

tax returns and tax return information are confidential, as required by 26 U.S.C. 6103.

Background and Explanation of Provisions

Temporary regulations in the Rules and Regulations section of this issue of the **Federal Register** contain amendments to the Income Tax Regulations (26 CFR part 1) and the Procedure and Administration Regulations (26 CFR part 301) designed to eliminate regulatory impediments to the electronic filing of certain income tax returns and other forms. The text of those regulations also serves as the text of these proposed regulations. The preamble to the temporary regulations explains the temporary regulations and these proposed regulations. The regulations generally affect taxpayers who must file any of the following forms: Form 926, "Return by a U.S. Transferor of Property to a Foreign Corporation" Form 972, "Consent of Shareholder To Include Specific Amount in Gross Income"; Form 973, "Corporation Claim for Deduction for Consent Dividends"; Form 982, "Reduction of Tax Attributes Due to Discharge of Indebtedness (and Section 1082 Basis Adjustment)"; Form 1120, "U.S. Corporation Income Tax Return"; Form 1120S, "U.S. Income Tax Return for an S Corporation"; Form 1122, "Authorization and Consent of Subsidiary Corporation To Be Included in a Consolidated Income Tax Return"; Form 5471, "Information Return of U.S. Persons With Respect To Certain Foreign Corporations"; Form 5712-A, "Election and Verification of the Cost Sharing or Profit Split Method Under Section 936(h)(5)"; and Form 8832, "Entity Classification Election."

Special Analyses

It has been determined that this notice of proposed rulemaking is not a significant regulatory action as defined in Executive Order 12866. Therefore, a regulatory assessment is not required. It also has been determined that section 553(b) of the Administrative Procedure Act (5 U.S.C. chapter 5) does not apply to these regulations. It is hereby certified that the collection of information in these regulations will not have a significant economic impact on a substantial number of small entities. This certification is based on the fact that the collection of information described above under the heading "Paperwork Reduction Act" does not affect corporations that elect to be taxed under Subtitle A, Chapter 1, Subchapter S of the Code. Moreover, requiring a corporation to report the information

described above concerning board of directors' approval of certain charitable contributions imposes virtually no incremental burden in time or expense. Therefore, a Regulatory Flexibility Analysis under the Regulatory Flexibility Act (5 U.S.C. Chapter 6) is not required. Pursuant to section 7805(f) of the Code, this notice of proposed rulemaking will be submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on its impact on small business.

Comments and Public Hearing

Before these proposed regulations are adopted as final regulations, consideration will be given to any written (a signed original and eight (8) copies) or electronic comments that are submitted timely to the IRS. The IRS and the Treasury Department specifically request comments on the clarity of the proposed regulations and how they can be made easier to understand. All comments will be available for public inspection and copying. A public hearing may be scheduled if requested by any person who timely submits comments. If a public hearing is scheduled, notice of the date, time and place for the hearing will be published in the **Federal Register**.

Drafting Information

The principal author of these regulations is Nathan Rosen, Office of Associate Chief Counsel (Procedure and Administration), Administrative Provisions and Judicial Practice Division.

List of Subjects

26 CFR Part 1

Income taxes, Reporting and recordkeeping requirements.

26 CFR Part 301

Employment taxes, Estate taxes, Excise taxes, Gift taxes, Income taxes, Penalties, Reporting and recordkeeping requirements.

Proposed Amendments to the Regulations

Accordingly, 26 CFR parts 1 and 301 are proposed to be amended as follows:

PART 1—INCOME TAXES

Par. 1. The authority citation for part 1 continues to read in part as follows:

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

Par. 2. Section 1.170A-11 is amended by revising paragraph (b)(2) to read as follows:

§ 1.170A-11 Limitation on, and carryover of, contributions by corporations.

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(b) * * *

(2) [The text of the proposed amendment to § 1.170A-11(b)(2) is the same as the text of § 1.170A-11T(b)(2) published elsewhere in this issue of the **Federal Register**.]

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Par. 3. Section 1.556-2 is amended by:

1. Revising paragraph (e)(2)(vii).
2. Adding paragraph (e)(3).

The revision and addition read as follows:

§ 1.556-2 Adjustments to taxable income.

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(e) * * *

(2) * * *

(vii) [The text of the proposed amendment to § 1.556-2(e)(2)(vii) is the same as the text of § 1.556-2T(e)(2)(vii) published elsewhere in this issue of the **Federal Register**.]

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(3) [The text of the proposed amendment to § 1.556-2(e)(3) is the same as the text of § 1.556-2T(e)(3) published elsewhere in this issue of the **Federal Register**.]

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Par. 4. Section 1.565-1 is amended by revising paragraph (b)(3) to read as follows:

§ 1.565-1 General rule.

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(b) * * *

(3) [The text of the proposed amendment to § 1.565-1(b)(3) is the same as the text of § 1.565-1T(b)(3) published elsewhere in this issue of the **Federal Register**.]

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Par. 5. Section 1.936-7 is amended by revising paragraph (b), Q.&A. 1 to read as follows:

§ 1.936-7 Manner of making elections under section 936(h)(5); special election for export sales; revocation of election under section 936(a).

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(b) * * *

Q.& A. 1 [The text of the proposed amendment to § 1.936-7(b), Q.& A. 1 is the same as the text of § 1.936-7T(b), Q.& A. 1, published elsewhere in the issue of the **Federal Register**.]

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Par. 6. Section 1.1017-1 is amended by revising paragraph (g)(2)(iii)(B) to read as follows:

§ 1.1017-1 Basis reductions following a discharge of indebtedness.

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