

**Stock Transfer Rules: Carryover of Earnings and Taxes; Correction**

**Announcement 2001-51**

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Correction to notice of proposed rulemaking and notice of public hearing.

SUMMARY: This document contains corrections to a notice of proposed rulemaking and notice of public hearing (REG-116050-99, 2000-48 I.R.B. 520)

that was published in the **Federal Register** on Wednesday, November 15, 2000 (65 FR 69138), relating to the carryover of certain tax attributes, such as earnings and profits and foreign income tax accounts, when two corporations combine in a section 367(b) transaction.

FOR FURTHER INFORMATION CONTACT: Anne O’Connell Devereaux (202) 622-3850 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

**Background**

The notice of proposed rulemaking and notice of public hearing (REG-116050-99) that is the subject of these corrections is under section 367 of the Internal Revenue Code.

**Need for Correction**

As published the notice of proposed rulemaking and notice of public hearing (REG-116050-99), contains errors that may prove to be misleading and are in need of clarification.

**Correction of Publication**

Accordingly, the publication of the notice of proposed rulemaking and notice of public hearing (REG-116050-99), which was the subject of FR Doc. 00-28950, is corrected as follows:

1. On page 69139, column 3, in the preamble under the paragraph heading *C. Specific Policies Related to Foreign 381 Transactions (Prop. Reg. §1.367(b)-7)*, first full paragraph in the column, line 6, the language “corporation as defined in section 957” is corrected to read “corporation as defined in section 953 or 957”.

2. On page 69140, column 3, in the preamble under the paragraph heading *C. Specific Policies Related to Foreign 381 Transactions (Prop. Reg. §1.367(b)-7)*, the first full paragraph, the last 2 lines, the language “opportunities to traffic in foreign tax credits.” is corrected to read “opportunities to traffic in foreign taxes”.

**§1.367(b)-3 [Corrected]**

3. On page 69149, column 3, §1.367(b)-3(f), last line in the column, the language “specifically provided (see, e.g., 89-79” is corrected to read “specifically provided (see, e.g., Notice 89-79”.

**§1.367(b)-8 [Corrected]**

4. On page 69176, §1.367(b)-8(d)(6), paragraph (ii)(D) of *Example 3*, the table is corrected to read as follows:

*§1.367(b)-8 Allocation of earnings and profits and foreign income taxes in certain foreign corporate separations.*

|                         |
|-------------------------|
| * * * * *               |
| (d) * * *               |
| (6) * * *               |
| <i>Example 3.</i> * * * |
| (ii) * * *              |
| (D) * * *               |

|          | Separate category | E&P  | Foreign taxes |
|----------|-------------------|------|---------------|
| General  | .....             | 150u | \$30          |
| Shipping | .....             | 100u | 40            |
|          |                   | 250u | 70            |

\* \* \* \* \*

5. On page 69176, column 1, §1.367(b)-8(d)(6), paragraph (ii)(E) of *Example 3*, line 12, the language “stock to \$525. Because the fair market value” is corrected to read “stock to \$425. Because the fair market value”.

6. On page 69176, column 1, §1.367(b)-8(d)(6), paragraph (ii)(E) of

*Example 3*, the last line in the column preceding the second table, the language “\$75. See also paragraph (d)(2)(iii)(C) of this” is corrected to read “\$175. See also paragraph (d)(2)(iii)(C) of this”.

7. On page 69178, column 3, §1.367(b)-8(e)(6), paragraph (ii)(B) of *Example 2.*, lines 5 through 9 from the bottom of the paragraph, the language

“shipping separate category (along with \$50 of foreign income taxes) and 166.67u (200u-(100u x (200u ÷ 600u))) of available earnings in the section 904(d)(1)(D) shipping separate category (along with \$80 of foreign income” is corrected to read “shipping separate category (along with \$80 of foreign income”.

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