

published elsewhere in this issue of the **Federal Register**].

**Par. 3.** Section 1.1502-21 is amended as follows:

1. Paragraphs (b)(2)(iv) and (c)(2)(vii) are revised.

2. Paragraph (h)(6) is redesignated as paragraph (h)(7).

3. New paragraph (h)(6) is added.

4. New paragraph (h)(8) is added.

The revision and additions read as follows:

#### **§ 1.1502-21 Net operating losses.**

[The text of this proposed section is the same as the text of § 1.1502-21T published elsewhere in this issue of the **Federal Register**].

**Par. 4.** Section 1.1502-28 is added to read as follows:

#### **§ 1.1502-28 Consolidated section 108.**

[The text of this proposed section is the same as the text of § 1.1502-28T published elsewhere in this issue of the **Federal Register**].

**Par. 5.** Section 1.1502-32 is amended as follows:

1. Paragraphs (b)(3)(ii)(C)(1) and (b)(3)(iii)(A) are revised.

2. Paragraph (b)(4)(vii) is added.

3. Paragraph (b)(5)(ii), *Example 4*, paragraphs (a), (b), and (c) are revised.

4. Paragraph (h)(7) is added.

The revisions and additions read as follows:

#### **§ 1.1502-32 Investment adjustments.**

[The text of this proposed section is the same as the text of § 1.1502-32T published elsewhere in this issue of the **Federal Register**].

**Robert E. Wenzel,**

*Deputy Commissioner for Services and Enforcement.*

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## **DEPARTMENT OF THE TREASURY**

### **Internal Revenue Service**

#### **26 CFR Part 1**

**[REG-141402-02]**

**RIN 1545-BB43**

#### **Limitation on Use of the Nonaccrual-Experience Method of Accounting Under Section 448(d)(5)**

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

**ACTION:** Notice of proposed rulemaking by cross-reference to temporary regulations and notice of public hearing.

**SUMMARY:** In the Rules and Regulations section of this issue of the **Federal**

**Register**, the IRS is issuing temporary regulations relating to the use of the nonaccrual-experience method of accounting by taxpayers using an accrual method of accounting and performing services. The text of those regulations also serves as the text of these proposed regulations. This document also provides notice of a public hearing on these proposed regulations.

**DATES:** Written or electronic comments must be received by December 3, 2003. Outlines of topics to be discussed at the public hearing scheduled for December 10, 2003, at 10 a.m. must be received by November 19, 2003.

**ADDRESSES:** Send submissions to: CC:PA:LPD:PR (REG-141402-02), room 5203, Internal Revenue Service, PO Box 7604, Ben Franklin Station, Washington, DC 20044. Submissions may be hand-delivered Monday through Friday between the hours of 8 a.m. and 4 p.m. to: CC:PA:LPD:PR (REG-141402-02), Courier's Desk, Internal Revenue Service, 1111 Constitution Avenue, NW., Washington, DC. Alternatively, taxpayers may submit electronic comments directly to the IRS Internet site at <http://www.irs.gov/regs>. The public hearing will be held in the IRS Auditorium of the Internal Revenue Building, 1111 Constitution Avenue, NW., Washington, DC.

#### **FOR FURTHER INFORMATION CONTACT:**

Concerning the proposed regulations, Terrance McWhorter, 202-622-4970; concerning submissions of comments, Treena Garrett, 202-622-3401 (not toll-free numbers).

#### **SUPPLEMENTARY INFORMATION:**

##### **Paperwork Reduction Act**

The collection of information contained in this notice of proposed rulemaking has been submitted to the Office of Management and Budget for review in accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. 3507(d)). Comments on the collection of information should be sent to the Office of Management and Budget, Attn: Desk Officer for the Department of the Treasury, Office of Information and Regulatory Affairs, Washington, DC 20503, with copies to the Internal Revenue Service, Attn: IRS Reports Clearance Officer, W:CAR:MP:T:T:SP, Washington, DC 20224. Comments on the collection of information should be received by November 3, 2003. Comments are specifically requested concerning:

Whether the proposed collection of information is necessary for the proper performance of the functions of the Internal Revenue Service, including

whether the information will have practical utility;

The accuracy of the estimated burden associated with the proposed collection of information (see below);

How the quality, utility, and clarity of the information to be collected may be enhanced;

How the burden of complying with the proposed collection of information may be minimized, including through the application of automated collection techniques or other forms of information technology; and

Estimates of capital or start-up costs and costs of operation, maintenance, and purchase of service to provide information.

The collection of information in this proposed regulation is in § 1.448-2T. This information is required to verify that an alternative nonaccrual-experience method of accounting selected and used by a taxpayer to compute the amount of its otherwise accruable income that will not be collected will, based on the taxpayer's experience, accurately reflect the amount of income that the taxpayer will not collect and will clearly reflect the taxpayer's experience under section 448(d)(5) of the Internal Revenue Code. The collection of information is mandatory. The likely recordkeepers are business or other for-profit institutions, and small businesses or organizations.

*Estimated total annual recordkeeping burden:* 24,000 hours.

The estimated annual burden per recordkeeper varies from 1 to 5 hours, depending on individual circumstances, with an estimated average of 3 hours.

*Estimated number of recordkeepers:* 8,000.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid control number assigned by the Office of Management and Budget.

Books or records relating to a collection of information must be retained as long as their contents may become material in the administration of any internal revenue law. Generally, tax returns and tax return information are confidential, as required by 26 U.S.C. 6103.

#### **Background and Explanation of Provisions**

Section 448(d)(5) was added to the Code by section 801 of the Tax Reform Act of 1986 (Pub. L. 99-514, 100 Stat. 2085) and was amended by section 403 of the Job Creation and Worker Assistance Act of 2002 (Pub. L. 107-147, 116 Stat. 21) (the 2002 Act), effective for taxable years ending after