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[4830-01-p]

DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

[REG-127203-15]

RIN 1545-BN81

Transfers of Certain Property by U.S. Persons to Partnerships with Related Foreign Partners

AGENCY: Internal Revenue Service (IRS), Treasury.

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

SUMMARY: In the Rules and Regulations section of this issue of the **Federal Register**, temporary regulations are being issued under sections 197, 704, 721(c), and 6038B of the Internal Revenue Code (Code) that address transfers of appreciated property by U.S. persons to partnerships with foreign partners related to the transferor. The temporary regulations affect U.S. partners in domestic or foreign partnerships. The text of the temporary regulations also serves as the text of these proposed regulations.

DATES: Written or electronic comments and requests for a public hearing must be received by **April 19, 2017**.

ADDRESSES: Send submissions to: CC:PA:LPD:PR (REG-127203-15), 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-127203-15), 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-127203-15).

FOR FURTHER INFORMATION CONTACT: Concerning the proposed regulations, Ryan A. Bowen, (202) 317-6937; concerning submissions of comments or requests for a public hearing, Regina Johnson, (202) 317-6901 (not toll-free numbers).

SUPPLEMENTARY INFORMATION:

Background

The temporary regulations in the Rules and Regulations section of this issue of the **Federal Register** contain regulations under sections 197, 704, 721(c), and 6038B of the Code. The temporary regulations contain rules described in Notice 2015-54, 2015-34 I.R.B. 210, and override nonrecognition of gain under section 721(a) for transfers of property to a partnership with related foreign partners and with substantial related-party ownership unless certain requirements are satisfied. The text of the temporary regulations also serves as the text of these proposed regulations. The preamble to the temporary regulations explains the temporary regulations and the corresponding proposed regulations.

Special Analyses

Certain IRS regulations, including this one, are exempt from the requirements of Executive Order 12866, as supplemented and reaffirmed by Executive Order 13563. Therefore, a regulatory impact assessment is not required. It is hereby certified that the collection of information contained in this regulation will not have a significant economic impact on a substantial number of small entities. Accordingly, a regulatory flexibility analysis is not required. This conclusion is based on the fact that the

proposed regulations include a \$1,000,000 de minimis exception for certain transfers, and tangible property with built-in gain that does not exceed \$20,000 is excluded from the application of the regulations. In addition, the regulations only apply when a U.S. transferor contributes property to a partnership with a related foreign partner, and persons related to the U.S. transferor own 80 percent or more of the interests in the partnership. Accordingly, the Treasury Department and the IRS expect that these regulations primarily will affect large domestic corporations. 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 business.

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. All comments will be available at 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 Ryan A. Bowen, 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 entries to read in part as follows:

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

Section 1.721(c)-1 also issued under 26 U.S.C. 721(c).

Section 1.721(c)-2 also issued under 26 U.S.C. 721(c).

Section 1.721(c)-3 also issued under 26 U.S.C. 721(c).

Section 1.721(c)-4 also issued under 26 U.S.C. 721(c).

Section 1.721(c)-5 also issued under 26 U.S.C. 721(c).

Section 1.721(c)-6 also issued under 26 U.S.C. 721(c).

Section 1.721(c)-7 also issued under 26 U.S.C. 721(c).

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Par. 2. Section 1.197-2 is amended by adding paragraphs (h)(12)(vii)(C) and (l)(5) to read as follows:

§1.197-2 Amortization of goodwill and certain other intangibles.

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(h) * * *

(12) * * *

(vii) * * *

(C) [The text of proposed §1.197-2(h)(12)(vii)(C) is the same as the text of §1.197-2T(h)(12)(vii)(C) published elsewhere in this issue of the **Federal Register**].

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(l) * * *

(5) [The text of proposed §1.197-2(l)(5) is the same as the text of §1.197-2T(l)(5) published elsewhere in this issue of the **Federal Register**].

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Par. 3. Section 1.704-1 is amended by adding paragraph (b)(2)(iv)(f)(6) following the undesignated paragraph at the end of paragraph (b)(2)(iv)(f)(5) and adding paragraph (f) to read as follows:

§1.704-1 Partner's distributive share.

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(b) * * *

(2) * * *

(iv) * * *

(f) * * *

(6) [The text of proposed §1.704-1(b)(2)(iv)(f)(6) is the same as the text of §1.704-1T(b)(2)(iv)(f)(6) published elsewhere in this issue of the **Federal Register**].

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(f) [The text of proposed §1.704-1(f) is the same as the text of §1.704-1T(f) published elsewhere in this issue of the **Federal Register**].

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Par. 4. Section 1.704-3 is amended by adding paragraphs (a)(13), (d)(5)(iii), and (g) to read as follows:

§1.704-3 Contributed property.

(a) * * *

(13) [The text of proposed §1.704-3(a)(13) is the same as the text of §1.704-3T(a)(13) published elsewhere in this issue of the **Federal Register**].

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(d) * * *

(5) * * *

(iii) [The text of proposed §1.704-3(d)(5)(iii) is the same as the text of §1.704-3T(d)(5)(iii) published elsewhere in this issue of the **Federal Register**].

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(g) [The text of proposed §1.704-3(g) is the same as the text of §1.704-3T(g) published elsewhere in this issue of the **Federal Register**].

Par. 5. Section 1.721(c)-1 is added to read as follows:

§1.721(c)-1 Overview, definitions, and rules of general application.

[The text of proposed §1.721(c)-1 is the same as the text of §1.721(c)-1T published elsewhere in this issue of the **Federal Register**].

Par. 6. Section 1.721(c)-2 is added to read as follows:

§1.721(c)-2 Recognition of gain on certain contributions of property to partnerships with related foreign partners.

[The text of proposed §1.721(c)-2 is the same as the text of §1.721(c)-2T published elsewhere in this issue of the **Federal Register**].

Par. 7. Section 1.721(c)-3 is added to read as follows:

§1.721(c)-3 Gain deferral method.

[The text of proposed §1.721(c)-3 is the same as the text of §1.721(c)-3T published elsewhere in this issue of the **Federal Register**].

Par. 8. Section 1.721(c)-4 is added to read as follows:

§1.721(c)-4 Acceleration events.

[The text of proposed §1.721(c)-4 is the same as the text of §1.721(c)-4T published elsewhere in this issue of the **Federal Register**].

Par. 9. Section 1.721(c)-5 is added to read as follows:

§1.721(c)-5 Acceleration event exceptions.

[The text of proposed §1.721(c)-5 is the same as the text of §1.721(c)-5T published elsewhere in this issue of the **Federal Register**].

Par. 10. Section 1.721(c)-6 is added to read as follows:

§1.721(c)-6 Procedural and reporting requirements.

[The text of proposed §1.721(c)-6 is the same as the text of §1.721(c)-6T published elsewhere in this issue of the **Federal Register**].

Par. 11. Section 1.721(c)-7 is added to read as follows:

§1.721(c)-7 Examples.

[The text of proposed §1.721(c)-7 is the same as the text of §1.721(c)-7T published elsewhere in this issue of the **Federal Register**].

Par. 12. Section 1.6038B-2 is amended by:

1. Revising paragraph (a)(3).
2. Adding paragraphs (a)(1)(iii), (c)(8), and (c)(9).
3. Revising paragraph (h)(3).
4. Adding paragraphs (j)(4) and (j)(5).

§1.6038B-2 Reporting of certain transfers to foreign partnerships.

(a) * * *

(1) * * *

(iii) [The text of proposed §1.6038B-2(a)(1)(iii) is the same as the text of §1.6038B-2T(a)(1)(iii) published elsewhere in this issue of the **Federal Register**].

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(3) [The text of proposed §1.6038B-2(a)(3) is the same as the text of §1.6038B-2T(a)(3) published elsewhere in this issue of the **Federal Register**].

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(c) * * *

(8) [The text of proposed §1.6038B-2(c)(8) is the same as the text of §1.6038B-2T(c)(8) published elsewhere in this issue of the **Federal Register**].

(9) [The text of proposed §1.6038B-2(c)(9) is the same as the text of §1.6038B-2T(c)(9) published elsewhere in this issue of the **Federal Register**].

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(h) * * *

(3) [The text of proposed §1.6038B-2(h)(3) is the same as the text of §1.6038B-2T(h)(3) published elsewhere in this issue of the **Federal Register**].

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(j) * * *

(4) [The text of proposed §1.6038B-2(j)(4) is the same as the text of §1.6038B-2T(j)(4) published elsewhere in this issue of the **Federal Register**].

(5) [The text of proposed §1.6038B-2(j)(5) is the same as the text of §1.6038B-2T(j)(5) published elsewhere in this issue of the **Federal Register**].

John Dalrymple,

Deputy Commissioner for Services and Enforcement.

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