

FOR FURTHER INFORMATION CONTACT:

Jeffrey P. Cowan, (202) 622-3860 (not a toll-free number).

SUPPLEMENTARY INFORMATION:**Background**

The final regulations that are the subject of this document are under section 1503(d) of the Internal Revenue Code.

Need for Correction

As published, final regulations (TD 9315) 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 1.1503(d)-0 is amended by revising the entries (1) and (2) of Section 1.1503(d)-8(b). The revisions read as follows:

§ 1.1503(d)-0 Table of contents.

* * * * *

§ 1.1503(d)-8 Effective dates.

* * * * *

(b) * * *

(1) Reduction of term of agreements filed under §§ 1.1503-2A(c)(3), 1.1503-2A(d)(3), 1.1503-2(g)(2)(i), or 1.1503-2T(g)(2)(i).

(2) Reduction of term of agreements filed under §§ 1.1503-2(g)(2)(iv)(B)(2)(i) (1992), 1.1503-2(g)(2)(iv)(B)(3)(i), or Rev. Proc. 2000-42.

* * * * *

■ **Par. 3.** Section 1.1503(d)-5 is amended by revising the last sentence of paragraph (a), the second sentence of paragraph (c)(4)(i)(A), and the only sentence of paragraph (d) to read as follows:

§ 1.1503(d)-5 Attribution of items and basis adjustments.

(a) * * * The rules in this section apply for purposes of §§ 1.1503(d)-1 through 1.1503(d)-7.

* * * * *

(c) * * *

(4) * * *

(i) * * *

(A) * * * For purposes of determining items of income, gain, deduction, and loss of the domestic owner that are attributable to the domestic owner's foreign branch separate unit described in the preceding sentence, only items of income, gain, deduction, and loss that are attributable to the domestic owner's interest in the hybrid entity, or transparent entity, as provided in paragraph (c)(3) of this section, shall be taken into account.

* * *

(d) * * * The fact that a particular item taken into account in computing the income or dual consolidated loss of a dual resident corporation or a separate unit, or the income or loss of an interest in a transparent entity, is not taken into account in computing income (or loss) subject to a foreign country's income tax shall not cause such item to be excluded from being taken into account under paragraph (b), (c), or (e) of this section.

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■ **Par. 4.** Section 1.1503(d)-7(c) is amended by revising the last sentence of paragraph (iv) of *Example 5* and the last sentence of paragraph (C) of *Example 40*(ii).

The revisions read as follows:

§ 1.1503(d)-7 Examples.

* * * * *

(c) * * *

Example 5. * * *

(iv) * * * In addition, pursuant to § 1.1503(d)-6(f)(1) and (3), the deemed transfers pursuant to Rev. Rul. 99-5 as a result of the sale are not treated as triggering events described in § 1.1503(d)-6(e)(1)(iv) or (v).

* * * * *

Example 40. * * *

(ii) * * *

(C) * * * Pursuant to § 1.1503(d)-6(j)(1)(iii), the domestic use agreement filed by the P consolidated group with respect to the year 1 dual consolidated loss of the Country X separate unit is terminated and has no further effect.

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■ **Par. 5.** Section 1.1503(d)-8 is amended by revising the heading texts of paragraphs (b)(1) and (2), the only sentence of paragraph (b)(1), the first sentence of paragraph (b)(2) and the last sentence of paragraph (b)(4).

The revisions read as follows:

§ 1.1503(d)-8 Effective dates.

* * * * *

(b) * * *

(1) *Reduction of term of agreements filed under §§ 1.1503-2A(c)(3), 1.1503-2A(d)(3), 1.1503-2(g)(2)(i), or 1.1503-2T(g)(i).* If an agreement is filed in accordance with §§ 1.1503-2A(c)(3),

1.1503-2A(d)(3), 1.1503-2(g)(2)(i), or 1.1503-2T(g)(2)(i) with respect to a dual consolidated loss incurred in a taxable year beginning prior to the application date and an event requiring recapture with respect to the dual consolidated loss subject to the agreement has not occurred as of the application date, then such agreement will be considered by the Internal Revenue Service to apply only for any taxable year up to and including the fifth taxable year following the year in which the dual consolidated loss that is the subject of the agreement was incurred and thereafter will have no effect.

(2) *Reduction of term of agreements filed under §§ 1.1503-2(g)(2)(iv)(B)(2)(i) (1992), 1.1503-2(g)(2)(iv)(B)(3)(i), or Rev. Proc. 2000-42.* Taxpayers subject to the terms of a closing agreement entered into with the Internal Revenue Service pursuant to §§ 1.1503-2(g)(2)(iv)(B)(2)(i) (1992), 1.1503-2(g)(2)(iv)(B)(3)(i), or Rev. Proc. 2000-42 (2000-2 CB 394), see § 601.601(d)(2)(ii)(b) of this chapter, will be deemed to have satisfied the closing agreement's fifteen-year certification period requirement if the five-year certification period specified in § 1.1503(d)-1(b)(20) has elapsed, provided such closing agreement is still in effect as of the application date, and provided the dual consolidated losses have not been recaptured. * * *

* * * * *

(4) * * * Notwithstanding the general application of this paragraph (b)(4) to events described in § 1.1503-2(g)(2)(iv)(B)(1)(i) through (iii) that occur after April 18, 2007, a taxpayer may choose to apply this paragraph (b)(4) to events described in § 1.1503-2(g)(2)(iv)(B)(1)(i) through (iii) that occur after March 19, 2007 and on or before April 18, 2007.

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LaNita Van Dyke,

Chief, Publications and Regulations Branch, Legal Processing Division, Associate Chief Counsel, (Procedure and Administration).

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DEPARTMENT OF THE TREASURY**Internal Revenue Service****26 CFR Part 1**

[TD 9315]

RIN 1545-BD10

Dual Consolidated Loss Regulations; Correction

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Correction to final regulations.

SUMMARY: This document contains a correction to final regulations (TD 9315) that were published in the **Federal Register** on Monday, March 19, 2007 (72 FR 12902) regarding dual consolidated losses. Section 1503(d) generally provides that a dual consolidated loss of a dual resident corporation cannot reduce the taxable income of any other member of the affiliated group unless, to the extent provided in regulations, the loss does not offset the income of any foreign corporation.

DATES: This correction is effective April 25, 2007.

FOR FURTHER INFORMATION CONTACT: Jeffrey P. Cowan, (202) 622-3860 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

The correction notice that is the subject of this document is under section 1503(d) of the Internal Revenue Code.

Need for Correction

As published, final regulations (TD 9315) contain an error that may prove to be misleading and is in need of clarification.

Correction of Publication

Accordingly, the publication of the final regulations (TD 9315), which was the subject of FR Doc. E7-4618, is corrected as follows:

On page 12904, column 1, in the preamble, under the paragraph heading “*C. Elimination of the Consistency Rule*”, third line from the bottom of the paragraph, the language “application of the dual consolidated” is corrected to read “application of the dual consolidated loss”.

LaNita Van Dyke

Chief, Publications and Regulations Branch, Legal Processing Division, Associate Chief Counsel, (Procedure and Administration).

[FR Doc. E7-7780 Filed 4-24-07; 8:45 am]

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DEPARTMENT OF VETERANS AFFAIRS

38 CFR Part 21

RIN 2900-AL43

Administration of VA Educational Benefits—Centralized Certification

AGENCY: Department of Veterans Affairs.

ACTION: Final rule.

SUMMARY: This document adopts as a final rule a proposed rule amending

Department of Veterans Affairs (VA) rules governing certification of enrollment in approved courses for the training of veterans and other eligible persons under the education benefit programs VA administers. Under this rule, educational institutions with multi-state campuses may submit certifications to VA from a centralized location.

DATES: This final rule is effective June 25, 2007.

FOR FURTHER INFORMATION CONTACT:

Lynn M. Nelson, Education Advisor, Veterans Benefits Administration, Department of Veterans Affairs (225C), 810 Vermont Avenue, NW., Washington, DC 20420, 202-273-7187.

SUPPLEMENTARY INFORMATION: In a document published in the **Federal Register** on February 22, 2006 (71 FR 9052), VA proposed a rule that would amend subpart D of 38 CFR part 21 regarding approval criteria for branches and extensions of educational institutions. VA is adopting as final the proposed rule with only minor non-substantive changes. The rule permits educational institutions with multi-state campuses to submit required certifications to VA from a centralized location (centralized certification).

Interested persons were given 60 days to submit comments on the proposed rule. VA addresses the comments below.

I. Background

VA initially published a notice of proposed rulemaking (NPRM) in the **Federal Register** on June 30, 2003 (68 FR 38657), proposing to amend VA regulations to permit centralized certification of courses. VA received several comments concerning the NPRM. Many of the comments opposing the proposed amendments came from individual State Approving Agencies (SAA), and a national association of SAAs. VA contracts with SAAs to perform course approval functions under 38 U.S.C. chapter 36. Based on the comments received, VA withdrew the initial NPRM and published a new NPRM taking into consideration all the comments received. (The new NPRM was published in the **Federal Register** on February 22, 2006 (71 FR 9052) for comment.)

II. Favorable Comments on NPRM Published February 22, 2006

VA received four favorable comments. Two were from educational institutions, one was from a national association of SAAs, and one was from an individual SAA.

One commenter, the national association, supported the proposed

rule and commended VA for addressing the issues raised in response to the prior NPRM. In addition, the commenter requested that VA amend proposed 38 CFR 21.4266(f)(3) to add a requirement for teaching locations that do not have a certifying official present. Specifically, the commenter requested that VA require the educational institution's designated employee, who has access to VA's Internet-based educational certification application for purposes of providing certification information to VA, to also have access to other records the SAA may require. The commenter suggested that the designated employee should also have access to and provide academic records information to veterans, servicemembers, reservists or other eligible persons. (Another SAA individually submitted a similar comment.)

While VA understands the commenter's concern, we did not make the recommended change in this final rule because VA already has a regulation (38 CFR 21.4209) that requires educational institutions to make certain records available for review by VA and duly authorized Government representatives, such as SAAs. Since § 21.4209 presently requires institutions to make the records available, VA believes that the change suggested by the commenter is unnecessary. If the educational institution does not make the required records available, § 21.4209(e) provides that such failure is grounds for discontinuing the payment of educational assistance allowance (or special training allowance). An institution that does not comply would also be subject to losing approval of its courses for veterans' training.

III. Unfavorable Comments on the NPRM Published February 22, 2006

One commenter, a State veterans affairs office, opposed the NPRM speculating that the amendments would be a step backward in maintaining the quality of education and veteran education services and would lead to a decline in service to veterans. As stated in the preamble of the NPRM at 71 FR 9052, 9053-9058, and despite the commenter's concerns, VA has no evidence that service would diminish if schools submitted certifications from a central location.

In contrast to the above commenter's critical comment, we also received favorable comments from school officials asserting that centralization would improve service to veteran students. These officials stated that they could maintain a better trained staff if they were permitted to centralize their