

Rev. Proc. 2000-29

SECTION 1. PURPOSE

In response to comments, this revenue procedure removes the sunset date in Rev. Proc. 99-18, 1999-11 I.R.B. 7.

SECTION 2. BACKGROUND

.01 Rev. Proc. 99-18 provides an election that facilitates the substitution of newly issued debt instruments for outstanding debt instruments. Under the election, taxpayers can treat a substitution of debt instruments, in certain circumstances, as a realization event for federal income tax purposes even though it does not result in a significant modification under § 1.1001-3 of the Income Tax Regulations (and, therefore, is not otherwise an exchange for purposes of § 1.1001-1(a)). Under section 4 of Rev. Proc. 99-18, taxpayers do not recognize any realized gain or loss on the date of the substitution. Instead, the gain or loss generally is taken into account as income or deductions over the term of the new debt instruments. Rev. Proc. 99-18 is effective for substitutions that occur between March 1, 1999, and June 30, 2000.

.02 The Internal Revenue Service requested comments on Rev. Proc. 99-18, including comments on whether the revenue procedure should be made permanent. In response to the request for comments, taxpayers asked that Rev. Proc. 99-18 be made permanent. In addition, taxpayers asked for several other changes, including the coordination of Rev. Proc. 99-18 with the regulations dealing with qualified reopenings of debt instruments. See § 1.1275-2T(d) of the temporary Income Tax Regulations and § 1.1275-2(k) of the proposed Income Tax Regulations published in the Federal Register on November 5, 1999 (64 Fed. Reg. 60395).

.03 This revenue procedure modifies only the effective period of Rev. Proc. 99-18. The Treasury Department and the Internal Revenue Service plan to reconsider the other provisions of Rev. Proc. 99-18 when the regulations dealing with qualified reopenings are finalized.

SECTION 3. APPLICATION

Section 5 of Rev. Proc. 99-18 is modified to read as follows: This revenue procedure applies to substitutions that occur on or after March 1, 1999.

SECTION 4. EFFECT ON OTHER DOCUMENTS

Rev. Proc. 99-18, 1999-11 I.R.B. 7, is modified.

SECTION 5. EFFECTIVE DATE

This revenue procedure is effective June 22, 2000.

CONTACT PERSON

For further information regarding this revenue procedure, contact William E. Blanchard of the Office of Assistant Chief Counsel (Financial Institutions and Products) on (202) 622-3950 (not a toll-free call).
