be treated as foreign source income and \$90x that would be treated as U.S. source income, but without application of this section (that is, on a separate

entity basis), S would have \$75x of U.S. source income and B would have \$25x of foreign source income. Under paragraph (c)(4)(ii) of this section, a redetermined attribute must be allocated between S and B using a reasonable method. On a separate entity basis B would have only foreign source income and S would have only U.S. source income. Accordingly, under paragraph (c)(1)(i) of this section, \$15x of B's \$25x sales income that would be treated as foreign source income on a separate entity basis is redetermined to be U.S. source income.

(2) Sale of property reflecting intercompany services or intangibles—

(i) *Facts.* S earns \$10x of income performing services in the United States for B. B capitalizes S's fees into the basis of inventory property that it manufactures in the United States and sells to an unrelated person in Year 1 at a \$90x profit, with title passing in Country Y. Assume that on a single entity basis, \$100x is treated as U.S. source income and \$0x is treated as foreign source income. Further assume that on a separate entity basis, S would have \$10x of U.S. source income, and B would have \$90x of U.S. source income, with neither having any foreign source income.

(ii) *Analysis.* Under the matching rule, S's \$10x income and B's \$90x income are taken into account in Year 1. In determining the source of S and B's income, the attributes of S's intercompany item and B's corresponding item are redetermined to the extent necessary to produce the same effect on consolidated taxable income (and consolidated tax liability) as if S and B were divisions of a single corporation. Because the results are the same on a single entity basis and a separate entity basis (\$100x of U.S. source income and \$0x of foreign source income), the attributes are not redetermined under paragraph (c)(1)(i) of this section.

Sunita Lough,

Deputy Commissioner for Services and Enforcement.

Approved: September 21, 2020.

David J. Kautter,

Assistant Secretary of the Treasury (Tax Policy).

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DEPARTMENT OF THE TREASURY**Internal Revenue Service****26 CFR Part 1**

[TD 9902]

RIN 1545-BP15

Guidance Under Sections 951A and 954 Regarding Income Subject to a High Rate of Foreign Tax; Correcting Amendment

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Correcting amendments.

SUMMARY: This document contains corrections to Treasury Decision 9902, which was published in the **Federal Register** on Thursday, July 23, 2020. Treasury Decision 9902 contained final regulations under the global intangible low-taxed income and subpart F income provisions of the Internal Revenue Code regarding the treatment of income that is subject to a high rate of foreign tax.

DATES: This correction is effective on December 11, 2020.

FOR FURTHER INFORMATION CONTACT: Jorge M. Oben or Larry R. Pounders at (202) 317-6934 (not a toll-free number).

SUPPLEMENTARY INFORMATION:**Background**

The final regulations (TD 9902) that are the subject of this correction are issued under section 951A of the Code.

Need for Correction

As published on July 23, 2020 (85 FR 44620) the final regulations (TD 9902) contain errors that need to be corrected.

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 1.951A-2 is amended by:

■ a. Revising the third sentence of paragraph (c)(3)(ii)(B).

■ b. Revising paragraphs (c)(7)(iii)(B)(2) and (c)(7)(viii)(A)(2)(ii).

■ c. Revising the first sentence of paragraph (c)(7)(viii)(A)(4) introductory text.

- d. Revising paragraph (c)(7)(viii)(A)(4)(i).
- e. Redesignating paragraph (c)(8)(iii)(C)(2)(vii) as paragraph (c)(8)(iii)(C)(2)(vii).
- f. Removing “DE1Y” in paragraph (c)(8)(iii)(D)(6)(i) and adding in its place “FDE1Y”.
- g. Removing “CFC1X” in paragraph (c)(8)(iii)(D)(6)(iii) and adding in its place “CFC2X”.

The revisions read as follows:

§ 1.951A–2 Tested income and tested loss.

* * * * *

(c) * * *

(3) * * *

(ii) * * *

(B) * * * Therefore, for example,

interest expense that is apportioned under the modified gross income method to a tentative gross tested income item of a lower-tier corporation under paragraph (c)(7)(iii)(A) of this section may be allocated and apportioned to the tested income of the upper-tier corporation or to the residual grouping, depending on whether the lower-tier corporation’s tentative gross tested income item is an item of gross tested income or is excluded from gross tested income under the high-tax exclusion. * * *

* * * * *

(7) * * *

(iii) * * *

(B) * * *

(2) In the case of payments to a tested unit that is treated as a foreign branch under paragraph (c)(7)(iii)(B)(1) of this section, applying the principles of § 1.904–6(a)(2)(ii) and (iii) as if the tested unit receiving the payment were a foreign branch owner (and as if the tested unit making the payment were a foreign branch); and

* * * * *

(viii) * * *

(A) * * *

(2) * * *

(i) Each United States shareholder that owns within the meaning of section 958(a) (including both domestic partnerships that are United States shareholders that own stock within the meaning of section 958(a) without regard to § 1.951A–1(e)(1) and partners of a domestic partnership that are United States shareholders that are treated as owning stock within the meaning of section 958(a) by reason of § 1.951A–1(e)(1)) stock of the controlled foreign corporation as of the end of the CFC’s taxable year to which the election relates must file amended Federal income tax returns (or timely original federal income tax returns if a return has not yet been filed) reflecting the

effect of such election (or revocation) for the U.S. shareholder inclusion year with or within which the CFC inclusion year ends as well as for any other taxable year in which the U.S. tax liability of the United States shareholder would be increased by reason of the election (or revocation) (or in the case of a partnership if any item reported by the partnership or any partnership-related item would change as a result of the election (or revocation)) within a single period no greater than six months within the 24-month period described in paragraph (c)(7)(viii)(A)(2)(i) of this section; and

* * * * *

(4) A United States shareholder that is a partner in a partnership that is also a United States shareholder in the controlled foreign corporation must generally file an amended return, as required under paragraph (c)(7)(viii)(A)(2)(ii) of this section, and must generally pay any additional tax owed as required under paragraph (c)(7)(viii)(A)(2)(iii) of this section.

* * *

(i) The partnership timely files an administrative adjustment request described in paragraph (c)(7)(viii)(A)(2)(i) or (ii) of this section, as applicable; and,

* * * * *

Crystal Pemberton,

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

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DEPARTMENT OF HOMELAND SECURITY

Coast Guard

33 CFR Part 165

[Docket Number USCG–2020–0641]

RIN 1625–AA08

Safety Zone; Lower Mississippi River, Natchez, MS

AGENCY: Coast Guard, DHS.

ACTION: Temporary final rule.

SUMMARY: The Coast Guard is establishing a temporary safety zone for all navigable waters of the Lower Mississippi River between Mile Marker (MM) 364.5 and MM 365.5. This action is necessary to provide for the safety of persons, vessels, and the marine environment during a fireworks display. Entry of persons or vessels into this

zone is prohibited unless authorized by the Captain of the Port Sector Lower Mississippi River or a designated representative.

DATES: This rule is effective from 4 p.m. through 7 p.m. on December 31, 2020.

ADDRESSES: To view documents mentioned in this preamble as being available in the docket, go to <https://www.regulations.gov>, type USCG–2020–0641 in the “SEARCH” box and click “SEARCH.” Click on Open Docket Folder on the line associated with this rule.

FOR FURTHER INFORMATION CONTACT: If you have questions on this rule, call or email MSTC Lindsey Swindle, Sector Lower Mississippi River, U.S. Coast Guard; telephone 901–521–4813, email Lindsey.M.Swindle@uscg.mil.

SUPPLEMENTARY INFORMATION:

I. Table of Abbreviations

CFR Code of Federal Regulations
COTP Captain of the Port
DHS Department of Homeland Security
FR Federal Register
NPRM Notice of proposed rulemaking
§ Section
U.S.C. United States Code

II. Background Information and Regulatory History

The Coast Guard is issuing this temporary rule without prior notice and opportunity to comment pursuant to authority under section 4(a) of the Administrative Procedure Act (APA) (5 U.S.C. 553(b)). This provision authorizes an agency to issue a rule without prior notice and opportunity to comment when the agency for good cause finds that those procedures are “impracticable, unnecessary, or contrary to the public interest.” Under 5 U.S.C. 553(b)(B), the Coast Guard finds that good cause exists for not publishing a notice of proposed rulemaking (NPRM) with respect to this rule because it is impracticable. We must establish this safety zone by December 31, 2020, and lack sufficient time to provide a reasonable comment period and then consider those comments before issuing this rule. The NPRM process would delay the establishment of the safety zone until after the date of the event and compromise public safety.

Under 5 U.S.C. 553(d)(3), the Coast Guard finds that good cause exists for making this rule effective less than 30 days after publication in the **Federal Register**. Delaying the effective date of this rule would be impracticable because immediate action is necessary to protect persons and property from the potential hazards associated with the fireworks display.