

**DEPARTMENT OF THE TREASURY**

**Internal Revenue Service**

**26 CFR Part 1**

[TD 9362]

RIN 1545-BG23

**Foreign Tax Credit: Notification of Foreign Tax Redeterminations; Correction**

**AGENCY:** Internal Revenue Service (IRS), Treasury.

**ACTION:** Correcting amendments.

**SUMMARY:** This document contains corrections to temporary regulations (TD 9362) that were published in the **Federal Register** on Wednesday, November 7, 2007 (72 FR 62771) relating to a United States taxpayer's obligation under section 905(c) of the Internal Revenue Code to notify the IRS of a foreign tax redetermination, which is a change in the taxpayer's foreign tax liability that may affect the taxpayer's foreign tax credit and also relating to the civil penalty under section 6689 for failure to notify the IRS of a foreign tax redetermination as required under section 905(c).

**DATES:** The correction is effective December 19, 2007.

**FOR FURTHER INFORMATION CONTACT:** Teresa Burridge Hughes, (202) 622-3850 (not a toll-free number).

**SUPPLEMENTARY INFORMATION:**

**Background**

The temporary regulations (TD 9362) that are the subject of the correction are under section 905(c) of the Internal Revenue Code.

**Need for Correction**

As published, temporary regulations (TD 9362) contain errors that may prove to be misleading and are in need of clarification.

**List of Subject 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 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 1.905-3T is amended by revising the eighth sentence of

paragraph (d)(3)(iii) *Example.* (i), the first sentence of paragraph (d)(3)(iii) *Example.* (ii), and the third and last sentences of paragraph (d)(3)(iii) *Example.* (iii) as follows:

**§ 1.905-3T Adjustments to United States tax liability and to the pools of post-1986 undistributed earnings and post-1986 foreign income taxes as a result of a foreign tax redetermination (temporary).**

\* \* \* \* \*

(d) \* \* \*

(3) \* \* \*

(iii) \* \* \*

*Example.* \* \* \*

(i) \* \* \* In 2009, CFC paid its actual foreign tax liability for 2008 of 80u. \* \* \*

(ii) *Result in 2009.* If the 20u overaccrual of tax for 2008 were taken into account in 2008, CFC's general category post-1986 undistributed earnings would be 1,020u, CFC's general category post-1986 foreign income taxes would be \$280, and P would be deemed to pay \$27.45 of tax with respect to the 2008 distribution of 100u (100u/1020u × \$280 = \$27.45). \* \* \*

(iii) \* \* \* As determined in 2011, CFC's post-1986 undistributed earnings for 2009 are 1350u (1,100u as revised for 2008, less 100u distributed in 2008, plus 350u earned in 2009), and its post-1986 foreign income taxes for 2009 are \$281.82 (\$200 as revised for 2008, less \$18.18 deemed paid in 2008, plus \$100 accrued for 2009). As redetermined in 2011, P's deemed paid credit with respect to the 100u distribution from CFC in 2009 is \$20.88 (100u/1350u × \$281.82).

\* \* \* \* \*

■ **Par. 3.** Section 1.905-4T is amended by revising the last sentence of paragraph (b)(4) and the second sentence of paragraph (f)(2)(ii) as follows:

**§ 1.905-4T Notification of foreign tax redetermination (temporary).**

\* \* \* \* \*

(b) \* \* \*

(4) \* \* \* Because the date for notifying the IRS of the foreign tax redetermination under paragraph (b)(1)(ii) of this section precedes the date of the opening conference concerning the examination of the return for X's 2008 taxable year, paragraph (b)(3) of this section does not apply, and X must notify the IRS of the foreign tax redetermination by filing a amended return, Form 1118, and the statement required in paragraph (c) of this section for the 2008 taxable year by September 15, 2010.

\* \* \* \* \*

(f) \* \* \*

(2) \* \* \*

(ii) \* \* \* Such notification must be filed no later than the due date (with extensions) of the original return for the taxpayer's first taxable year following

the taxable year in which these regulations are first applicable. \* \* \*

**LaNita Van Dyke,**

*Chief, Publications and Regulations Branch, Legal Processing Division, Associate Chief Counsel (Procedure and Administration).*

[FR Doc. E7-24674 Filed 12-18-07; 8:45 am]

BILLING CODE 4830-01-P

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**ACTION:** Correction to temporary regulations.

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**SUPPLEMENTARY INFORMATION:**

**Background**

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**Need for Correction**

As published, temporary regulations (TD 9362) contain an error that may prove to be misleading and is in need of clarification.

**Correction of Publication**

Accordingly, the publication of the temporary regulations (TD 9362), which were the subject of FR Doc. E7-21766, is corrected as follows: