

[4830-01-p]

DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

REG-126519-11

RIN 1545-BK41

Determining the Amount of Taxes Paid for Purposes of the Foreign Tax Credit

AGENCY: Internal Revenue Service (IRS), Treasury.

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

SUMMARY: In the Rules and Regulations section in this issue of the **Federal Register**, the IRS is issuing temporary regulations that provide guidance relating to the determination of the amount of taxes paid for purposes of the foreign tax credit. These regulations address certain highly structured arrangements that produce inappropriate foreign tax credit results. The text of those temporary regulations published in this issue of the **Federal Register** also serves as the text of these proposed regulations.

DATES: Written or electronic comments and requests for a public hearing must be received by **[INSERT DATE 90 DAYS AFTER PUBLICATION OF THIS DOCUMENT**

IN THE FEDERAL REGISTER].

ADDRESSES: Send submissions to CC:PA:LPD:PR (REG-126519-11), room 5205,

Internal Revenue Service, PO 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-126519-11), Courier's desk, Internal Revenue

Service, 1111 Constitution Avenue, NW., Washington, DC 20044, or sent electronically, via the Federal eRulemaking Portal at www.regulations.gov (IRS REG-126519-11).

FOR FURTHER INFORMATION CONTACT: Concerning the regulations, Jeffrey P. Cowan, (202) 622-3850; concerning submissions of comments or a request for a public hearing, Oluwafunmilayo Taylor at (202) 622-7180.

SUPPLEMENTARY INFORMATION:

Background and Explanation of Provisions

Temporary regulations in the Rules and Regulations section of this issue of the **Federal Register** contain amendments to the Income Tax Regulations (26 CFR Part 1) which provide rules relating to the determination of the amount of taxes paid for purposes of the foreign tax credit. The text of those regulations also serves as the text of these proposed regulations. The preamble to the temporary regulations explains the temporary regulations and these proposed regulations. The regulations affect individuals and corporations that claim direct and indirect foreign tax credits.

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 has also been determined that section 553(b) of the Administrative Procedure Act (5 U.S.C. chapter 5) does not apply to these regulations, and because the regulations do not impose a collection of information on small entities, the Regulatory Flexibility Act (5 U.S.C. chapter 6) does not apply. Pursuant to section 7805(f), these regulations have been submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on its impact on small business.

Comments and Requests for a Public Hearing

Before these proposed regulations are adopted as final regulations, consideration will be given to any electronic or written comments (a signed original and eight (8) copies) that are submitted timely to the IRS. All comments will be available for public inspection and copying. A public hearing may be scheduled if requested in writing by any person who timely submitted written comments. If a public hearing is scheduled, notice of the date, time, and place of the hearing will be published in the **Federal Register**.

Drafting Information

The principal author of these regulations is Jeffrey P. Cowan of the Office of 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 continues to read in part as follows:

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

Par. 2. Section 1.901-2 is amended by revising paragraphs (e)(5)(iii) and (iv) and adding paragraph (h)(3) to read as follows:

§1.901-2 Income, war profits, or excess profits tax paid or accrued.

* * * * *

(e) * * *

(5) * * *

(iii) through (iv)(B)(1)(ii) [The text of proposed §1.901-2(e)(5)(iv)(B)(1)(iii) through (iv)(B)(1)(ii) is the same as the text of §1.901-2T(e)(5)(iv)(B)(1)(iii) through (iv)(B)(1)(ii) published elsewhere in this issue of the **Federal Register**.]

(iii) [The text of proposed §1.901-2(e)(5)(iv)(B)(1)(iii) is the same as the text of §1.901-2T(e)(5)(iv)(B)(1)(iii) published elsewhere in this issue of the **Federal Register**.]

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(h) * * *

(3) [The text of proposed §1.901-2(h)(3) is the same as the text of §1.901-2T(h)(3) published elsewhere in this issue of the **Federal Register**.]

Steven T. Miller

Deputy Commissioner for Services and Enforcement.

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