

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 1.465–8 also issued under 26 U.S.C. 465. * * *

Section 1.465–20 also issued under 26 U.S.C. 465. * * *

Par. 2. Section 1.465–8, as proposed at 44 FR 32238 (June 5, 1979), is amended as follows:

1. Paragraphs (a) and (b)(1) are revised.

2. The last sentence of paragraph (c)(1) is revised.

3. The second sentence of paragraph (d)(1) is revised.

4. Paragraph (e) is added.

The revisions and additions read as follows:

§ 1.465–8 General rules; interest other than that of a creditor.

(a) *In general*—(1) *Amounts borrowed.* This section applies to amounts borrowed for use in an activity described in section 465(c)(1) or (c)(3)(A). Amounts borrowed with respect to an activity will not increase the borrower's amount at risk in the activity if the lender has an interest in the activity other than that of a creditor or is related to a person (other than the borrower) who has an interest in the activity other than that of a creditor. This rule applies even if the borrower is personally liable for the repayment of the loan or the loan is secured by property not used in the activity. For additional rules relating to the treatment of amounts borrowed from these persons, see § 1.465–20.

(2) *Certain borrowed amounts excepted.* (i) For purposes of determining a corporation's amount at risk, an interest in the corporation as a shareholder is not an interest in any activity of the corporation. Thus, amounts borrowed by a corporation from a shareholder may increase the corporation's amount at risk.

(ii) For purposes of determining a taxpayer's amount at risk in an activity of holding real property, paragraph (a)(1) of this section does not apply to financing that is secured by real property used in the activity and is either—

(A) Qualified nonrecourse financing described in section 465(b)(6)(B); or

(B) Financing that, if it were nonrecourse, would be financing described in section 465(b)(6)(B).

(b) *Loans for which the borrower is personally liable for repayment*—(1) *General rule.* If a borrower is personally

liable for the repayment of a loan for use in an activity, a person shall be considered a person with an interest in the activity other than that of a creditor only if the person has either a capital interest in the activity or an interest in the net profits of the activity.

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(c) * * *

(1) * * * In the case of such a loan a person shall be considered a person with an interest in the activity other than that of a creditor only if the person has either a capital interest in the activity or an interest in the net profits of the activity.

* * * * *

(d) * * *

(1) * * * In the case of such a loan a person shall be considered a person with an interest in the activity other than that of a creditor if the person stands to receive financial gain (other than interest) from the activity or from the sale of interests in the activity.

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(e) *Effective date.* This section applies to amounts borrowed after the date this section is published as a final regulation in the **Federal Register**.

Par. 3. Section 1.465–20, as proposed at 44 FR 32241 (June 5, 1979), is amended as follows:

1. Paragraphs (a) and (b) are revised.

2. Paragraph (d) is added.

The revisions and additions read as follows:

§ 1.465–20 Treatment of amounts borrowed from certain persons and amounts protected against loss.

(a) *General rule.* The following amounts are treated in the same manner as borrowed amounts for which the taxpayer has no personal liability and for which no security is pledged—

(1) Amounts that do not increase the taxpayer's amount at risk because they are borrowed from a person who has an interest in the activity other than that of a creditor or from a person who is related to a person (other than the taxpayer) who has an interest in the activity other than that of a creditor; and

(2) Amounts (whether or not borrowed) that are protected against loss.

(b) *Interest other than that of a creditor; cross reference.* See § 1.465–8 for additional rules relating to amounts borrowed from a person who has an interest in the activity other than that of a creditor or is related to a person (other than the taxpayer) who has an interest in the activity other than that of a creditor.

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(d) *Effective date.* This section applies to amounts borrowed after the date this section is published as a final regulation in the **Federal Register**.

Robert E. Wenzel,

Deputy Commissioner for Services and Enforcement.

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DEPARTMENT OF THE INTERIOR

Minerals Management Service

30 CFR Parts 250 and 254

RIN 1010–AC57

Oil and Gas and Sulphur Operations in the Outer Continental Shelf—Incident Reporting Requirements

AGENCY: Minerals Management Service (MMS), Interior.

ACTION: Notice of Proposed Rulemaking.

SUMMARY: This proposed rule revises and clarifies MMS requirements for reporting incidents associated with Outer Continental Shelf (OCS) oil and gas and other mineral operations. It adds a requirement for written reports and proposes the use of two new MMS report forms. The written reports must be submitted electronically. MMS has developed these reporting requirements in conjunction with the U.S. Coast Guard (USCG) and intends them to be as consistent as possible with USCG requirements for incidents where the two agencies have mutual interest and responsibilities. MMS is also working with the USCG to develop a single point electronic reporting system that would allow incident reports submitted through this single point to be sent to both agencies. This will help minimize duplicative reporting required by the two agencies.

DATES: We will consider all comments we receive by October 6, 2003. We will begin reviewing comments then and may not fully consider comments we receive after October 6, 2003.

ADDRESSES: If you wish to comment, mail or hand-carry comments (three copies) to the Department of the Interior; Minerals Management Service; Mail Stop 4024; 381 Elden Street; Herndon, Virginia 20170–4817; Attention: Rules Processing Team (Comments). If you wish to respond by e-mail, the e-mail address is: rules.comments@MMS.gov. Use the term “Incident Reporting” in your e-mail subject line. Include your name and address in your e-mail message and mark your message for return receipt.