



[4830-01-p]

DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

[TD 9825]

RIN 1545-BJ08

Treatment of Transactions in Which Federal Financial Assistance Is Provided;  
Correction

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Correcting amendment.

SUMMARY: This document contains corrections to final regulations (TD 9825) that were published in the **Federal Register** on Thursday, October 19, 2017. The final regulations are under section 597 of the Internal Revenue Code. These final regulations amend existing regulations that address the federal income tax treatment of transactions in which federal financial assistance is provided to banks and domestic building and loan associations, and they clarify the federal income tax consequences of those transactions to banks, domestic building and loan associations, and related parties.

DATES: This correction is effective on **[INSERT DATE OF PUBLICATION IN THE FEDERAL REGISTER]** and is applicable on or after October 19, 2017.

FOR FURTHER INFORMATION CONTACT: Russell G. Jones at (202) 317-5357, or Ken Cohen at (202) 317-5367 (not toll-free numbers).

SUPPLEMENTARY INFORMATION:

## **Background**

The final regulations (TD 9825) that are the subject of this correction are issued under section 597 of the Internal Revenue Code.

## **Need for Correction**

As published, the final regulations (TD 9825) contain errors that may prove to be misleading and are in need of clarification.

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

Income taxes, reporting and recordkeeping requirements.

## **Correction of Publication**

Accordingly, 26 CFR Part 1 is corrected by making the following correcting amendments:

### **PART 1 - INCOME TAXES**

**Paragraph 1.** The authority citation for part 1 continues to read in part as follows:

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

**Par. 2.** Section 1.597-5 is amended by revising the seventh and eighth sentences of paragraph (f), Example 4, and by revising the first and second sentences of paragraph (f), Example 5 (ii), to read as follows:

#### **§ 1.597-5 Taxable Transfers.**

\* \* \* \* \*

(f) \* \* \*

Example 4. \* \* \* The fair market value of the loans is their Expected Value, \$800,000 (the sum of the \$500,000 Third-Party Price and the \$300,000 that the Agency

would pay if N sold the loans for \$500,000). The fair market value of each foreclosed property is its Expected Value, \$80,000 (the sum of the \$50,000 Third-Party Price and the \$30,000 that the Agency would pay if N sold the foreclosed property for \$50,000) under paragraph (b) of §1.597-1. \* \* \*

\* \* \* \* \*

Example 5. \* \* \*

(ii) At the end of 2018, the Third-Party Price for the loans drops to \$400,000, and the Third-Party Price for each of the foreclosed properties remains at \$50,000. The fair market value of the loans at the end of Year 2 is their Expected Value, \$600,000 (\$400,000 Third-Party Price + \$200,000 (the amount of the loss if the loans were disposed of for the Third-Party Price x 33.33%) (the Average Reimbursement Rate does not change)). \* \* \*

\* \* \* \* \*

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