

Notice of Proposed Rulemaking by Cross-Reference to Temporary Regulations

Return of Partnership Income

REG-115472-03

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Notice of proposed rulemaking by cross-reference to temporary regulations.

SUMMARY: In this issue of the Bulletin, the IRS is issuing temporary regulations (T.D. 9094) that authorize the Commissioner to provide exceptions to the requirements of section 6031(a) of the Internal Revenue Code for certain partnerships by guidance published in the Internal Revenue Bulletin. The text of those temporary regulations also serves as the text of these proposed regulations. The regulations generally affect both certain partnerships that invest in tax-exempt obligations and partners in those partnerships.

DATES: Written or electronic comments must be received by February 9, 2003.

ADDRESSES: Send submissions to: CC:PA:LPD:PR (REG-115472-03), room 5203, Internal Revenue Service, POB 7604, Ben Franklin Station, Washington, DC 20044. Submissions may be hand delivered Monday through Friday between the hours of 8 a.m. and 4 p.m. to: CC:PA:LPD:PR (REG-115472-03), Courier's Desk, Internal Revenue Service, 1111 Constitution Avenue, NW, Washington, DC. Alternatively, taxpayers may submit comments electronically via the internet directly to the IRS Internet site at www.irs.gov/regs.

FOR FURTHER INFORMATION CONTACT: Concerning the proposed regulations, David A. Shulman, (202) 622-3070 (not a toll-free number); concerning the submissions of comments or the request for a public hearing, Guy Traynor, (202) 622-3693 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

Temporary regulations published elsewhere in this issue of the Bulletin amend the Income Tax Regulations (26 CFR part 1) relating to section 6031(a). The temporary regulations authorize the Commissioner to provide, in guidance published in the Internal Revenue Bulletin, exceptions to the requirements of section 6031(a) if all or substantially all of the partnership's income is derived from the holding or disposition of tax-exempt obligations (as defined in section 1275(a)(3) and §1.1275-1(e)) or shares in a regulated investment company (as defined in section 851(a)) that pays exempt-interest dividends (as defined in section 852(b)(5)). 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.

Proposed Effective Date

These regulations are proposed to apply November 5, 2003.

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 is hereby certified that these regulations will not have a significant economic impact on a substantial number of small entities. This certification is based upon the fact that relatively few partnerships have income that is primarily from tax-exempt obligations. Furthermore, the purpose of this regulation is to decrease (rather than increase) the number of entities required to file a partnership return. 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 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 Requests for Public Hearing

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

Drafting Information

The principal author of these regulations is David A. Shulman of the Office of the Associate Chief Counsel (Passthroughs & Special Industries), IRS. However, other personnel from the IRS and Treasury Department participated in their development.

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Proposed Amendments 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 revising the entry for "Section 1.6031(a)-1" to read in part as follows:

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

Section 1.6031(a)-1 is also issued under section 404 of the Tax Equity and Fiscal Responsibility Act of 1982 (Pub. L. 97-248; 96 Stat. 324, 669) (TEFRA), and 26 U.S.C. 6031. * * *

Par. 2. Section 1.6031(a)-1 is amended as follows:

1. Paragraph (a)(3)(ii) is revised.
2. Paragraph (f) is revised.

The revisions read as follows:

§1.6031(a)-1 Return of partnership income.

(a) * * *

(3) * * * (i) * * *

(ii) [The text of the proposed amendment to §1.6031(a)-1(a)(3)(ii) is the same as the text of §1.6031(a)-1T (a)(3)(ii) published elsewhere in this issue of the Bulletin].

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(f) * * *

(1) * * *

(2) [The text of the proposed amendment to §1.6031(a)-1(f)(2) is the same as the text of §1.6031(a)-1T (f)(2) published elsewhere in this issue of the Bulletin].

Mark E. Matthews,
*Deputy Commissioner for
Services and Enforcement.*

(Filed by the Office of the Federal Register on November 5, 2003, 1:41 p.m., and published in the issue of the Federal Register for November 10, 2003, 68 F.R. 63743)
