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[4830-01-P]

DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

[TD 9623]

RIN 1545-BI99

Application of Section 108(i) to Partnerships and S Corporations; Correction

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Correcting amendments.

SUMMARY: This document contains corrections to final regulations and removal of temporary regulations (TD 9623) that were published in the **Federal Register** on Wednesday, July 3, 2013 (78 FR 39973). The final regulations are relating to the application of section 108(i) of the Internal Revenue Code to partnerships and S corporations and provides rules regarding the deferral of discharge of indebtedness income and original issue discount deductions by a partnership or an S corporation with respect to reacquisitions of applicable debt instruments after December 31, 2008, and before January 1, 2011.

DATES: This correction is effective on **[INSERT DATE OF PUBLICATION OF THIS DOCUMENT IN THE FEDERAL REGISTER]** and applicable on or after July 2, 2013.

FOR FURTHER INFORMATION CONTACT: Joseph R. Worst, at (202) 622-3070 (not a toll free number).

SUPPLEMENTARY INFORMATION:

Background

The final regulations and removal of temporary regulations (TD 9623) that are the subject of this correction are under section 108(i) of the Internal Revenue Code.

Need for Correction

As published, the final regulations and removal of temporary regulations (TD 9623) contains 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 1.108(i)-2 is amended by revising paragraphs (b)(6)(i)(A)(4), (c)(3)(i)(A)(5), and (d)(2)(iii) Example 2. (ii) to read as follows:

§1.108(i)-2 Application of section 108(i) to partnerships and S Corporations.

* * * * *

(b) * * *

(6) * * *

(i) * * *

(A) * * *

(4) In the taxable year that includes the day before the day on which the electing partnership files a petition in a title 11 or similar case.

* * * * *

(c) * * *

(3) * * *

(i) * * *

(A) * * *

(5) In the taxable year that includes the day before the day on which the electing S corporation files a petition in a title 11 or similar case.

* * * * *

(d) * * *

(2) * * *

(iii) * * *

Example 2. * * *

(ii) Under paragraph (d)(2) of this section, ABC partnership's deferred OID deduction for 2012 is the lesser of: \$23.25 (\$31 of OID that accrues on the new debt instrument in 2012 less \$7.75 of this OID that is allowed as a deduction to A in 2012) or \$9.75 (the excess of \$75 (ABC partnership's deferred COD income of \$150 less A's share of ABC partnership's deferred COD income that is included in A's income for 2012 of \$75) over \$65.25 (the aggregate amount of OID that accrued in previous taxable years of \$87 less the aggregate amount of such OID that has been allowed as a deduction by A in 2012 of \$21.75)). Thus, of the \$31 of OID that accrues in 2012, \$9.75 is deferred under section 108(i).

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