

The IRS and Treasury Department are aware that guidance may be needed under section 101(j) and request comments on that provision as well. In particular, comments are requested on the need for guidance concerning (1) determination of the status of insured individuals as “highly compensated employees” or “highly compensated individuals;” (2) requirements a taxpayer must meet to satisfy the notice and consent requirements of section 101(j)(4); and (3) the consequences of a section 1035 exchange of an employer-owned life insurance contract. The IRS and Treasury Department anticipate that future guidance, if any, under section 101(j) will not be applied retroactively to the detriment of taxpayers who make a good faith effort to comply with section 101(j) based on a reasonable interpretation of that provision.

Drafting Information

The principal author of these regulations is Linda K. Boyd, Office of Associate Chief Counsel (Financial Institutions & Products). However, other personnel from the IRS and Treasury Department participated in their development.

* * * * *

Proposed Amendments to the Regulations

Accordingly, 26 CFR part 1 is proposed to be amended as follows:

PART 1—INCOME TAXES

Paragraph 1. The authority citation for part 1 is amended by adding an entry in numerical order to read in part as follows:

Authority: 26 U.S.C. 7805 * * *

Section 1.6039I-1 also issued under 26 U.S.C. 6039I. * * *

Par. 2. Section 1.6039I-1 is added to read as follows:

§1.6039I-1 Reporting of certain employer-owned life insurance contracts.

[The text of this proposed section is the same as the text of §1.6039I-1T published elsewhere in this issue of the bulletin].

Linda E. Stiff,
Deputy Commissioner for
Services and Enforcement.

(Filed by the Office of the Federal Register on November 9, 2007, 8:45 a.m., and published in the issue of the Federal Register for November 13, 2007, 72 F.R. 63838)

Suspension of Tax-Exempt Status of an Organization Identified With Terrorism

Announcement 2007-113

I. Purpose

This announcement is a public notice of the suspension under section 501(p) of the Internal Revenue Code of the federal tax exemption of a certain organization that has been designated as supporting or engaging in terrorist activity or supporting terrorism. Contributions made to an organization during the period that the organization's tax-exempt status is suspended are not deductible for federal tax purposes.

II. Background

The federal government has designated a number of organizations as supporting or engaging in terrorist activity or supporting terrorism under the Immigration and Nationality Act, the International Emergency Economic Powers Act, and the United Nations Participation Act of 1945. Federal law prohibits most contributions to organizations that have been so designated.

Section 501(p) of the Code was enacted as part of the Military Family Tax Relief Act of 2003 (P. L. 108-121), effective November 11, 2003. Section 501(p)(1) suspends the exemption from tax under section 501(a) of any organization described in section 501(p)(2). An organization is described in section 501(p)(2) if the organization is designated or otherwise individually identified (1) under certain provisions of the Immigration and Nationality Act as a terrorist organization or foreign terrorist organization; (2) in or pursuant to an Executive Order which is related to terrorism and issued under the authority of the International Emergency Economic Powers Act or section 5 of the United Nations Participation Act of 1945 for the purpose of imposing on such organization an economic or other sanction; or (3) in or pursuant to an Executive Order issued under the authority of any federal

law, if the organization is designated or otherwise individually identified in or pursuant to the Executive Order as supporting or engaging in terrorist activity (as defined in the Immigration and Nationality Act) or supporting terrorism (as defined in the Foreign Relations Authorization Act) and the Executive Order refers to section 501(p)(2).

Under section 501(p)(3) of the Code, suspension of an organization's tax exemption begins on the date of the first publication of a designation or identification with respect to the organization, as described above, or the date on which section 501(p) was enacted, whichever is later. This suspension continues until all designations and identifications of the organization are rescinded under the law or Executive Order under which such designation or identification was made.

Under section 501(p)(4) of the Code, no deduction is allowed under any provision of the Internal Revenue Code for any contribution to an organization during any period in which the organization's tax exemption is suspended under section 501(p). Thus, for example, no charitable contribution deduction is allowed under section 170 (relating to the income tax), section 545(b)(2) (relating to undistributed personal holding company income), section 556(b)(2) (relating to undistributed foreign personal holding company income), section 642(c) (relating to charitable set asides), section 2055 (relating to the estate tax), section 2106(a)(2) (relating to the estate tax for nonresident aliens) and section 2522 (relating to the gift tax) for contributions made to the organization during the suspension period.

On November 15, 2007, the organization listed below was designated under Executive Order 13224, entitled “Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten To Commit, or Support Terrorism.”

III. Notice of Suspension and Non-deductibility of Contributions

The organization whose tax exemption has been suspended under section 501(p) and the effective date of such suspension are listed below. Contributions made to this organization during the period of suspension are not deductible for federal tax purposes.

Tamils Rehabilitation Organization Inc.
Cumberland, MD
Effective date: 11-15-07

IV. Federal Tax Filings

An organization whose exempt status has been suspended under section 501(p) does not file Form 990 and is required to file the appropriate Federal income tax returns for the taxable periods beginning on the date of the suspension. The organization must continue to file all other appropriate federal tax returns, including employment tax returns, and may also have to file federal unemployment tax returns.

V. Contact Information

For additional information regarding the designation or identification of an organization described in section 501(p)(2), contact the Compliance Division at the Office of Foreign Assets Control of the U.S. Treasury Department at 202-622-2490. Additional information is also available for download from the Office's Internet Home Page at www.treas.gov/offices/eotffc/ofac/index.html

For additional information regarding the suspension of the federal tax exemption of an organization under section 501(p), contact Ward L. Thomas at (202) 283-8913 at the Internal Revenue Service.

Deletions From Cumulative List of Organizations Contributions to Which are Deductible Under Section 170 of the Code

Announcement 2007-115

The Internal Revenue Service has revoked its determination that the organizations listed below qualify as organizations described in sections 501(c)(3) and 170(c)(2) of the Internal Revenue Code of 1986.

Generally, the Service will not disallow deductions for contributions made to a listed organization on or before the date of announcement in the Internal Revenue Bulletin that an organization no longer qualifies. However, the Service is not precluded from disallowing a deduction

for any contributions made after an organization ceases to qualify under section 170(c)(2) if the organization has not timely filed a suit for declaratory judgment under section 7428 and if the contributor (1) had knowledge of the revocation of the ruling or determination letter, (2) was aware that such revocation was imminent, or (3) was in part responsible for or was aware of the activities or omissions of the organization that brought about this revocation.

If on the other hand a suit for declaratory judgment has been timely filed, contributions from individuals and organizations described in section 170(c)(2) that are otherwise allowable will continue to be deductible. Protection under section 7428(c) would begin on December 17, 2007, and would end on the date the court first determines that the organization is not described in section 170(c)(2) as more particularly set forth in section 7428(c)(1). For individual contributors, the maximum deduction protected is \$1,000, with a husband and wife treated as one contributor. This benefit is not extended to any individual, in whole or in part, for the acts or omissions of the organization that were the basis for revocation.

Somolian Women's Association
Hopkins, MN
The Charitable ASP Family Foundation
Sun City, AZ
Prisma Zona Explorotia De Puerto Rico
San Juan, PR
Design Coalition, Inc.
Madison, WI
RVing Women
Apache Junction, AZ
Black Heritage Society, Inc.
Houston, TX
Affordable Housing USA, Inc.
Camarillo, CA
Consumer Credit Education
and Counseling, Inc.
Huntsville, AL
United Debt Counseling, Inc.
Fort Lauderdale, FL
Chicago Principals and Administrators
Chicago, IL

Withholding Procedure Under Section 1441 for Certain Distributions to Which Section 302 Applies; Correction

Announcement 2007-116

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Correction to notice of proposed rulemaking.

SUMMARY: This document contains corrections to proposed regulations (REG-140206-06, 2007-46 I.R.B. 1006) that were published in the **Federal Register** on Wednesday, October 17, 2007 (72 FR 58781) regarding a withholding agent's obligation to withhold and report tax under Chapter 3 of the Internal Revenue Code when there is a distribution in redemption of stock of a corporation that is actively traded on an established financial market.

FOR FURTHER INFORMATION CONTACT: Kathryn Holman at (202) 622-3840 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

The notice of proposed rulemaking (REG-140206-06) that is the subject of this correction is under section 1441 of the Internal Revenue Code.

Need for Correction

As published, this notice of proposed rulemaking (REG-140206-06) contains an error that may prove to be misleading and is in need of clarification.

Correction of Publication

Accordingly, the notice of proposed rulemaking (REG-140206-06) that was the subject of FR. Doc. E7-20504 is corrected as follows:

On page 58781, column 3, in the preamble, under the caption "FOR FURTHER INFORMATION CONTACT:", line 2, the language "Kathryn Holman, (202) 622-3440 (not a)" is corrected to read "Kathryn Holman, (202) 622-3840 (not a)".