

FOR FURTHER INFORMATION CONTACT:
Jeffrey L. Parry, (202) 622-3850 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

The final regulations that are the subject of this correction are under sections 367(b) and 381 of the Internal Revenue Code.

Need for Correction

As published, final regulations (TD 9273) contain errors that may prove to be misleading and are in need of clarification.

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. 7.** Section 1.367(b)-7(f)(1)(iii) *Example 1* (iii) is amended by revising the last sentence of paragraph (A) and paragraph (B) to read as follows:

§ 1.367(b)-7 Carryover of earnings and profits and foreign income taxes in certain foreign-to-foreign non-recognition transactions.
* * * * *

(f) * * *

(1) * * *

(iii) * * *

Example 1 * * *

(A) * * * The 100u offset under section 952(c)(1)(B) does not result in a reduction of the hovering deficit for purposes of section 316 or section 902.

(B) Foreign surviving corporation A's 100u of subpart F income not included in income by USP will accumulate and be added to its post-1986 undistributed earnings as of the beginning of 2009. This 100u of post-transaction earnings will be offset by the (100u) hovering deficit. Because the amount of earnings offset by the hovering deficit is 100% of the total amount of the hovering deficit, all \$25 of the related taxes are added to the post-1986 foreign income taxes pool as well. Accordingly, foreign surviving corporation A has the following post-1986 undistributed earnings and post-1986 foreign income taxes on January 1, 2009:

Separate category	Earnings & profits		Foreign taxes	
	Positive E&P	Hovering deficit	Foreign taxes available	Foreign taxes associated with hovering deficit
General	0u	(0u)	\$45	\$0

* * * * *

LaNita Van Dyke,
Chief, Publications and Regulations Branch, Legal Processing Division, Associate Chief Counsel (Procedure and Administration).
[FR Doc. E6-20728 Filed 12-6-06; 8:45 am]
BILLING CODE 4830-01-P

DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

[TD 9293]

RIN 1545-BF88

TIPRA Amendments to Section 199; Correction

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Correcting amendments.

SUMMARY: This document contains corrections to final and temporary regulations (TD 9293) that were published in the **Federal Register** on Thursday, October 19, 2006 (71 FR 61662) concerning the amendments made by the Tax Increase Prevention and Reconciliation Act of 2005 to section 199 of the Internal Revenue Code.

DATES: This correction is effective October 19, 2006.

FOR FURTHER INFORMATION CONTACT:
Concerning §§ 1.199-2T(e)(2) and 1.199-8T(i)(5), Paul Handleman or Lauren Ross Taylor, (202) 622-3040; concerning §§ 1.199-3T(i)(7) and (8), and 1.199-5T, Martin Schaffer, (202) 622-3080; and concerning §§ 1.199-7T(b)(4) and 1.199-8T(i)(6), Ken Cohen, (202) 622-7790 (not toll-free numbers).

SUPPLEMENTARY INFORMATION:

Background

The final and temporary regulations that are the subject of this correction are under section 199 of the Internal Revenue Code.

Need for Correction

As published, final and temporary regulations (TD 9293) contain errors that may prove to be misleading and are in need of clarification.

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 amendments:

PART 1—INCOME TAXES

■ **Paragraph 1.** The authority citation for part 1 is amended by adding entries

in numerical order to read in part as follows:

Authority: 26 U.S.C. 7805 * * *
Section 1.199-5T also issued under 26 U.S.C. 199(d). * * *
Section 1.199-7T also issued under 26 U.S.C. 199(d). * * *

■ **Par. 4.** Section 1.199-2T(e)(2) is amended by revising the eleventh sentence of *Example 2* paragraph (i) and the seventh sentence of *Example 5* paragraph (iv) to read as follows:

§ 1.199-2T Wage limitation (temporary).

Example 2. * * *

(i) * * * For Y's taxable year ending April 30, 2011, the total square footage of Y's headquarters is 8,000 square feet, of which 2,000 square feet is set aside for domestic production activities. * * *

Example 5. * * *

(iv) * * * The EAG's tentative section 199 deduction is \$360,000 (.09 × (lesser of combined QPAI of \$4,000,000 (B's QPAI of \$4,000,000 + S's QPAI of \$0) or combined taxable income of \$4,200,000 (B's taxable income of \$4,000,000 + S's taxable income of \$200,000))) subject to the W-2 wage limitation of \$50,000 (50% × (\$100,000 (B's W-2 wages) + \$0 (S's W-2 wages))). * * *

■ **Par. 8.** Section 1.199-5T is amended by revising sentences eight through ten of paragraph (e)(4)(ii)(A) and revising paragraph (g) to read as follows:

§ 1.199–5T Application of section 199 to pass-thru entities for taxable years beginning after May 17, 2006, the enactment date of the Tax Increase Prevention and Reconciliation Act of 2005 (temporary).

- (e) * * *
(4) * * *
(ii) * * *

(A) * * * In this step, in this example, the portion of the trustee commissions not directly attributable to the rental operation (\$2,000) is directly attributable to non-trade or business activities. In addition, the state income and personal property taxes are not directly attributable under § 1.652(b)–3(a) to either trade or business or non-trade or business activities, so the portion of those taxes not attributable to either the PRS interests or the rental operation is not a trade or business expense and, thus, is not taken into account in computing QPAI. The portion of the state income and personal property taxes that is treated as an other trade or business expense is \$3,000 (\$5,000 × \$30,000 total trade or business gross receipts/\$50,000 total gross receipts). * * *

* * * * *

(g) *No attribution of qualified activities.* Except as provided in § 1.199–3T(i)(7) regarding qualifying in-kind partnerships and § 1.199–3T(i)(8) regarding EAG partnerships, an owner of a pass-thru entity is not treated as conducting the qualified production activities of the pass-thru entity, and vice versa. This rule applies to all partnerships, including partnerships that have elected out of subchapter K under section 761(a). Accordingly, if a partnership manufactures QPP within the United States, or produces a qualified film or produces utilities in the United States, and distributes or leases, rents, licenses, sells, exchanges, or otherwise disposes of such property to a partner who then, without performing its own qualifying activity, leases, rents, licenses, sells, exchanges, or otherwise disposes of such property, then the partner's gross receipts from this latter lease, rental, license, sale, exchange, or other disposition are treated as non-DPGR. In addition, if a partner manufactures QPP within the United States, or produces a qualified film or produces utilities in the United States, and contributes or leases, rents, licenses, sells, exchanges, or otherwise disposes of such property to a partnership which then, without performing its own qualifying activity, leases, rents, licenses, sells, exchanges, or otherwise disposes of such property, then the partnership's gross receipts

from this latter disposition are treated as non-DPGR.

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LaNita Van Dyke,

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

[FR Doc. E6–20724 Filed 12–6–06; 8:45 am]

BILLING CODE 4830–01–P

DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

[TD 9292]

RIN 1545–BB11

Partner's Distributive Share: Foreign Tax Expenditures; Correction

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Correcting amendments.

SUMMARY: This document contains correction to final regulations (TD 9292) that were published in the **Federal Register** on Thursday, October 19, 2006 (71 FR 61648) regarding the allocation of creditable foreign tax expenditures by partnerships.

DATES: The correction is effective October 19, 2006.

FOR FURTHER INFORMATION CONTACT:

Timothy J. Leska, (202) 622–3050 or Michael I. Gilman (202) 622–3850 (not toll-free numbers).

SUPPLEMENTARY INFORMATION:

Background

The correction notice that is the subject of this document is under section 704 of the Internal Revenue Code.

Need for Correction

As published, final regulations (TD 9292) contain errors that may prove to be misleading and are in need of clarification.

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 1.704–1 is amended by revising instructional Par. 2, number 2 to read as follows:

1. * * *

2. The heading and text of paragraphs (b)(1)(ii)(b), and (b)(5) *Examples 25* through 27 are revised.

* * * * *

■ **Par. 3.** Section 1.704–1(d)(5) is amended by revising *Example 25* paragraph (ii), the ninth sentence and *Example 26* paragraph (ii), the eighth sentence to read as follows:

§ 1.704–1 Partner's distributive share.

* * * * *

Example 25. * * *

(ii) * * * Accordingly, the country X taxes will be reallocated according to the partners' interests in the partnership.

Example 26. * * *

(ii) * * * Because AB's partnership agreement allocates the \$80,000 of country X taxes and \$40,000 of country Y taxes in proportion to the distributive shares of income to which such taxes relate, the allocations are deemed to be in accordance with the partners' interests in the partnership under paragraph (b)(4)(viii) of this section.

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LaNita Van Dyke,

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

[FR Doc. E6–20722 Filed 12–6–06; 8:45 am]

BILLING CODE 4830–01–P

DEPARTMENT OF HOMELAND SECURITY

Coast Guard

33 CFR Part 117

[CGD08–06–005]

RIN 1625–AA09

Drawbridge Operation Regulations; Arkansas Waterway, Arkansas

AGENCY: Coast Guard, DHS.

ACTION: Final rule.

SUMMARY: The Coast Guard is revising the drawbridge operations for the Rob Roy Drawbridge across the Arkansas Waterway at Mile 67.4 at Pine Bluff, Arkansas, the Baring Cross Railroad Drawbridge across the Arkansas Waterway at Mile 119.6 at Little Rock, Arkansas, and the Van Buren Railroad Drawbridge across the Arkansas Waterway at Mile 300.8 at Van Buren, Arkansas, to reflect the actual procedures currently being followed. In addition, the following three bridges will be removed from 33 CFR 117.123 as they are locked in the open-to-