



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

**SUMMARY:** In T.D. 8755, page 21 of this Bulletin, the IRS is issuing temporary regulations that provide guidance to holders and issuers of qualified zone academy bonds. These proposed regulations reflect changes made by the Taxpayer Relief Act of 1997, Pub. L. No. 105-34, 111 Stat. 788 (1997), and affect holders and issuers of qualified zone academy bonds. The text of those temporary regulations also serves as the text of these proposed regulations. This document also provides a notice of public hearing on these proposed regulations.

**DATES:** Written comments must be received by April 7, 1998. Outlines of topics to be discussed at the public hearing scheduled for May 27, 1998, must be received by May 6, 1998.

**ADDRESSES:** Send submissions to CC:DOM:CORP:R (REG-119449-97), room 5226, Internal Revenue Service, POB 7604, Ben Franklin Station, Washington, DC 20044. Submissions may be hand delivered between the hours of 8 a.m. and 5 p.m. to: CC:DOM:CORP:R (REG-119449-97), Courier's Desk, Internal Revenue Building, 1111 Constitution Avenue, NW, Washington, DC. Alternatively, taxpayers may submit comments electronically via the Internet by selecting the "Tax Regs" option on the IRS Home Page, or by submitting directly to the IRS Internet site at <http://www.irs.ustreas.gov/prod/taxregs/comments.html>. The public hearing will be held in Room 2615, Internal Revenue Building, 1111 Constitution Ave., NW, Washington, DC.

**FOR FURTHER INFORMATION CONTACT:** Concerning the regulations, Timothy L. Jones, (202) 622-3980; concerning submissions and the hearing, LaNita Van Dyke (202) 622-7180 (not toll-free numbers).

**SUPPLEMENTARY INFORMATION:**

*Background*

Section 1.1397E-1T, published in T.D. 8755, is issued to provide guidance to holders and issuers of qualified zone academy bonds.

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Notice of Proposed Rulemaking  
and Notice of Public Hearing

Qualified Zone Academy Bonds

REG-119449-97

AGENCY: Internal Revenue Service  
(IRS), Treasury.

The text of those temporary regulations also serves as the text of these proposed regulations. The preamble to the temporary regulations explains the temporary regulations.

### *Special Analyses*

It has been determined that this notice of proposed rulemaking is not a significant regulatory action as defined in EO 12866. Therefore, a regulatory assessment is not required. It has also been determined that section 553(b) of the Administrative Procedure Act (5 U.S.C. chapter 5) does not apply to these regulations, and, because the regulations do not impose a collection of information on small entities, the Regulatory Flexibility Act (5 U.S.C. chapter 6) does not apply. Pursuant to section 7805(f) of the Internal Revenue 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. All comments will be available for public inspection and copying.

A public hearing has been scheduled for May 27, 1998, at 10:00 a.m. in Room 2615, Internal Revenue Building, 1111 Constitution Avenue NW, Washington, DC. Because of access restrictions, visitors will not be admitted beyond the building lobby more than 15 minutes before the hearing starts.

The rules of 26 C.F.R. 601.601(a)(3) apply to the hearing.

Persons that wish to present oral comments at the hearing must submit written comments by April 7, 1998, and submit an outline of the topics to be discussed and time to be devoted to each topic (signed original and eight (8) copies) by May 6, 1998.

A period of 10 minutes will be allotted to each person for making comments.

An agenda showing the scheduling of the speakers will be prepared after the deadline for receiving outlines has passed. Copies of the agenda will be available free of charge at the hearing.

### *Drafting Information*

Several persons from the Office of Chief Counsel and the Treasury Department participated in the development and drafting of these regulations.

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### *Proposed Amendment 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 as follows:

Authority: 26 U.S.C. 7805 \* \* \*  
Section 1.1397E-1 also issued under 26 U.S.C. 1397E(b) and 1397E(d). \* \* \*

Par. 2. Sections 1.1397E-1 is added to read as follows:

#### *§ 1.1397E-1 Qualified zone academy bonds.*

[The text of this proposed section is the same as the text of §1.1397E-1T published in T.D. 8755.]

Michael P. Dolan,  
*Deputy Commissioner of  
Internal Revenue.*

Approved December 19, 1997.

Donald C. Lubick,  
*Acting Assistant Secretary of  
the Treasury.*

(Filed by the Office of the Federal Register on January 6, 1998, 8:45 a.m., and published in the issue of the Federal Register for January 7, 1998, 63 F.R. 671)