INTERNAL REVENUE
BULLETIN

IRS

# HIGHLIGHTS OF THIS ISSUE

Bulletin No. 2018–47
November 19, 2018

**These synopses are intended only as aids to the reader in identifying the subject matter covered. They may not be relied upon as authoritative interpretations.**

## Administrative

### REV. PROC. 2018–55, page 775.

The procedure publishes the amount of unused housing credit carryovers allocated to qualified states under section 42(h)(3)(D) of the Code for calendar year 2018.

## Employee Plans

### Notice 2018–83, page 774.

Section 415 of the Internal Revenue Code (the Code) provides for dollar limitations on benefits and contributions under qualified retirement plans. Section 415(d) requires that the Secretary of the Treasury annually adjust these limits for cost of living increases. Other limitations applicable to deferred compensation plans are also affected by these adjustments under § 415. Under § 415(d), the adjustments are to be made under adjustment procedures similar to those used to adjust benefit amounts under § 215(i)(2)(A) of the Social Security Act.

## Income Tax

### REG–114540–18, page 777.

These proposed regulations reduce the amount determined under section 956 with respect to certain domestic corporations. The proposed regulations affect United States shareholders of controlled foreign corporations.

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# The IRS Mission

Provide America's taxpayers top-quality service by helping them understand and meet their tax responsibilities and enforce the law with integrity and fairness to all.

# Introduction

The Internal Revenue Bulletin is the authoritative instrument of the Commissioner of Internal Revenue for announcing official rulings and procedures of the Internal Revenue Service and for publishing Treasury Decisions, Executive Orders, Tax Conventions, legislation, court decisions, and other items of general interest. It is published weekly.

It is the policy of the Service to publish in the Bulletin all substantive rulings necessary to promote a uniform application of the tax laws, including all rulings that supersede, revoke, modify, or amend any of those previously published in the Bulletin. All published rulings apply retroactively unless otherwise indicated. Procedures relating solely to matters of internal management are not published; however, statements of internal practices and procedures that affect the rights and duties of taxpayers are published.

Revenue rulings represent the conclusions of the Service on the application of the law to the pivotal facts stated in the revenue ruling. In those based on positions taken in rulings to taxpayers or technical advice to Service field offices, identifying details and information of a confidential nature are deleted to prevent unwarranted invasions of privacy and to comply with statutory requirements.

Rulings and procedures reported in the Bulletin do not have the force and effect of Treasury Department Regulations, but they may be used as precedents. Unpublished rulings will not be relied on, used, or cited as precedents by Service personnel in the disposition of other cases. In applying published rulings and procedures, the effect of subsequent legislation, regulations, court decisions, rulings, and procedures must be considered, and Service personnel and others concerned are cautioned against reaching the same conclusions in other cases unless the facts and circumstances are substantially the same.

The Bulletin is divided into four parts as follows:

**Part I.—1986 Code.**
This part includes rulings and decisions based on provisions of the Internal Revenue Code of 1986.

**Part II.—Treaties and Tax Legislation.**
This part is divided into two subparts as follows: Subpart A, Tax Conventions and Other Related Items, and Subpart B, Legislation and Related Committee Reports.

**Part III.—Administrative, Procedural, and Miscellaneous.**
To the extent practicable, pertinent cross references to these subjects are contained in the other Parts and Subparts. Also included in this part are Bank Secrecy Act Administrative Rulings. Bank Secrecy Act Administrative Rulings are issued by the Department of the Treasury's Office of the Assistant Secretary (Enforcement).

**Part IV.—Items of General Interest.**
This part includes notices of proposed rulemakings, disbarment and suspension lists, and announcements.

The last Bulletin for each month includes a cumulative index for the matters published during the preceding months. These monthly indexes are cumulated on a semiannual basis, and are published in the last Bulletin of each semiannual period.

# Part III. Administrative, Procedural, and Miscellaneous

## 2019 Limitations Adjusted As Provided in Section 415(d), etc.

## Notice 2018–83

Section 415 of the Internal Revenue Code (the Code) provides for dollar limitations on benefits and contributions under qualified retirement plans. Section 415(d) requires that the Secretary of the Treasury annually adjust these limits for cost-of-living increases. Other limitations applicable to deferred compensation plans are also affected by these adjustments under § 415. Under § 415(d), the adjustments are to be made under adjustment procedures similar to those used to adjust benefit amounts under § 215(i)(2)(A) of the Social Security Act.

### Cost-of-Living Adjusted Limits for 2019

Effective January 1, 2019, the limitation on the annual benefit under a defined benefit plan under § 415(b)(1)(A) is increased from $220,000 to $225,000.

For a participant who separated from service before January 1, 2019, the participant's limitation under a defined benefit plan under § 415(b)(1)(B) is computed by multiplying the participant's compensation limitation, as adjusted through 2018, by 1.0264.

The limitation for defined contribution plans under § 415(c)(1)(A) is increased in 2019 from $55,000 to $56,000.

The Code provides that various other dollar amounts are to be adjusted at the same time and in the same manner as the dollar limitation of § 415(b)(1)(A). After taking into account the applicable rounding rules, the amounts for 2019 are as follows:

> The limitation under § 402(g)(1) on the exclusion for elective deferrals described in § 402(g)(3) is increased from $18,500 to $19,000.
>
> The annual compensation limit under §§ 401(a)(17), 404(l), 408(k)(3)(C), and 408(k)(6)(D)(ii) is increased from $275,000 to $280,000.
>
> The dollar limitation under § 416(i)(1)(A)(i) concerning the definition of "key employee" in a top-heavy plan is increased from $175,000 to $180,000.
>
> The dollar amount under § 409(o)(1)(C)(ii) for determining the maximum account balance in an employee stock ownership plan subject to a 5-year distribution period is increased from $1,105,000 to $1,130,000, while the dollar amount used to determine the lengthening of the 5-year distribution period is increased from $220,000 to $225,000.
>
> The limitation used in the definition of "highly compensated employee" under § 414(q)(1)(B) is increased from $120,000 to $125,000.
>
> The dollar limitation under § 414(v)(2)(B)(i) for catch-up contributions to an applicable employer plan other than a plan described in § 401(k)(11) or § 408(p) for individuals aged 50 or over remains unchanged at $6,000. The dollar limitation under § 414(v)(2)(B)(ii) for catch-up contributions to an applicable employer plan described in § 401(k)(11) or 408(p) for individuals aged 50 or over remains unchanged at $3,000.
>
> The annual compensation limitation under § 401(a)(17) for eligible participants in certain governmental plans that, under the plan as in effect on July 1, 1993, allowed cost-of-living adjustments to the compensation limitation under the plan under § 401(a)(17) to be taken into account, is increased from $405,000 to $415,000.
>
> The compensation amount under § 408(k)(2)(C) regarding simplified employee pensions (SEPs) remains unchanged at $600.
>
> The limitation under § 408(p)(2)(E) regarding SIMPLE retirement accounts is increased from $12,500 to $13,000.
>
> The limitation on deferrals under § 457(e)(15) concerning deferred compensation plans of state and local governments and tax-exempt organizations is increased from $18,500 to $19,000.
>
> The limitation under § 664(g)(7) concerning the qualified gratuitous transfer of qualified employer securities to an employee stock ownership plan remains unchanged at $50,000.
>
> The compensation amount under § 1.61–21(f)(5)(i) of the Income Tax Regulations concerning the definition of "control employee" for fringe benefit valuation purposes remains unchanged at $110,000. The compensation amount under § 1.61–21(f)(5)(iii) is increased from $220,000 to $225,000.
>
> The dollar limitation on premiums paid with respect to a qualifying longevity annuity contract under § 1.401(a)(9)–6, A–17(b)(2)(i) of the Income Tax Regulations remains unchanged at $130,000.[1]

The Code provides that the $1,000,000,000 threshold used to determine whether a multiemployer plan is a systemically important plan under § 432(e)(9)(H)(v)(III)(aa) is adjusted using the cost-of-living adjustment provided under § 432(e)(9)(H)(v)(III)(bb). After taking the applicable rounding rule into account, the threshold used to determine whether a multiemployer plan is a systemically important plan under § 432(e)(9)(H)(v)(III)(aa) is increased from $1,087,000,000 to $1,097,000,000.

The Code also provides that several retirement-related amounts are to be adjusted using the cost-of-living adjustment under § 1(f)(3). After taking the applicable rounding rules into account, the amounts for 2019 are as follows:

> The adjusted gross income limitation under § 25B(b)(1)(A) for determining the retirement savings contributions credit for married taxpayers filing a joint return is increased from $38,000 to $38,500; the limitation under

[1]Notice 2017–64, 2017–45 I.R.B. 486, raised this limit from $125,000 to $130,000 although § 1.401(a)(9)–6, A-17(d)(2) provides for increases of the $125,000 limitation only in multiples of $10,000. The limitation will remain at $130,000 until it would be adjusted to $135,000 pursuant to § 1.401(a)(9)–6, A-17(d)(2). For subsequent years, the limitation will be adjusted only in increments of $10,000.

§ 25B(b)(1)(B) is increased from $41,000 to $41,500; and the limitation under §§ 25B(b)(1)(C) and 25B(b)(1)(D) is increased from $63,000 to $64,000.

The adjusted gross income limitation under § 25B(b)(1)(A) for determining the retirement savings contributions credit for taxpayers filing as head of household is increased from $28,500 to $28,875; the limitation under § 25B(b)(1)(B) is increased from $30,750 to $31,125; and the limitation under §§ 25B(b)(1)(C) and 25B(b)(1)(D) is increased from $47,250 to $48,000.

The adjusted gross income limitation under § 25B(b)(1)(A) for determining the retirement savings contributions credit for all other taxpayers is increased from $19,000 to $19,250; the limitation under § 25B(b)(1)(B) is increased from $20,500 to $20,750; and the limitation under §§ 25B(b)(1)(C) and 25B(b)(1)(D) is increased from $31,500 to $32,000.

The deductible amount under § 219(b)(5)(A) for an individual making qualified retirement contributions is increased from $5,500 to $6,000.

The applicable dollar amount under § 219(g)(3)(B)(i) for determining the deductible amount of an IRA contribution for taxpayers who are active participants filing a joint return or as a qualifying widow(er) is increased from $101,000 to $103,000. The applicable dollar amount under § 219(g)(3)(B)(ii) for all other taxpayers who are active participants (other than married taxpayers filing separate returns) is increased from $63,000 to $64,000. If an individual or the individual's spouse is an active participant, the applicable dollar amount under § 219(g)(3)(B)(iii) for a married individual filing a separate return is not subject to an annual cost-of-living adjustment and remains $0. The applicable dollar amount under § 219(g)(7)(A) for a taxpayer who is not an active participant but whose spouse is an active participant is increased from $189,000 to $193,000.

Accordingly, under § 219(g)(2)(A), the deduction for taxpayers making contributions to a traditional IRA is phased out for single individuals and heads of household who are active participants in a qualified plan (or another retirement plan specified in § 219(g)(5)) and have adjusted gross incomes (as defined in § 219(g)(3)(A)) between $64,000 and $74,000, increased from between $63,000 and $73,000. For married couples filing jointly, if the spouse who makes the IRA contribution is an active participant, the income phase-out range is between $103,000 and $123,000, increased from between $101,000 and $121,000. For an IRA contributor who is not an active participant and is married to someone who is an active participant, the deduction is phased out if the couple's income is between $193,000 and $203,000, increased from between $189,000 and $199,000. For a married individual filing a separate return who is an active participant, the phase-out range is not subject to an annual cost-of-living adjustment and remains $0 to $10,000.

The adjusted gross income limitation under § 408A(c)(3)(B)(ii)(I) for determining the maximum Roth IRA contribution for married taxpayers filing a joint return or for taxpayers filing as a qualifying widow(er) is increased from $189,000 to $193,000. The adjusted gross income limitation under § 408A(c)(3)(B)(ii)(II) for all other taxpayers (other than married taxpayers filing separate returns) is increased from $120,000 to $122,000. The applicable dollar amount under § 408A(c)(3)(B)(ii)(III) for a married individual filing a separate return is not subject to an annual cost-of-living adjustment and remains $0.

Accordingly, under § 408A(c)(3)(A), the adjusted gross income phase-out range for taxpayers making contributions to a Roth IRA is $193,000 to $203,000 for married couples filing jointly, increased from $189,000 to $199,000. For singles and heads of household, the income phase-out range is $122,000 to $137,000, increased from $120,000 to $135,000.

For a married individual filing a separate return, the phase-out range is not subject to an annual cost-of-living adjustment and remains $0 to $10,000.

**Drafting Information**

The principal author of this notice is Tom Morgan of the Office of the Associate Chief Counsel (Tax Exempt and Government Entities). However, other personnel from the IRS participated in the development of this guidance. For further information regarding this notice, contact Mr. Morgan at 202-317-6700 or John Heil at 443-853-5519 (not toll-free numbers).

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*26 CFR 601.105*

## Rev. Proc. 2018–55

**SECTION 1. PURPOSE**

This revenue procedure publishes the amounts of unused housing credit carryovers allocated to qualified states under § 42(h)(3)(D) of the Internal Revenue Code for calendar year 2018.

**SECTION 2. BACKGROUND**

Rev. Proc. 92–31, 1992–1 C.B. 775, provides guidance to state housing credit agencies of qualified states on the procedure for requesting an allocation of unused housing credit carryovers under § 42(h)(3)(D). Section 4.06 of Rev. Proc. 92–31 provides that the Internal Revenue Service will publish in the Internal Revenue Bulletin the amount of unused housing credit carryovers allocated to qualified states for a calendar year from a national pool of unused credit authority (the National Pool). This revenue procedure publishes these amounts for calendar year 2018.

**SECTION 3. PROCEDURE**

The unused housing credit carryover amount allocated from the National Pool by the Secretary to each qualified state for calendar year 2018 is as follows:

| Qualified State | Amount Allocated |
|---|---|
| Alabama | 49,984 |
| California | 405,396 |
| Connecticut | 36,792 |
| Delaware | 9,863 |
| Florida | 215,167 |
| Georgia | 106,939 |
| Idaho | 17,605 |
| Illinois | 131,268 |
| Indiana | 68,359 |
| Kentucky | 45,672 |
| Maine | 13,698 |
| Maryland | 62,057 |
| Massachusetts | 70,338 |
| Michigan | 102,150 |
| Minnesota | 57,181 |
| Missouri | 62,686 |
| Montana | 10,771 |
| Nebraska | 19,688 |
| New Mexico | 21,410 |
| New York | 203,529 |
| North Carolina | 105,340 |
| Ohio | 119,544 |
| Pennsylvania | 131,304 |
| Puerto Rico | 34,218 |
| Rhode Island | 10,865 |
| South Dakota | 8,917 |
| Texas | 290,226 |
| Utah | 31,805 |
| Vermont | 6,395 |
| Virginia | 86,849 |
| Washington | 75,936 |
| West Virginia | 18,619 |
| Wisconsin | 59,425 |

EFFECTIVE DATE

This revenue procedure is effective for allocations of housing credit dollar amounts attributable to the National Pool component of a qualified state's housing credit ceiling for calendar year 2018.

DRAFTING INFORMATION

The principal author of this revenue procedure is James A. Holmes of the Office of Associate Chief Counsel (Passthroughs and Special Industries). For further information regarding this revenue procedure, contact Mr. Holmes at (202) 317-4137 (not a toll-free number).

## Section 42.—Low-Income Housing Credit

26 CFR 1.42–14. Allocation rules for post-1989 State housing credit ceiling amounts. Guidance is provided to state housing credit agencies of qualified states that request an allocation of unused housing credit carryover under section 42(h)(3)(D) of the Internal Revenue Code. See Rev. Proc. 2018–55.

# Part IV. Items of General Interest

## Notice of Proposed Rulemaking

## Amount Determined Under Section 956 for Corporate United States Shareholders

## REG–114540–18

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Notice of proposed rulemaking.

SUMMARY: This document contains proposed regulations that reduce the amount determined under section 956 of the Internal Revenue Code with respect to certain domestic corporations. The proposed regulations affect certain domestic corporations that own (or are treated as owning) stock in foreign corporations.

DATES: Written or electronic comments and requests for a public hearing must be received by December 5, 2018.

ADDRESSES: Send submissions to: CC:PA:LPD:PR (REG–114540–18), Internal Revenue Service, Room 5203, P.O. Box 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–114540–18), Courier's Desk, Internal Revenue Service, 1111 Constitution Avenue, NW, Washington, DC 20224, or sent electronically via the Federal eRulemaking Portal at *http://www.regulations.gov* (IRS REG–114540–18).

FOR FURTHER INFORMATION CONTACT: Concerning the proposed regulations, Rose E. Jenkins, (202) 317-6934; concerning submissions of comments or requests for a public hearing, Regina Johnson, (202) 317-6901 (not toll-free numbers).

SUPPLEMENTARY INFORMATION:

**Background**

I. *Section 956*

The Revenue Act of 1962 (the "1962 Act"), Pub. L. No. 87–834, sec. 12, 76 Stat. at 1006, enacted sections 951 and 956 as part of subpart F of part III, subchapter N, chapter 1 of the 1954 Internal Revenue Code ("subpart F"), as amended. Subpart F was enacted in order to limit the use of low-tax jurisdictions for the purposes of obtaining indefinite deferral of U.S. tax on certain earnings that would otherwise be subject to U.S. federal income tax. H.R. Rep. No. 1447 at 57 (1962). Congress enacted subpart F in part to address taxpayers who had "taken advantage of the multiplicity of foreign tax systems to avoid taxation by the United States on what could ordinarily be expected to be U.S. source income." *Id.* at 58.

Before the 1962 Act, United States shareholders (as defined in section 951(b)) ("U.S. shareholders") of controlled foreign corporations (as defined in section 957) ("CFCs") were not subject to U.S. tax on earnings of the foreign corporations unless and until earnings of the foreign corporations were distributed to the shareholders as a dividend. S. Rep. No. 1881 at 78 (1962). The subpart F regime eliminated deferral for certain – generally passive or highly mobile – earnings of CFCs by subjecting those earnings to immediate U.S. taxation regardless of whether there was an actual distribution. *Id.* at 80. Earnings that were not subject to immediate U.S. taxation under the subpart F regime were generally taxable only upon repatriation, as those earnings did not present the same concerns regarding indefinite tax deferral compared to earnings subject to subpart F.

Section 956 was enacted alongside the subpart F regime in the 1962 Act to ensure that a CFC's earnings not subject to immediate tax when earned (under the subpart F regime) would be taxed when repatriated, either through a dividend or an effective repatriation. Recognizing that repatriation of foreign earnings was possible through means other than a taxable distribution, Congress enacted section 956 "to prevent the repatriation of income to the United States in a manner which does not subject it to U.S. taxation." H.R. Rep. No. 1447 at 58. Congress determined that the investment by a CFC of its earnings in United States property, including obligations of a U.S. person, "is substantially the equivalent of a dividend." *See* S. Rep. No. 1881 at 88 (1962). *See also* S. Rep. No. 94–938 at 226 (1976) ("[S]ince the investment . . . in the stock or debt obligations of a related U.S. person or its domestic affiliates makes funds available for use by the U.S. shareholders, it constitutes an effective repatriation of earnings which should be taxed."). Accordingly, Congress enacted section 956 as an anti-abuse measure to tax a CFC's investment of earnings in United States property in the same manner as if it had distributed those earnings to the United States. *See* JCS–10–87 at 1081–82 (1987) ("In general, two kinds of transactions are repatriations that end deferral and trigger tax. First, an actual dividend payment ends deferral. . . . Second, in the case of a controlled foreign corporation, an investment in U.S. property, such as a loan to the lender's U.S. parent or the purchase of U.S. real estate, is also a repatriation that ends deferral (Code sec. 956)."). Failure to tax CFC investments in United States property would have allowed taxpayers to circumvent the U.S. system of deferral by effectively repatriating earnings without paying U.S. tax on the substantial equivalent of a taxable dividend. Section 956 was thus designed to ensure symmetry between the tax treatment of repatriations through dividends and effective repatriations. *See generally* Notice 2014–52, 2014–42 I.R.B. 712 ("In the absence of section 956, a U.S. shareholder of a CFC could access the CFC's funds (untaxed earnings and profits) in a variety of ways other than by the payment of an actual taxable dividend, such that there would be no reason for the U.S. shareholder to incur the dividend tax. Section 956 eliminates this disincentive to pay a dividend by ensuring parity of treatment for different ways that CFC earnings can be made available for use in the United States or for use by the U.S. shareholder.").

Section 951(a)(1)(B) requires a U.S. shareholder of a CFC to include in gross income the amount determined under section 956 (the "section 956 amount") with respect to the CFC to the extent not excluded from gross income under section 959(a)(2) (the inclusion, a "section 956 inclusion"). *See* sections 951(a)(1)(B), 959(a)(2), and 959(f)(1). Section 951(b) defines a U.S. shareholder as a United States person that owns within the meaning of section 958(a), or is considered as owning by reason of the constructive ownership rules of section 958(b), 10 percent or more of the voting power or value of a foreign corporation. A U.S. shareholder's section 956 amount with respect to a CFC for a taxable year is the lesser of (1) the excess (if any) of such shareholder's pro rata share of the average of the amounts of United States property held (directly or indirectly) by the CFC as of the close of each quarter of such taxable year, over the amount of earnings and profits described in section 959(c)(1)(A) with respect to such shareholder, or (2) such shareholder's pro rata share of the applicable earnings of the CFC. *See* section 956(a). Applicable earnings are defined as the sum of accumulated earnings and profits (not including deficits) described in section 316(a)(1) and current earnings and profits described in section 316(a)(2), reduced by distributions made during the year and earnings and profits described in section 959(c)(1). *See* section 956(b)(1). Under section 956(c), United States property includes tangible property located in the United States, stock of a domestic corporation, an obligation of a United States person, and any right to use in the United States certain intangible property. Enacted as part of the Omnibus Budget Reconciliation Act of 1993, Pub. L. No. 103–66, sec. 13232(b), 107 Stat. 312, section 956(e) grants the Secretary of the Department of Treasury (the "Secretary") the authority to prescribe "such regulations as may be necessary to carry out the purposes of this section, including regulations to prevent the avoidance of the provisions of this section through reorganizations or otherwise."

This regulatory authority is not limited to the adoption of anti-avoidance rules, but rather permits the Secretary to ensure that the application of section 956 is consistent with the "purposes of this section"—chief among them, to ensure symmetry between the treatment of actual dividends and payments which are "substantially the equivalent of a dividend." S. Rep. No. 1881 at 88 (1962). Consistent with this understanding, the Department of Treasury (the "Treasury Department") and the IRS have exercised this regulatory authority to tailor the application of section 956 to the abuse that motivated its adoption, ensuring that the provision applies to the transactions Congress sought to tax, but does not extend to transactions the taxation of which would be inconsistent with the purpose of section 956.[2] For example, in 1964, shortly after section 956 was first enacted, the Treasury Department and the IRS issued regulations containing Treas. Reg. section 1.956–2(d)(2)(ii), providing that any debt collected within one year from the time incurred did not constitute an obligation that could be United States property. *See* T.D. 6704, 29 Fed. Reg. 2599, 2603. This short-term loan exception was removed when the Treasury Department and the IRS issued regulations in 1988 regarding the treatment of factoring receivables as United States property. *See* T.D. 8209, 53 Fed. Reg. 22163, 22169. A one-year debt exception would have been inconsistent with Congress's expansion of section 956 in 1984 to reach factoring receivables, which are often outstanding for less than one year.

Alongside the removal of the 1964 short-term loan exception in the 1988 regulations, the Treasury Department and the IRS issued Notice 88–108, 1988–2 C.B. 466, which indicated that regulations would be issued providing a narrower exception from the definition of obligation for purposes of section 956 for obligations collected within 30 days from the time incurred (the "30-day rule"). However, the notice provided that the exception would not apply to a CFC that holds for 60 or more calendar days during the taxable year obligations which, without regard to the 30-day rule, would constitute United States property. The 30-day rule was expanded to 60 days in order to facilitate the flow of funds from foreign subsidiaries during a financial crisis beginning in 2008, which expansion was also extended to 2009 and 2010. *See* Notice 2008–91, 2008–43 I.R.B. 1001; Notice 2009–10, 2009–5 I.R.B. 419; Notice 2010–12, 2010–4 I.R.B. 326. The 30 day rule was ultimately adopted in final regulations issued on July 12, 2018, as Treas. Reg. section 1.956–2(d)(2)(iv). *See* T.D. 9834, 83 Fed. Reg. 32524, 32537–38.

Since 1964, Congress has modified section 956 several times without addressing Treasury's short-term debt exception; indeed, since then Congress adopted section 956(e) as a positive grant of regulatory authority in 1993, and explicitly validated the short-term debt exception in its legislative history. *See* H.R. Rep. 103–111 at 701 (1993) ("The bill is not intended to change the measurement of U.S. property that may apply, for example, in the case of certain short-term obligations, as provided in IRS Notice 88–108 (1988–2 C.B. 445), interpreting present law.").

Conversely, the Treasury Department and the IRS have at times expanded the scope of section 956 by regulation to ensure that the provision reaches the type of transactions intended by Congress. *See, e.g.*, T.D. 9402, 73 Fed. Reg. 35580, 35582 (adding rules modifying the basis of property transferred to a CFC in certain nonrecognition transactions solely for the purposes of section 956 and providing that "[t]he purpose of this [rule] is to prevent the effective repatriation of earnings and profits of a controlled foreign corporation that acquires United States property in connection with an exchange to which this [rule] applies without a corresponding income inclusion under section 951(a)(1)(B) by claiming a basis in the United States property less than the amount of earnings and profits effectively repatriated"). *See also* T.D. 9834, 83 Fed. Reg. 32524.

[2]In addition to authorizing regulations by the Treasury Department and the IRS, Congress has acted on occasion to both expand and contract the scope of section 956 based on an evolving understanding of the potential means by which taxpayers could achieve the abusive results that gave rise to its enactment (that is, the tax-free effective repatriation of earnings through transactions that are economically equivalent to a taxable dividend). Thus, for example, Congress contracted the scope of section 956 in 1976, exempting investments in the stock of unrelated (tested using a 25 percent ownership threshold) U.S. corporations from the definition of United States property. *See* Pub. L. No. 94–455, sec. 1021, 90 Stat. 1520. Conversely, Congress expanded the scope of section 956 in the Deficit Reduction Act of 1984, Pub. L. No. 98–369, sec. 123(b), 98 Stat. 494, by adding certain factoring receivables as a type of United States property because it recognized that certain "corporations based in the United States are using foreign subsidiaries to factor receivables as a device for repatriating foreign earnings tax-free." H.R. Rep. No. 98–432 at 1305 (1984).

II. *Adoption of Participation Exemption System*

On December 22, 2017, Congress enacted the Tax Cuts and Jobs Act, P.L. 115–97 (the "Act"), which established a participation exemption system for the taxation of certain foreign income. Under section 245A(a), in the case of any dividend received from a specified 10-percent owned foreign corporation by a domestic corporation which is a U.S. shareholder with respect to such foreign corporation, there is allowed as a deduction an amount equal to the foreign-source portion of such dividend. A specified 10-percent owned foreign corporation is defined in section 245A(b) as any foreign corporation (other than certain passive foreign investment companies) with respect to which a domestic corporation is a U.S. shareholder. Section 245A(g) grants the Secretary authority to prescribe such regulations or other guidance as may be necessary or appropriate to carry out the provisions of section 245A, including regulations for the treatment of U.S. shareholders owning stock of a specified 10-percent owned foreign corporation through a partnership.

Under section 246(c)(1) and (5), a domestic corporation that is a U.S. shareholder is not permitted a section 245A deduction in respect of any dividend on any share of stock of a specified 10-percent owned foreign corporation that the domestic corporation holds for 365 days or less during the 731-day period beginning on the date that is 365 days before the date on which the share becomes ex-dividend with respect to the dividend. Under section 246(c)(1)(B), a section 245A deduction is also not allowed to the extent the domestic corporation is under an obligation to make related payments with respect to positions in substantially similar or related property.

**Explanation of Provisions**

The Treasury Department and the IRS have determined that as a result of the enactment of the participation exemption system, the current broad application of section 956 to corporate U.S. shareholders would be inconsistent with the purposes of section 956 and the scope of transactions it is intended to address. Congress determined that certain investments by a CFC of its earnings in United States property are "substantially the equivalent of a dividend" and enacted section 956 to provide similar treatment for dividends and certain investments in United States property constituting effective repatriations. S. Rep. No. 1881 at 88. Before the Act, section 956 applied appropriately to domestic corporations because both dividends from, and investments in United States property by, CFCs were included in income by such domestic corporations. As noted, the purpose of section 956 is generally to create symmetry between the taxation of actual repatriations and the taxation of effective repatriations, by subjecting effective repatriations to tax in the same manner as actual repatriations. Under the participation exemption system, however, earnings of a CFC that are repatriated to a corporate U.S. shareholder as a dividend are typically effectively exempt from tax because the shareholder is generally afforded an equal and offsetting dividends received deduction under section 245A. A section 956 inclusion of a corporate U.S. shareholder, on the other hand, is not eligible for the dividends received deduction under section 245A (because it is not a dividend). As a result, the application of section 956 after the Act to corporate U.S. shareholders of CFCs that would qualify for section 245A deductions would result in disparate treatment of actual dividends and amounts "substantially the equivalent of a dividend"—a result directly at odds with the manifest purpose of section 956.

Accordingly, the proposed regulations continue the Treasury Department and the IRS's longstanding practice of conforming the application of section 956 to its purpose. The proposed regulations exclude corporate U.S. shareholders from the application of section 956 to the extent necessary to maintain symmetry between the taxation of actual repatriations and the taxation of effective repatriations. In general, under section 245A and the proposed regulations, respectively, neither an actual dividend to a corporate U.S. shareholder, nor such a shareholder's amount determined under section 956, will result in additional U.S. tax.

To achieve this result, the proposed regulations provide that the amount otherwise determined under section 956 with respect to a U.S. shareholder for a taxable year of a CFC is reduced to the extent that the U.S. shareholder would be allowed a deduction under section 245A if the U.S. shareholder had received a distribution from the CFC in an amount equal to the amount otherwise determined under section 956. The proposed regulations provide special rules with respect to indirect ownership. Due to the broad applicability of section 245A, in many cases a corporate U.S. shareholder will not have a section 956 inclusion as a result of a CFC holding U.S. property under the proposed regulations.

Section 956 will continue to apply without modification to U.S. shareholders other than corporate U.S. shareholders, such as individuals, to ensure that, consistent with the purposes of section 956, amounts that are substantially the equivalent of a dividend will be treated similarly to actual dividends. This treatment will apply to individuals regardless of whether they make an election under section 962. Because individuals are not eligible for a dividends received deduction under section 245A even if they make an election under section 962, the current application of section 956 to individuals is still necessary to ensure substantial equivalence between an actual repatriation and a deemed repatriation. Similarly, section 956 will continue to apply without reduction to regulated investment companies and real estate investment trusts because they are not allowed the dividends received deduction under section 245A. *See* sections 852(b)(2)(C) and 857(b)(2)(A).

In addition to carrying out the purposes of section 956, the proposed regulations would significantly reduce complexity, costs, and compliance burdens for corporate U.S. shareholders of CFCs. Absent the proposed regulations, corporate U.S. shareholders would need to continue to carefully monitor the application of section 956 to their operations, including provisions related to loans, guarantees, and pledges, to ensure that earnings were repatriated only through actual dividends, and therefore allowed a participation exemption, rather than through a deemed repatriation under section 956 subject to additional U.S. tax. Similarly, in the absence of the proposed regulations, a U.S.-parented group in many cases would need to engage in complex and costly restructuring upon the acquisition of a foreign corporation that owns domestic subsidiaries (since the foreign corporation becomes a CFC and the stock of its domestic subsidiaries represents United States property) solely to avoid a section 956 inclusion. Absent the proposed regulations, section 956 could also serve as a "trap for the unwary" for domestic corporations that fail to recognize that, even though they are entitled to the deduction under section 245A for actual dividends, their section 956 inclusions would continue to be fully subject to U.S. tax.

The proposed regulations also add, in proposed § 1.956–1(g)(5), the effective date for § 1.956–1(e)(6) that was inadvertently deleted in TD 9792, published in the **Federal Register** on November 3, 2016 (81 FR 76497, as corrected at 81 FR 95470 and 95471).

## Conforming Amendments

The Treasury Department and the IRS intend to make conforming amendments to the examples throughout the regulations under section 956 upon finalization of the proposed regulations.

## Applicability Date

These changes are proposed to apply to taxable years of a CFC beginning on or after the date of publication of the Treasury decision adopting these rules as final regulations in the **Federal Register** (the "finalization date"), and to taxable years of a U.S. shareholder in which or with which such taxable years of the CFC end. With respect to taxable years of a CFC beginning before the finalization date, a taxpayer may rely on the proposed regulations for taxable years of a CFC beginning after December 31, 2017, and for taxable years of a U.S. shareholder in which or with which such taxable years of the CFC end, provided that the taxpayer and United States persons that are related (within the meaning of section 267 or 707) to the taxpayer consistently apply the proposed regulations with respect to all CFCs in which they are U.S. shareholders.

## Special Analyses

The Administrator of the Office of Information and Regulatory Affairs (OIRA), Office of Management and Budget, has waived review of this proposed rule in accordance with section 6(a)(3)(A) of Executive Order 12866. OIRA will subsequently make a significance determination of the final rule, pursuant to section 3(f) of Executive Order (E.O.) 12866 and the April 11, 2018, Memorandum of Agreement between the Department of Treasury and the Office of Management and Budget (OMB).

Pursuant to the Regulatory Flexibility Act (5 U.S.C. chapter 6), it is hereby certified that this regulation, if adopted, will not have a significant economic impact on a substantial number of small entities, although some small entities that are domestic corporations could be affected by the regulation and comments are requested on the application of the regulation to domestic partnerships. However, even if a substantial number of small entities were to be affected by this regulation, the Treasury Department and the IRS estimate that the economic impact on such small entities would not be significant as the regulation is expected to marginally reduce compliance costs for smaller entities. This is because the Treasury Department and the IRS believe that the cost-saving benefits of the proposed regulations with respect to complex third-party borrowing arrangements, internal financial management structures, and restructurings of worldwide operations will generally be available only to large U.S. multinational corporations with 20 or more CFCs. The Treasury Department and the IRS believe that U.S. multinational corporations with less than 20 CFCs generally will not have the types of arrangements in place that would otherwise need to be structured and monitored to avoid section 956. The proposed regulations, if adopted, generally will not affect small entities that are not domestic corporations. The Treasury Department and the IRS invite comments on the impact of this rule on small entities.

Pursuant to section 7805(f), this notice of proposed rulemaking has been submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on its impact on small businesses.

## Comments and Requests for Public Hearing

Before these proposed regulations are adopted as final regulations, consideration will be given to any comments that are submitted timely to the IRS as prescribed in this preamble under the "Addresses" heading. The Treasury Department and the IRS request comments on all aspects of the proposed rules. In particular, comments are requested as to the appropriate application of the proposed regulations to U.S. shareholders that are domestic partnerships, which may have partners that are a combination of domestic corporations, U.S. individuals, or other persons. For example, one approach could be to reduce the amount otherwise determined under section 956 with respect to a domestic partnership to the extent that a domestic corporate partner would be entitled to a section 245A deduction if the partnership received the amount as a distribution. An alternative could be to determine a domestic partnership's section 956 amount and section 956 inclusion without regard to the status of its partners, but then provide that a corporate U.S. shareholder partner's distributive share of the section 956 inclusion is not taxable. Comments are also requested with respect to the maintenance of previously taxed earnings and profits accounts under section 959 and basis adjustments under section 961. Additionally, comments are requested on the interaction between the proposed regulations and section 245A(e). All comments will be available at http://www.regulations.gov or upon request.

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 proposed regulations is Joshua G. Rabon, formerly of the Office of Associate Chief Counsel (International). However, other personnel from the Treasury Department and the IRS participated in their development.

## List of Subjects in 26 CFR Part 1

Income taxes, Reporting and recordkeeping requirements.

**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 adding an entry to read in part as follows:

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

Section 1.956–1 also issued under 26 U.S.C. 245A(g) and 956(e).

* * * * *

Par. 2. Section 1.956–1 is amended by:

1. Revising paragraph (a).
2. In the first sentence of paragraph (g)(1), removing the language "Paragraph (a)" and adding in its place "Paragraph (a)(1)".
3. Adding paragraphs (g)(4) and (5).

The revisions and additions read as follows:

*§ 1.956–1 Shareholder's pro rata share of the average of the amounts of United States property held by a controlled foreign corporation.*

(a) *Overview and scope*–(1) *In general*. Subject to the provisions of section 951(a) and the regulations thereunder, a United States shareholder of a controlled foreign corporation is required to include in gross income the amount determined under section 956 with respect to the shareholder for the taxable year but only to the extent not excluded from gross income under section 959(a)(2) and the regulations thereunder.

(2) *Reduction for certain United States shareholders*–(i) *In general*. For a taxable year of a controlled foreign corporation, the amount determined under section 956 with respect to each share of stock of the controlled foreign corporation owned (within the meaning of section 958(a)) by a United States shareholder is the amount that would be determined under section 956 with respect to such share for the taxable year, absent the application of this paragraph (a)(2) for the taxable year (such amount, the *tentative section 956 amount,* and in the aggregate with respect to all shares owned (within the meaning of section 958(a)) by the United States shareholder, the *aggregate tentative section 956 amount*), reduced by the amount of the deduction under section 245A that the shareholder would be allowed if the shareholder received as a distribution from the controlled foreign corporation an amount equal to the tentative section 956 amount with respect to such share on the last day during the taxable year on which the foreign corporation is a controlled foreign corporation (*hypothetical distribution*).

(ii) *Determination of the amount of the deduction that would be allowed under section 245A with respect to a hypothetical distribution*. For purposes of determining the amount of the deduction under section 245A that a United States shareholder would be allowed with respect to a share of stock of a controlled foreign corporation by reason of a hypothetical distribution, the following rules apply–

(A) If a United States shareholder owns a share of stock of a controlled foreign corporation indirectly (within the meaning of section 958(a)(2)), then–

(*1*) Sections 245A(a) through (d), 246(a), and 959 apply to the hypothetical distribution as if the United States shareholder directly owned (within the meaning of section 958(a)(1)(A)) the share;

(*2*) Section 245A(e) applies to the hypothetical distribution as if the distribution were made to the United States shareholder through each entity by reason of which the United States shareholder indirectly owns such share and pro rata with respect to the equity that gives rise to such indirect ownership;

(*3*) To the extent that a distribution treated as made to a controlled foreign corporation pursuant to the hypothetical distribution by reason of paragraph (a)(2)(ii)(A)(*2*) of this section would be subject to section 245A(e)(2), the United States shareholder is treated as not being allowed a deduction under section 245A by reason of the hypothetical distribution; and

(*4*) Section 246(c) applies to the hypothetical distribution by substituting the phrase "owned (within the meaning of section 958(a))" for the term "held" each place it appears in section 246(c); and

(B) Section 246(c) applies to the hypothetical distribution by substituting "the last day during the taxable year on which the foreign corporation is a controlled foreign corporation" for the phrase "the date on which such share becomes ex-dividend with respect to such dividend" in section 246(c)(1)(A).

(3) *Examples*. The following examples illustrate the application of paragraph (a)(2) of this section.

(i) *Example 1*. (A) *Facts*. (*1*) USP, a domestic corporation, owns all of the single class of stock of CFC1, which is treated as equity for U.S. income tax purposes and under the laws of the jurisdiction in which CFC1 is organized and liable to tax as a resident. The stock of CFC1 consists of 100 shares, and USP satisfies the holding period requirement of section 246(c) (as modified by paragraph (a)(2)(ii)(B) of this section) with respect to each share of CFC1 stock. CFC1 owns all of the stock of USS, a domestic corporation. CFC1's adjusted basis in the stock of USS is $0x.

(*2*) The functional currency of CFC1 is the U.S. dollar. CFC1 has $100x of undistributed earnings as defined in section 245A(c)(2), $90x of which constitute undistributed foreign earnings as defined in section 245A(c)(3), and $10x of which are described in section 245(a)(5)(B) (that is, earnings attributable to a dividend that CFC1 received from USS). CFC1 would not receive a deduction or other tax benefit with respect to any income, war profits, or excess profits taxes on a distribution. None of the earnings and profits of CFC1 are described in section 959(c)(1) or (2) or are earnings and profits attributable to income excluded from subpart F income under section 952(b). CFC1's applicable earnings (as defined in section 956(b)(1)) are $100x. CFC1 also has held an obligation of USP with an adjusted basis of $120x on every day during the taxable year that was acquired while all of its stock was owned by USP.

(B) *Analysis*. Because USP directly owns all of the stock of CFC1 at the end of CFC1's taxable year, USP's aggregate tentative section 956 amount with respect to CFC1 is $100x, the lesser of USP's pro rata share of the average amounts of United States property held by CFC1 ($120x) and its pro rata share of CFC1's applicable earnings ($100x). Under paragraph (a)(2)(i) of this section, USP's section 956 amount with respect to CFC1 is its aggregate tentative section 956 amount with respect to CFC1 reduced by the deduction under section 245A that USP would be allowed if USP received an amount equal to its aggregate tentative section 956 amount as a distribution with respect to the CFC1 stock. With respect to the tentative distribution from CFC1 to USP, USP would be allowed a $90x deduction under section 245A with respect to the foreign-source portion of the $100x hypothetical distribution (that is, an amount of the dividend that bears the same ratio to the dividend as the $90x of undistributed foreign earnings bears to the $100x of undistributed earnings). Accordingly, USP's section 956 amount with respect to CFC1 is $10x, its aggregate tentative section 956 amount ($100x) with respect to CFC1 reduced by the amount of the deduction that USP would have been allowed under section 245A with respect to the hypothetical distribution ($90x).

(ii) *Example 2*. (A) *Facts*. The facts are the same as in paragraph (A) of *Example 1* in paragraph (a)(3)(i) of this section, except that all $100x of

CFC1's undistributed earnings are described in section 959(c)(2).

(B) *Analysis*. As in paragraph (B) of *Example 1* in this paragraph (a)(3)(i) of this section, USP's aggregate tentative section 956 amount with respect to CFC1 is $100x, the lesser of USP's pro rata share of the average amounts of United States property held by CFC1 ($120x) and its pro rata share of CFC1's applicable earnings ($100x). However, paragraph (a)(2) of this section does not reduce USP's section 956 amount, because USP would not be allowed any deduction under section 245A with respect to the $100x hypothetical distribution by reason of section 959(a) and (d). Accordingly, USP's section 956 amount is $100x. However, under sections 959(a)(2) and 959(f)(1), USP's inclusion under section 951(a)(1)(B) with respect to CFC1 is $0, because USP's section 956 amount with respect to CFC1 does not exceed the earnings and profits of CFC1 described in section 959(c)(2) with respect to USP. The $100x of earnings and profits of CFC1 described in section 959(c)(2) are reclassified as earnings and profits described in section 959(c)(1).

(iii) *Example 3*. (A) *Facts*. (*1*) USP, a domestic corporation, owns all of the single class of stock of CFC1, and has held such stock for five years. CFC1 has held 70% of the single class of stock of CFC2 for three years. The other 30% of the CFC2 stock has been held by a foreign individual unrelated to USP or CFC1 since CFC2's formation. All of the stock of each of CFC1 and CFC2 is treated as equity for U.S. income tax purposes and under the laws of the jurisdiction in which each respective corporation is organized and liable to tax as a resident. CFC2 has a calendar taxable year. On December 1, Year 1, CFC1 acquires the remaining 30% of the stock of CFC2 for cash. On June 30, Year 2, CFC1 sells to a third party the 30% of CFC2 stock acquired in Year 1 at no gain. CFC2 made no distributions during Year 1.

*(2)* The functional currency of CFC1 and CFC2 is the U.S. dollar. CFC2 has $120x of undistributed earnings as defined in section 245A(c)(2), all of which constitute undistributed foreign earnings. Neither CFC1 nor CFC2 would receive a deduction or other tax benefit with respect to any income, war profits, or excess profits taxes on a distribution. None of the earnings and profits of CFC2 are described in section 959(c)(1) or (2) or are earnings and profits attributable to income excluded from subpart F income under section 952(b). CFC2's applicable earnings (as defined in section 956(b)(1)) are $120x. CFC2 has held an obligation of USP with an adjusted basis of $100x on every day of Year 1 that was acquired while USP owned all of the stock of CFC1 and CFC1 held 70% of the single class of stock of CFC2.

(B) *Analysis*. Because USP indirectly owns (within the meaning of section 958(a)) all of the stock of CFC2 at the end of Year 1, USP's aggregate tentative section 956 amount with respect to CFC2 for Year 1 is $100x, the lesser of USP's pro rata share of the average amounts of United States property held by CFC2 ($100x) and its pro rata share of CFC2's applicable earnings ($120x). Under paragraph (a)(2)(i) of this section, USP's section 956 amount with respect to CFC2 for Year 1 is its aggregate tentative section 956 amount with respect to CFC2 reduced by the deduction under section 245A that USP would be allowed if USP received an amount equal to its aggregate tentative section 956 amount as a distribution with respect to the CFC2 stock that USP owns indirectly within the meaning of section 958(a)(2). For purposes of determining the consequences of this hypothetical distribution, under paragraph (a)(2)(ii)(A)(*1*) of this section, USP is treated as owning the CFC2 stock directly. In addition, under paragraph (a)(2)(ii)(A)(*4*) of this section, the holding period requirement of section 246(c) is applied by reference to the period during which USP owned (within the meaning of section 958(a)) the stock of CFC2. Therefore, with respect to the hypothetical distribution from CFC2 to USP, USP would satisfy the holding period requirement under section 246(c) with respect to the 70% of the CFC2 stock that USP indirectly owned for three years through CFC1, but not with respect to the 30% of the CFC2 stock that USP indirectly owned through CFC1 for a period of less than 365 days. Accordingly, USP's section 956 amount with respect to CFC2 for Year 1 is $30x, its aggregate tentative section 956 amount ($100x) reduced by the amount of the deduction that USP would have been allowed under section 245A with respect to the hypothetical distribution ($70x).

* * * * *

(g) * * *

(4) Paragraphs (a)(2) and (3) of this section apply to taxable years of controlled foreign corporations beginning on or after the date of publication of the Treasury decision adopting paragraphs (a)(2) and (3) of this section as final regulations in the **Federal Register**, and to taxable years of a United States shareholder in which or with which such taxable years of the controlled foreign corporation end.

(5) Paragraph (e)(6) of this section applies to property acquired in exchanges occurring on or after June 24, 2011.

Kirsten Wielobob
*Deputy Commissioner for Services and Enforcement.*

(Filed by the Office of the Federal Register on November 1, 2018, 4:15 p.m., and published in the issue of the Federal Register for November 5, 2018, 83 F.R. 55324)

# Definition of Terms

*Revenue rulings and revenue procedures (hereinafter referred to as "rulings") that have an effect on previous rulings use the following defined terms to describe the effect:*

*Amplified* describes a situation where no change is being made in a prior published position, but the prior position is being extended to apply to a variation of the fact situation set forth therein. Thus, if an earlier ruling held that a principle applied to A, and the new ruling holds that the same principle also applies to B, the earlier ruling is amplified. (Compare with *modified*, below).

*Clarified* is used in those instances where the language in a prior ruling is being made clear because the language has caused, or may cause, some confusion. It is not used where a position in a prior ruling is being changed.

*Distinguished* describes a situation where a ruling mentions a previously published ruling and points out an essential difference between them.

*Modified* is used where the substance of a previously published position is being changed. Thus, if a prior ruling held that a principle applied to A but not to B, and the new ruling holds that it applies to both A and B, the prior ruling is modified because it corrects a published position. (Compare with *amplified* and *clarified*, above).

*Obsoleted* describes a previously published ruling that is not considered determinative with respect to future transactions. This term is most commonly used in a ruling that lists previously published rulings that are obsoleted because of changes in laws or regulations. A ruling may also be obsoleted because the substance has been included in regulations subsequently adopted.

*Revoked* describes situations where the position in the previously published ruling is not correct and the correct position is being stated in a new ruling.

*Superseded* describes a situation where the new ruling does nothing more than restate the substance and situation of a previously published ruling (or rulings). Thus, the term is used to republish under the 1986 Code and regulations the same position published under the 1939 Code and regulations. The term is also used when it is desired to republish in a single ruling a series of situations, names, etc., that were previously published over a period of time in separate rulings. If the new ruling does more than restate the substance of a prior ruling, a combination of terms is used. For example, *modified* and *superseded* describes a situation where the substance of a previously published ruling is being changed in part and is continued without change in part and it is desired to restate the valid portion of the previously published ruling in a new ruling that is self contained. In this case, the previously published ruling is first modified and then, as modified, is superseded.

*Supplemented* is used in situations in which a list, such as a list of the names of countries, is published in a ruling and that list is expanded by adding further names in subsequent rulings. After the original ruling has been supplemented several times, a new ruling may be published that includes the list in the original ruling and the additions, and supersedes all prior rulings in the series.

*Suspended* is used in rare situations to show that the previous published rulings will not be applied pending some future action such as the issuance of new or amended regulations, the outcome of cases in litigation, or the outcome of a Service study.

# Abbreviations

*The following abbreviations in current use and formerly used will appear in material published in the Bulletin.*

*A*—Individual.
*Acq.*—Acquiescence.
*B*—Individual.
*BE*—Beneficiary.
*BK*—Bank.
*B.T.A.*—Board of Tax Appeals.
*C*—Individual.
*C.B.*—Cumulative Bulletin.
*CFR*—Code of Federal Regulations.
*CI*—City.
*COOP*—Cooperative.
*Ct.D.*—Court Decision.
*CY*—County.
*D*—Decedent.
*DC*—Dummy Corporation.
*DE*—Donee.
*Del. Order*—Delegation Order.
*DISC*—Domestic International Sales Corporation.
*DR*—Donor.
*E*—Estate.
*EE*—Employee.
*E.O.*—Executive Order.
*ER*—Employer.
*ERISA*—Employee Retirement Income Security Act.
*EX*—Executor.
*F*—Fiduciary.
*FC*—Foreign Country.
*FICA*—Federal Insurance Contributions Act.
*FISC*—Foreign International Sales Company.
*FPH*—Foreign Personal Holding Company.
*F.R.*—Federal Register.
*FUTA*—Federal Unemployment Tax Act.
*FX*—Foreign corporation.
*G.C.M.*—Chief Counsel's Memorandum.
*GE*—Grantee.
*GP*—General Partner.
*GR*—Grantor.
*IC*—Insurance Company.
*I.R.B.*—Internal Revenue Bulletin.
*LE*—Lessee.
*LP*—Limited Partner.
*LR*—Lessor.
*M*—Minor.
*Nonacq.*—Nonacquiescence.
*O*—Organization.
*P*—Parent Corporation.
*PHC*—Personal Holding Company.
*PO*—Possession of the U.S.
*PR*—Partner.
*PRS*—Partnership.
*PTE*—Prohibited Transaction Exemption.
*Pub. L.*—Public Law.
*REIT*—Real Estate Investment Trust.
*Rev. Proc.*—Revenue Procedure.
*Rev. Rul.*—Revenue Ruling.
*S*—Subsidiary.
*S.P.R.*—Statement of Procedural Rules.
*Stat.*—Statutes at Large.
*T*—Target Corporation.
*T.C.*—Tax Court.
*T.D.*—Treasury Decision.
*TFE*—Transferee.
*TFR*—Transferor.
*T.I.R.*—Technical Information Release.
*TP*—Taxpayer.
*TR*—Trust.
*TT*—Trustee.
*U.S.C.*—United States Code.
*X*—Corporation.
*Y*—Corporation.
*Z*—Corporation.

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[1] A cumulative list of all revenue rulings, revenue procedures, Treasury decisions, etc., published in Internal Revenue Bulletins 2018–01 through 2018–26 is in Internal Revenue Bulletin 2018–26, dated June 27, 2018.

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[1]A cumulative list of all revenue rulings, revenue procedures, Treasury decisions, etc., published in Internal Revenue Bulletins 2018–01 through 2018–26 is in Internal Revenue Bulletin 2018–26, dated June 27, 2018.

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