



LARGE AND MID-SIZE
BUSINESS DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
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MEMORANDUM FOR ALL INDUSTRY DIRECTORS,
DIRECTOR, FIELD SPECIALISTS,
DIRECTOR, PRE-FILING and TECHNICAL
GUIDANCE,
LMSB DIVISION COUNSEL,
ALL EXECUTIVE ASSISTANTS

FROM: Kelly L. Cables /s/ *Kelly L. Cables*
Director, Performance, Quality
Assurance, and Audit Assistance

SUBJECT: Impact of Gulf Opportunity Zone Act (GOZA)
Section 303 on Interest Suspension Rules
under IRC Section 6404(g)

On September 13, 2006, SBSE Director of Examination, Steven Burgess issued a memorandum, "Gulf Opportunity Zone Act (GOZA) Section 303 and Interest Suspension." He clarified the impact of Section 303 of GOZA on interest suspension rules under IRC section 6404(g) for certain listed transactions and undisclosed reportable transactions and amended returns received on or after December 21, 2005.

1. Section 903(c) of the American Jobs Creation Act of 2004 (AJCA) amended IRC section 6404(g) by adding an exception which provides no interest suspension for any reportable transaction where section 6664(d)(2)(A) requirement was not met and any listed transaction as defined in section 6707A(c). Interest suspended on these cases prior to October 3, 2004, began accruing again on October 4, 2004.

2. Section 303(a) of GOZA retroactively repealed interest suspension on listed and undisclosed reportable transactions regardless of whether it accrues interest on or before October 3, 2004, and carved out five exceptions. If one of the following

exceptions applies, interest accruing before October 3, 2004, may be suspended, but begins accruing again on October 4, 2004, if:

- a. As of January 23, 2006 the taxpayer participates in Announcement 2005-80 settlement initiative
 - Unless the taxpayer withdraws or terminates participation in the initiative after January 23, 2006 or
 - The IRS determines a settlement agreement will not be reached within a reasonable time.
- b. As of January 23, 2006 the taxpayer has entered into a legally binding settlement agreement (typically Form 906) pursuant to a settlement initiative whether a public initiative or a settlement initiative where taxpayers known to have participated in a particular transaction are contacted directly by the IRS.
- c. The Secretary of the Treasury may create an exception for any transaction in which the taxpayer has acted reasonably and in good faith. This authority has not been delegated to anyone in the Service.
- d. The period of limitations for assessment of federal income taxes for the taxable year to which interest relates has expired as of December 14, 2005.
- e. As of December 14, 2005, a closing agreement under IRC section 7121 has been entered into with respect to liability arising from the transaction.

3. Section 303(b) of GOZA also clarified that if the taxpayer files an amended return (or another document) showing additional liability, the date the Service received the amended return is the start date of the 18-month period for providing a report to the taxpayer. This is for amended returns received on or after December 21, 2005.

The memorandum may be found at:

http://sbse.web.irs.gov/opi/memos/goza_memo.htm. Specific case processing instructions are provided. LMSB personnel at all levels will follow this memorandum and the attached procedures. This directive updates my memorandum "Section 903, American Jobs Creation Act of 2004 - Suspension of Interest for Cases Involving Individual Tax Shelters (Listed and Reportable Transactions) dated February 2, 2005.

If you have any questions contact me at 202-283-8334. Field personnel may contact Senior Program Analyst Tom Jenkins at 317-685-7529.

