



This document is scheduled to be published in the Federal Register on 11/03/2016 and available online at <https://federalregister.gov/d/2016-26423>, and on [FDsys.gov](https://fdsys.gov)

[4830-01-p]

## DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

[REG-122387-16]

RIN 1545-BL86

Treatment of Related Person Factoring Income; Certain Investments in United States Property; and Stock Redemptions through Related Corporations

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Partial withdrawal of notice of proposed rulemaking.

SUMMARY: This document withdraws portions of a notice of proposed rulemaking (INTL-49-86, subsequently converted to REG-209001-86) published in the **Federal Register** (53 FR 22186) on June 14, 1988, (the 1988 NPRM). The withdrawn portions relate to stock redemptions through related corporations, the application of section 956 to United States property indirectly held by a controlled foreign corporation (CFC), and certain related party factoring transactions, as well as the definition of the term “obligation” for purposes of section 956.

DATES: Sections 1.304-4, 1.956-1(b)(4), 1.956-2(d)(2), and 1.956-3(b)(2)(ii) of proposed rules published in the **Federal Register** on June 14, 1988, are withdrawn as of **[INSERT DATE OF PUBLICATION IN THE FEDERAL REGISTER]**.

FOR FURTHER INFORMATION CONTACT: Rose E. Jenkins, (202) 317-6934 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

**Background**

On June 14, 1988, the Department of Treasury (Treasury Department) and the IRS published in the **Federal Register** proposed regulations (INTL-49-86, subsequently converted to REG-209001-86, 53 FR 22186), including: (i) proposed 1.304-4, which provides a special rule regarding the use of a related corporation to acquire for property the stock of another commonly owned corporation; (ii) proposed §1.956-1(b)(4), which describes United States property indirectly held by a CFC for purposes of section 956; (iii) proposed §1.956-2(d)(2), which sets forth the definition of “obligation” for purposes of section 956; and (iv) proposed §1.956-3, which provides guidance on the treatment of certain trade or service receivables received in factoring transactions as United States property for purposes of section 956, including rules in proposed §1.956-3(b)(2)(ii) that address the acquisition of a trade or service receivable by a nominee or pass-through entity. The regulations were proposed by cross-reference to temporary regulations in §§1.304-4T, 1.956-1T(b)(4), 1.956-2T(d), and 1.956-3T that were published in the same issue of the **Federal Register** (TD 8209, 53 FR 22163). This document withdraws certain of these proposed regulations because the rules in the proposed regulations are supplanted by final regulations or other proposed regulations.

Specifically, in the Rules and Regulations section of this issue of the **Federal Register**, the Treasury Department and the IRS are issuing final regulations that contain rules in §1.956-1(b) concerning United States property indirectly held by a CFC for purposes of section 956, and rules in §1.956-3(b)(2)(ii) concerning the acquisition by a nominee, pass-through entity, or related foreign corporation for purposes of the section 956 rules governing factoring transactions. The final regulations in §§1.956-1(b) and 1.956-3(b)(2)(ii) were included in a notice of proposed rulemaking (REG-155164-

09) published in the **Federal Register** on September 2, 2015 (80 FR 53058, as corrected at 80 FR 66485). Thus, the rules in proposed §§1.956-1(b)(4) and 1.956-3(b)(2)(ii) provided in the 1988 NPRM are withdrawn. As described in the preamble to the final regulations published in the Rules and Regulations section of this issue of the **Federal Register**, the remainder of the rules in §1.956-3 proposed in the 1988 NPRM also are included in the final regulations, with minor modifications.

Additionally, on December 30, 2009, the Treasury Department and the IRS published in the **Federal Register** proposed regulations (74 FR 69043), which contain in proposed §1.304-4 special rules regarding the use of related corporations to avoid the application of section 304 that supplant the rules set forth in the 1988 NPRM. On December 26, 2012, final regulations including §1.304-4 as proposed in 2009 were published in the **Federal Register** (TD 9606, 77 FR 75844). Accordingly, the rule in the 1988 NPRM that addresses section 304 is withdrawn.

Furthermore, on April 8, 2016, the Treasury Department and the IRS published in the **Federal Register** proposed regulations (81 FR 20588), which contain in proposed §1.956-2(d) a definition of obligation for purposes of section 956, as well as several exceptions from the definition, including those set forth in the 1988 NPRM. Accordingly, the rule in the 1988 NPRM that addresses the definition of obligation is withdrawn.

#### **List of Subjects in 26 CFR Part 1**

Income taxes, Reporting and recordkeeping requirements.

## **Partial Withdrawal of a Notice of Proposed Rulemaking**

Accordingly, under the authority of 26 U.S.C. 7805, §§1.304-4, 1.956-1(b)(4), 1.956-2(d)(2), and 1.956-3(b)(2)(ii) of the notice of proposed rulemaking (INTL-49-86) published in the **Federal Register** on June 14, 1988, (53 FR 22186) are withdrawn.

John M Dalrymple

Deputy Commissioner for Services and Enforcement.

[FR Doc. 2016-26423 Filed: 11/2/2016 8:45 am; Publication Date: 11/3/2016]