

Treatment of Distributions to Foreign Persons Under Sections 367(e)(1) and 367(e)(2); Correction

Announcement 2000-24

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Correction to final regulations.

SUMMARY: This document contains corrections to T.D. 8834 (1999-34 I.R.B. 251), which were published in the **Federal Register** on Monday, August 9, 1999 (64 F.R. 43072), relating to the treatment of distributions to foreign persons under section 367(e)(1) and (2) as added to the Internal Revenue Code by the Tax Reform Act of 1986, which affects U.S. corporations.

DATES: This correction is effective August 9, 1999.

FOR FURTHER INFORMATION CONTACT: Guy A. Bracuti, 202-622-3860 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

The final regulations that are subject to these corrections are under section 367(e)(1) and (2) of the Internal Revenue Code.

Need for Correction

As published, final regulations (TD 8834) contain errors that may prove to be misleading and are in need of clarification.

Correction of Publication

Accordingly, the publication of the final regulations (TD 8834), which was the subject of FR Doc. 99-20092, is corrected as follows:

§1.367(e)-1 [Corrected]

1. On page 43076, column 2, §1.367(e)-1(b)(2), lines 19, 20 and 21 from the bottom of the column, the language “entity (disregarded entity) under §1.7701-3(b)(1)(ii) or (b)(2)(i)(C) are” is

corrected to read “entity separate from its owner (disregarded entity) under §301.7701-3 of this chapter are”.

2. On page 43076, column 3, §1.367(e)-1(d)(1), lines 2 and 3 from the bottom of the column, the language “described in paragraph (b)(1) of this section are” is corrected to read “described in section 355 in which the distributing corporation is domestic and the controlled corporation is foreign are”.

§1.367(e)-2 [Corrected]

3. On page 43078, column 1, §1.367(e)-2(b)(1)(ii)(B)(2), lines 7, 8 and 9 from the bottom of the *Example*, the language “allocate \$45 (60 X .75) of the recognized capital loss to Asset B and will allocate the remaining \$15 (60 X .25) of” is corrected to read “allocate \$15 (60 X .25) of the recognized capital loss to Asset B and will allocate the remaining \$45 (60 X .75) of”.

4. On page 43078, column 1, §1.367(e)-2(b)(1)(ii)(C), lines 16 and 17, the language “shall not offset loss” is corrected to read “shall not be offset by a loss”.

5. On page 43081, column 1, §1.367(e)-2(b)(2)(iii)(A)(2), line 2, the language “(directly)” is corrected to read “(directly and without regard to paragraph (b)(1)(iii) of this section)”.

6. On page 43081, column 1, §1.367(e)-2(b)(2)(iii)(A)(3), line 2, the language “(directly)” is corrected to read “(directly and without regard to paragraph (b)(1)(iii) of this section)”.

7. On page 43081, column 1, §1.367(e)-2(b)(2)(iii)(B), lines 7 through 11, the language “(or was a U.S. real property holding corporation with respect to the foreign distributee corporation during the five year period ending on the date of liquidation)” is corrected to read “(or is a former U.S. real property holding corporation the stock of which is treated as a U.S. real property interest for five years under section 897(c)(1)(A)(ii))”.

8. On page 43081, column 1, §1.367(e)-2(b)(2)(iii)(C)(2), line 8 from the bottom of the paragraph, the language “disposes of” is corrected to read “disposes of (whether in a recognition or non-recognition transaction)”.

9. On page 43081, column 1, §1.367(e)-2(b)(2)(iii)(C)(2), the last three lines of the paragraph, the language “that a principal purpose of the liquidation was not the avoidance of U.S. tax” is corrected to read “that the avoidance of U.S. tax was not a principal purpose of the liquidation”.

10. On page 43081, column 2, §1.367(e)-2(b)(2)(iii)(D), line 10 from the bottom of the paragraph, the language “to such stock” is corrected to read “to the distributed stock”.

11. On page 43081, column 2, §1.367(e)-2(b)(3)(i), the last sentence of the paragraph is removed.

12. On page 43081, column 3, §1.367(e)-2(c)(2)(i)(A), line 7, the language “gain on the” is corrected to read “gain (or loss in accordance with principles contained in paragraph (b)(1)(ii) of this section) on the”.

13. On page 43082, column 2, §1.367(e)-2(c)(3)(i), the last sentence of the paragraph is removed.

14. On page 43082, column 2, §1.367(e)-2(e), lines 2 and 3, the language “occurring 30 days after August 9, 1999 or” is corrected to read “occurring on or after September 7, 1999 or”.

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