

filing as an agent and not an importer of record) will now have to obtain the notification from their broker or view the information via CBP's ACE Portal. To the extent that brokers send the notification to the importer, they will bear a small cost, but because of the low cost of forwarding this information either electronically or by mail, this cost does not rise to the level of significance. CBP solicited comments on the economic impact of this rule on small entities in the Notice of Proposed Rulemaking, but did not receive any of substance. For these reasons, CBP certifies that this final rule will not have a significant economic impact on a substantial number of small entities.

Paperwork Reduction Act

As there is no collection of information in this document, the provisions of the Paperwork Reduction Act of 1995 (44 U.S.C. 3507) are inapplicable.

Signing Authority

This document is being issued in accordance with 19 CFR 0.1(a)(1) pertaining to the Secretary of the Treasury's authority (or that of his delegate) to approve regulations related to certain customs revenue functions.

List of Subjects in 19 CFR Part 159

Antidumping, Countervailing duties, Customs duties and inspection, Foreign currencies.

Amendments to the CBP Regulations

For the reasons set forth in the preamble, part 159 of title 19 of the CFR (19 CFR part 159) is amended as set forth below.

PART 159—LIQUIDATION OF DUTIES

- 1. The general authority citation for part 159 continues to read as follows:
 Authority: 19 U.S.C. 66, 1500, 1504, 1624.
 * * * * *
- 2. In § 159.9, paragraph (d) is revised to read as follows:

§ 159.9 Notice of liquidation and date of liquidation for formal entries.

(d) *Courtesy notice of liquidation.* CBP will endeavor to provide importers or their agents with a courtesy notice of liquidation for all entries scheduled to be liquidated or deemed liquidated by operation of law. The courtesy notice of liquidation that CBP will endeavor to provide will be electronically transmitted pursuant to an authorized electronic data interchange system if the entry summary was filed electronically in accordance with part 143 of this

chapter or on CBP Form 4333–A if the entry was filed on paper pursuant to parts 141 and 142 of this chapter. This notice will serve as an informal, courtesy notice and not as a direct, formal, and decisive notice of liquidation.

§ 159.11 [Amended]

- 3. In § 159.11, paragraph (a) is amended in the last sentence, by removing the words “on CBP Form 4333–A”.

§ 159.12 [Amended]

- 4. In § 159.12:
 - a. Paragraph (f)(1) is amended, in the last sentence, by removing the words “on CBP Form 4333–A”;
 - b. Paragraph (g) is amended, in the last sentence, by removing the words “on CBP Form 4333–A”.

Alan D. Bersin,
Commissioner, U.S. Customs and Border Protection.

Approved: August 12, 2011.

Timothy E. Skud,
Deputy Assistant Secretary of the Treasury.
 [FR Doc. 2011–20957 Filed 8–16–11; 8:45 am]

BILLING CODE 9111–14–P

DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

[TD 9542]

RIN 1545–BE77

Elections Regarding Start-Up Expenditures, Corporation Organizational Expenditures, and Partnership Organizational Expenses

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Final regulations and removal of temporary regulations.

SUMMARY: This document contains final regulations relating to elections to deduct start-up expenditures, organizational expenditures of corporations, and organizational expenses of partnerships. The American Jobs Creation Act of 2004 amended the Internal Revenue Code to permit the optional deduction of a limited amount of these types of expenses that are paid or incurred after October 22, 2004. The regulations affect taxpayers that pay or incur these expenses and provide guidance on how to elect to deduct the expenses in accordance with the new rules.

DATES: Effective Date: These regulations are effective on August 16, 2011.

Applicability Dates: For dates of applicability, see §§ 1.195–1(d), 1.248–1(f), and 1.709–1(b)(5).

FOR FURTHER INFORMATION CONTACT: R. Matthew Kelley, (202) 622–7900 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

This document contains final amendments to the Income Tax Regulations (26 CFR part 1) under sections 195, 248, and 709 of the Internal Revenue Code to reflect amendments made by section 902 of the American Jobs Creation Act of 2004 (Pub. L. 108–357, 118 Stat. 1418) (the Act). The amendments made by section 902 of the Act are effective for amounts paid or incurred after October 22, 2004, the date of the enactment of the Act.

As amended by section 902(a) of the Act, section 195(b) allows an electing taxpayer to deduct, in the taxable year in which the taxpayer begins an active trade or business, an amount equal to the lesser of (1) the amount of the start-up expenditures that relate to the active trade or business, or (2) \$5,000, reduced (but not below zero) by the amount by which the start-up expenditures exceed \$50,000. The remainder of the start-up expenditures is deductible ratably over the 180-month period beginning with the month in which the active trade or business begins.

As amended by section 902(b) of the Act, section 248(a) allows an electing corporation to deduct, in the taxable year in which the corporation begins business, an amount equal to the lesser of (1) the amount of the organizational expenditures of the corporation, or (2) \$5,000, reduced (but not below zero) by the amount by which the organizational expenditures exceed \$50,000. The remainder of the organizational expenditures is deductible ratably over the 180-month period beginning with the month in which the corporation begins business.

As amended by section 902(c) of the Act, section 709(b) allows an electing partnership to deduct, in the taxable year in which the partnership begins business, an amount equal to the lesser of (1) the amount of the organizational expenses of the partnership, or (2) \$5,000, reduced (but not below zero) by the amount by which the organizational expenses exceed \$50,000. The remainder of the organizational expenses is deductible ratably over the 180-month period beginning with the month in which the partnership begins business.

On July 8, 2008, temporary regulations (TD 9411) regarding elections to deduct start-up and organizational expenditures under sections 195, 248, and 709 were published in the **Federal Register** (73 FR 38910). A notice of proposed rulemaking (REG-164965-04) cross-referencing the temporary regulations was published in the **Federal Register** (73 FR 38940) on the same day. One written comment responding to the notice of proposed rulemaking was received. No public hearing was requested or held. After consideration of the comment, the regulations are adopted as amended by this Treasury decision. The comment is discussed elsewhere in this preamble.

These regulations apply to expenditures paid or incurred after August 16, 2011. However, taxpayers may apply all the provisions of these regulations to expenditures paid or incurred under sections 195, 248, and 709 after October 22, 2004, provided the period of limitations on assessment of tax has not expired for the year the election under section 195, 248, or 709 is deemed made. Expenditures paid or incurred on or before October 22, 2004, may be amortized over a period of not less than 60 months as provided for under prior law.

Summary of Comment

The commentator recommended that the final regulations clarify what is meant in the proposed regulations by “clearly electing to capitalize” start-up and organizational costs. The commentator noted that it is unclear whether a taxpayer that unintentionally does not deduct or amortize start-up and organizational costs could be considered to have “clearly elected to capitalize” them. The IRS and the Treasury Department agree with the recommendation to clarify the election requirements, and the final regulations provide that a taxpayer wishing to make an election to capitalize start-up and organizational costs must “affirmatively elect to capitalize” the costs on a timely filed Federal income tax return.

Special Analyses

It has been determined that this Treasury decision is not a significant regulatory action as defined in Executive Order 12866 as supplemented by Executive Order 13563. Therefore, a regulatory assessment is not required. It also has been determined that section 553(b) of the Administrative Procedure Act (5 U.S.C. chapter 5) does not apply to these regulations. 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) of the Code, the notice of proposed rulemaking preceding these final regulations was submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on its impact on small business.

Drafting Information

The principal author of these regulations is R. Matthew Kelley of the Office of the Associate Chief Counsel (Income Tax & Accounting). However, other personnel from the IRS and Treasury Department participated in their development.

List of Subjects in 26 CFR Part 1

Income taxes, Reporting and recordkeeping requirements.

Adoption of Amendments to the Regulations

Accordingly, 26 CFR part 1 is 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 1.195-1 is revised to read as follows:

§ 1.195-1 Election to amortize start-up expenditures.

(a) *In general.* Under section 195(b), a taxpayer may elect to amortize start-up expenditures as defined in section 195(c)(1). In the taxable year in which a taxpayer begins an active trade or business, an electing taxpayer may deduct an amount equal to the lesser of the amount of the start-up expenditures that relate to the active trade or business, or \$5,000 (reduced (but not below zero) by the amount by which the start-up expenditures exceed \$50,000). The remainder of the start-up expenditures is deductible ratably over the 180-month period beginning with the month in which the active trade or business begins. All start-up expenditures that relate to the active trade or business are considered in determining whether the start-up expenditures exceed \$50,000, including expenditures incurred on or before October 22, 2004.

(b) *Time and manner of making election.* A taxpayer is deemed to have made an election under section 195(b) to amortize start-up expenditures as defined in section 195(c)(1) for the taxable year in which the active trade or business to which the expenditures relate begins. A taxpayer may choose to

forgo the deemed election by affirmatively electing to capitalize its start-up expenditures on a timely filed Federal income tax return (including extensions) for the taxable year in which the active trade or business to which the expenditures relate begins. The election either to amortize start-up expenditures under section 195(b) or to capitalize start-up expenditures is irrevocable and applies to all start-up expenditures that are related to the active trade or business. A change in the characterization of an item as a start-up expenditure is a change in method of accounting to which sections 446 and 481(a) apply if the taxpayer treated the item consistently for two or more taxable years. A change in the determination of the taxable year in which the active trade or business begins also is treated as a change in method of accounting if the taxpayer amortized start-up expenditures for two or more taxable years.

(c) *Examples.* The following examples illustrate the application of this section:

Example 1. Expenditures of \$5,000 or less. Corporation X, a calendar year taxpayer, incurs \$3,000 of start-up expenditures after October 22, 2004, that relate to an active trade or business that begins on July 1, 2011. Under paragraph (b) of this section, Corporation X is deemed to have elected to amortize start-up expenditures under section 195(b) in 2011. Therefore, Corporation X may deduct the entire amount of the start-up expenditures in 2011, the taxable year in which the active trade or business begins.

Example 2. Expenditures of more than \$5,000 but less than or equal to \$50,000. The facts are the same as in *Example 1* except that Corporation X incurs start-up expenditures of \$41,000. Under paragraph (b) of this section, Corporation X is deemed to have elected to amortize start-up expenditures under section 195(b) in 2011. Therefore, Corporation X may deduct \$5,000 and the portion of the remaining \$36,000 that is allocable to July through December of 2011 ($\$36,000/180 \times 6 = \$1,200$) in 2011, the taxable year in which the active trade or business begins. Corporation X may amortize the remaining \$34,800 ($\$36,000 - \$1,200 = \$34,800$) ratably over the remaining 174 months.

Example 3. Subsequent change in the characterization of an item. The facts are the same as in *Example 2* except that Corporation X determines in 2013 that Corporation X incurred \$10,000 for an additional start-up expenditure erroneously deducted in 2011 under section 162 as a business expense. Under paragraph (b) of this section, Corporation X is deemed to have elected to amortize start-up expenditures under section 195(b) in 2011, including the additional \$10,000 of start-up expenditures. Corporation X is using an impermissible method of accounting for the additional \$10,000 of start-up expenditures and must change its method under § 1.446-1(e) and the applicable general administrative procedures in effect in 2013.

Example 4. Subsequent redetermination of year in which business begins. The facts are the same as in *Example 2* except that, in 2012, Corporation X deducted the start-up expenditures allocable to January through December of 2012 ($\$36,000/180 \times 12 = \$2,400$). In addition, in 2013 it is determined that Corporation X actually began business in 2012. Under paragraph (b) of this section, Corporation X is deemed to have elected to amortize start-up expenditures under section 195(b) in 2012. Corporation X impermissibly deducted start-up expenditures in 2011, and incorrectly determined the amount of start-up expenditures deducted in 2012. Therefore, Corporation X is using an impermissible method of accounting for the start-up expenditures and must change its method under § 1.446-1(e) and the applicable general administrative procedures in effect in 2013.

Example 5. Expenditures of more than \$50,000 but less than or equal to \$55,000. The facts are the same as in *Example 1* except that Corporation X incurs start-up expenditures of \$54,500. Under paragraph (b) of this section, Corporation X is deemed to have elected to amortize start-up expenditures under section 195(b) in 2011. Therefore, Corporation X may deduct \$500 ($\$5,000 - \$4,500$) and the portion of the remaining \$54,000 that is allocable to July through December of 2011 ($\$54,000/180 \times 6 = \$1,800$) in 2011, the taxable year in which the active trade or business begins. Corporation X may amortize the remaining \$52,200 ($\$54,000 - \$1,800 = \$52,200$) ratably over the remaining 174 months.

Example 6. Expenditures of more than \$55,000. The facts are the same as in *Example 1* except that Corporation X incurs start-up expenditures of \$450,000. Under paragraph (b) of this section, Corporation X is deemed to have elected to amortize start-up expenditures under section 195(b) in 2011. Therefore, Corporation X may deduct the amounts allocable to July through December of 2011 ($\$450,000/180 \times 6 = \$15,000$) in 2011, the taxable year in which the active trade or business begins. Corporation X may amortize the remaining \$435,000 ($\$450,000 - \$15,000 = \$435,000$) ratably over the remaining 174 months.

(d) *Effective/applicability date.* This section applies to start-up expenditures paid or incurred after August 16, 2011. However, taxpayers may apply all the provisions of this section to start-up expenditures paid or incurred after October 22, 2004, provided that the period of limitations on assessment of tax for the year the election under paragraph (b) of this section is deemed made has not expired. For start-up expenditures paid or incurred on or before September 8, 2008, taxpayers may instead apply § 1.195-1, as in effect prior to that date (§ 1.195-1 as contained in 26 CFR part 1 edition revised as of April 1, 2008).

§ 1.195-1T [Removed]

■ **Par. 3.** Section 1.195-1T is removed.

■ **Par. 4.** Section 1.248-1 is amended by revising paragraphs (a) and (c), and adding paragraphs (d), (e), and (f) to read as follows:

§ 1.248-1 Election to amortize organizational expenditures.

(a) *In general.* Under section 248(a), a corporation may elect to amortize organizational expenditures as defined in section 248(b) and § 1.248-1(b). In the taxable year in which a corporation begins business, an electing corporation may deduct an amount equal to the lesser of the amount of the organizational expenditures of the corporation, or \$5,000 (reduced (but not below zero) by the amount by which the organizational expenditures exceed \$50,000). The remainder of the organizational expenditures is deducted ratably over the 180-month period beginning with the month in which the corporation begins business. All organizational expenditures of the corporation are considered in determining whether the organizational expenditures exceed \$50,000, including expenditures incurred on or before October 22, 2004.

* * * * *

(c) *Time and manner of making election.* A corporation is deemed to have made an election under section 248(a) to amortize organizational expenditures as defined in section 248(b) and § 1.248-1(b) for the taxable year in which the corporation begins business. A corporation may choose to forgo the deemed election by affirmatively electing to capitalize its organizational expenditures on a timely filed Federal income tax return (including extensions) for the taxable year in which the corporation begins business. The election either to amortize organizational expenditures under section 248(a) or to capitalize organizational expenditures is irrevocable and applies to all organizational expenditures of the corporation. A change in the characterization of an item as an organizational expenditure is a change in method of accounting to which sections 446 and 481(a) apply if the corporation treated the item consistently for two or more taxable years. A change in the determination of the taxable year in which the corporation begins business also is treated as a change in method of accounting if the corporation amortized organizational expenditures for two or more taxable years.

(d) *Determination of when corporation begins business.* The deduction allowed under section 248 must be spread over a period beginning with the month in which the

corporation begins business. The determination of the date the corporation begins business presents a question of fact which must be determined in each case in light of all the circumstances of the particular case. The words “begins business,” however, do not have the same meaning as “in existence.” Ordinarily, a corporation begins business when it starts the business operations for which it was organized; a corporation comes into existence on the date of its incorporation. Mere organizational activities, such as the obtaining of the corporate charter, are not alone sufficient to show the beginning of business. If the activities of the corporation have advanced to the extent necessary to establish the nature of its business operations, however, it will be deemed to have begun business. For example, the acquisition of operating assets which are necessary to the type of business contemplated may constitute the beginning of business.

(e) *Examples.* The following examples illustrate the application of this section:

Example 1. Expenditures of \$5,000 or less. Corporation X, a calendar year taxpayer, incurs \$3,000 of organizational expenditures after October 22, 2004, and begins business on July 1, 2011. Under paragraph (c) of this section, Corporation X is deemed to have elected to amortize organizational expenditures under section 248(a) in 2011. Therefore, Corporation X may deduct the entire amount of the organizational expenditures in 2011, the taxable year in which Corporation X begins business.

Example 2. Expenditures of more than \$5,000 but less than or equal to \$50,000. The facts are the same as in *Example 1* except that Corporation X incurs organizational expenditures of \$41,000. Under paragraph (c) of this section, Corporation X is deemed to have elected to amortize organizational expenditures under section 248(a) in 2011. Therefore, Corporation X may deduct \$5,000 and the portion of the remaining \$36,000 that is allocable to July through December of 2011 ($\$36,000/180 \times 6 = \$1,200$) in 2011, the taxable year in which Corporation X begins business. Corporation X may amortize the remaining \$34,800 ($\$36,000 - \$1,200 = \$34,800$) ratably over the remaining 174 months.

Example 3. Subsequent change in the characterization of an item. The facts are the same as in *Example 2* except that Corporation X determines in 2013 that Corporation X incurred \$10,000 for an additional organizational expenditure erroneously deducted in 2011 under section 162 as a business expense. Under paragraph (c) of this section, Corporation X is deemed to have elected to amortize organizational expenditures under section 248(a) in 2011, including the additional \$10,000 of organizational expenditures. Corporation X is using an impermissible method of accounting for the additional \$10,000 of organizational expenditures and must change its method

under § 1.446-1(e) and the applicable general administrative procedures in effect in 2013.

Example 4. Subsequent redetermination of year in which business begins. The facts are the same as in *Example 2* except that, in 2012, Corporation X deducted the organizational expenditures allocable to January through December of 2012 (\$36,000/180 × 12 = \$2,400). In addition, in 2013 it is determined that Corporation X actually began business in 2012. Under paragraph (c) of this section, Corporation X is deemed to have elected to amortize organizational expenditures under section 248(a) in 2012. Corporation X impermissibly deducted organizational expenditures in 2011, and incorrectly determined the amount of organizational expenditures deducted in 2012. Therefore, Corporation X is using an impermissible method of accounting for the organizational expenditures and must change its method under § 1.446-1(e) and the applicable general administrative procedures in effect in 2013.

Example 5. Expenditures of more than \$50,000 but less than or equal to \$55,000. The facts are the same as in *Example 1* except that Corporation X incurs organizational expenditures of \$54,500. Under paragraph (c) of this section, Corporation X is deemed to have elected to amortize organizational expenditures under section 248(a) in 2011. Therefore, Corporation X may deduct \$500 (\$5,000 – \$4,500) and the portion of the remaining \$54,000 that is allocable to July through December of 2011 (\$54,000/180 × 6 = \$1,800) in 2011, the taxable year in which Corporation X begins business. Corporation X may amortize the remaining \$52,200 (\$54,000 – \$1,800 = \$52,200) ratably over the remaining 174 months.

Example 6. Expenditures of more than \$55,000. The facts are the same as in *Example 1* except that Corporation X incurs organizational expenditures of \$450,000. Under paragraph (c) of this section, Corporation X is deemed to have elected to amortize organizational expenditures under section 248(a) in 2011. Therefore, Corporation X may deduct the amounts allocable to July through December of 2011 (\$450,000/180 × 6 = \$15,000) in 2011, the taxable year in which Corporation X begins business. Corporation X may amortize the remaining \$435,000 (\$450,000 – \$15,000 = \$435,000) ratably over the remaining 174 months.

(f) *Effective/applicability date.* This section applies to organizational expenditures paid or incurred after August 16, 2011. However, taxpayers may apply all the provisions of this section to organizational expenditures paid or incurred after October 22, 2004, provided that the period of limitations on assessment of tax for the year the election under paragraph (c) of this section is deemed made has not expired. For organizational expenditures paid or incurred on or before September 8, 2008, taxpayers may instead apply § 1.248-1, as in effect prior to that date

(§ 1.248-1 as contained in 26 CFR part 1 edition revised as of April 1, 2008).

§ 1.248-1T [Removed]

■ **Par. 5.** Section 1.248-1T is removed.

■ **Par. 6.** Section 1.709-1 is amended by revising paragraph (b) to read as follows:

§ 1.709-1 Treatment of organization and syndication costs.

* * * * *

(b) *Election to amortize organizational expenses—(1) In general.* Under section 709(b), a partnership may elect to amortize organizational expenses as defined in section 709(b)(3) and § 1.709-2(a). In the taxable year in which a partnership begins business, an electing partnership may deduct an amount equal to the lesser of the amount of the organizational expenses of the partnership, or \$5,000 (reduced (but not below zero) by the amount by which the organizational expenses exceed \$50,000). The remainder of the organizational expenses is deductible ratably over the 180-month period beginning with the month in which the partnership begins business. All organizational expenses of the partnership are considered in determining whether the organizational expenses exceed \$50,000, including expenses incurred on or before October 22, 2004.

(2) *Time and manner of making election.* A partnership is deemed to have made an election under section 709(b) to amortize organizational expenses as defined in section 709(b)(3) and § 1.709-2(a) for the taxable year in which the partnership begins business. A partnership may choose to forgo the deemed election by affirmatively electing to capitalize its organizational expenses on a timely filed Federal income tax return (including extensions) for the taxable year in which the partnership begins business. The election either to amortize organizational expenses under section 709(b) or to capitalize organizational expenses is irrevocable and applies to all organizational expenses of the partnership. A change in the characterization of an item as an organizational expense is a change in method of accounting to which sections 446 and 481(a) apply if the partnership treated the item consistently for two or more taxable years. A change in the determination of the taxable year in which the partnership begins business also is treated as a change in method of accounting if the partnership amortized organizational expenses for two or more taxable years.

(3) *Liquidation of partnership.* If there is a winding up and complete

liquidation of the partnership prior to the end of the amortization period, the unamortized amount of organizational expenses is a partnership deduction in its final taxable year to the extent provided under section 165 (relating to losses). However, there is no partnership deduction with respect to its capitalized syndication expenses.

(4) *Examples.* The following examples illustrate the application of this section:

Example 1. Expenditures of \$5,000 or less. Partnership X, a calendar year taxpayer, incurs \$3,000 of organizational expenses after October 22, 2004, and begins business on July 1, 2011. Under paragraph (b)(2) of this section, Partnership X is deemed to have elected to amortize organizational expenses under section 709(b) in 2011. Therefore, Partnership X may deduct the entire amount of the organizational expenses in 2011, the taxable year in which Partnership X begins business.

Example 2. Expenditures of more than \$5,000 but less than or equal to \$50,000. The facts are the same as in *Example 1* except that Partnership X incurs organizational expenses of \$41,000. Under paragraph (b)(2) of this section, Partnership X is deemed to have elected to amortize organizational expenses under section 709(b) in 2011. Therefore, Partnership X may deduct \$5,000 and the portion of the remaining \$36,000 that is allocable to July through December of 2011 (\$36,000/180 × 6 = \$1,200) in 2011, the taxable year in which Partnership X begins business. Corporation X may amortize the remaining \$34,800 (\$36,000 – \$1,200 = \$34,800) ratably over the remaining 174 months.

Example 3. Subsequent change in the characterization of an item. The facts are the same as in *Example 2* except that Partnership X realizes in 2013 that Partnership X incurred \$10,000 for an additional organizational expense erroneously deducted in 2011 under section 162 as a business expense. Under paragraph (b)(2) of this section, Partnership X is deemed to have elected to amortize organizational expenses under section 709(b) in 2011, including the additional \$10,000 of organizational expenses. Partnership X is using an impermissible method of accounting for the additional \$10,000 of organizational expenses and must change its method under § 1.446-1(e) and the applicable general administrative procedures in effect in 2013.

Example 4. Subsequent redetermination of year in which business begins. The facts are the same as in *Example 2* except that, in 2012, Partnership X deducted the organizational expenses allocable to January through December of 2012 (\$36,000/180 × 12 = \$2,400). In addition, in 2013 it is determined that Partnership X actually began business in 2012. Under paragraph (b)(2) of this section, Partnership X is deemed to have elected to amortize organizational expenses under section 709(b) in 2012. Partnership X impermissibly deducted organizational expenses in 2011, and incorrectly determined the amount of organizational expenses deducted in 2012. Therefore, Partnership X is using an impermissible method of accounting

for the organizational expenses and must change its method under § 1.446-1(e) and the applicable general administrative procedures in effect in 2013.

Example 5. Expenditures of more than \$50,000 but less than or equal to \$55,000. The facts are the same as in *Example 1* except that Partnership X incurs organizational expenses of \$54,500. Under paragraph (b)(2) of this section, Partnership X is deemed to have elected to amortize organizational expenses under section 709(b) in 2011. Therefore, Partnership X may deduct \$500 (\$5,000 – \$4,500) and the portion of the remaining \$54,000 that is allocable to July through December of 2011 ($\$54,000/180 \times 6 = \$1,800$) in 2011, the taxable year in which Partnership X begins business. Corporation X may amortize the remaining \$52,200 ($\$54,000 - \$1,800 = \$52,200$) ratably over the remaining 174 months.

Example 6. Expenditures of more than \$55,000. The facts are the same as in *Example 1* except that Partnership X incurs organizational expenses of \$450,000. Under paragraph (b)(2) of this section, Partnership X is deemed to have elected to amortize organizational expenses under section 709(b) in 2011. Therefore, Partnership X may deduct the amounts allocable to July through December of 2011 ($\$450,000/180 \times 6 = \$15,000$) in 2011, the taxable year in which Partnership X begins business. Corporation X may amortize the remaining \$435,000 ($\$450,000 - \$15,000 = \$435,000$) ratably over the remaining 174 months.

(5) *Effective/applicability date.* This section applies to organizational expenses paid or incurred after August 16, 2011. However, taxpayers may apply all the provisions of this section to organizational expenses paid or incurred after October 22, 2004, provided that the period of limitations on assessment of tax for the year the election under paragraph (b)(2) of this section is deemed made has not expired.

For organizational expenses paid or incurred on or before September 8, 2008, taxpayers may instead apply § 1.709-1, as in effect prior to that date (§ 1.709-1 as contained in 26 CFR part 1 edition revised as of April 1, 2008).

§ 1.709-1T [Removed]

■ **Par. 7.** Section 1.709-1T is removed.

Steven T. Miller,
Deputy Commissioner for Services and Enforcement.

Approved: August 9, 2011.

Emily S. McMahon,
Acting Assistant Secretary of the Treasury (Tax Policy).

[FR Doc. 2011-20872 Filed 8-16-11; 8:45 am]

BILLING CODE 4830-01-P

ENVIRONMENTAL PROTECTION AGENCY

40 CFR Part 52

[EPA-R09-OAR-2011-0545; FRL-9447-4]

Revisions to the California State Implementation Plan, South Coast Air Quality Management District (SCAQMD)

AGENCY: Environmental Protection Agency (EPA).

ACTION: Final rule.

SUMMARY: EPA is finalizing approval of revisions to the SCAQMD portion of the California State Implementation Plan (SIP). These revisions were proposed in the **Federal Register** on October 5, 2010 and concern volatile organic compound (VOC) emissions from architectural coatings. We are approving a local rule

that regulates these emission sources under the Clean Air Act as amended in 1990 (CAA or the Act).

DATES: *Effective Date:* This rule is effective on September 16, 2011.

ADDRESSES: EPA has established docket number EPA-R09-OAR-2011-0545 for this action. Generally, documents in the docket for this action are available electronically at <http://www.regulations.gov> or in hard copy at EPA Region IX, 75 Hawthorne Street, San Francisco, California. While all documents in the docket are listed at <http://www.regulations.gov>, some information may be publicly available only at the hard copy location (e.g., copyrighted material, large maps, multi-volume reports), and some may not be available in either location (e.g., confidential business information (CBI)). To inspect the hard copy materials, please schedule an appointment during normal business hours with the contact listed in the **FOR FURTHER INFORMATION CONTACT** section.

FOR FURTHER INFORMATION CONTACT: David Grounds, EPA Region IX, (415) 972-3019, grounds.david@epa.gov.

SUPPLEMENTARY INFORMATION: Throughout this document, “we,” “us” and “our” refer to EPA.

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- II. Public Comments and EPA Responses
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I. Proposed Action

On October 5, 2010 (75 FR 61367), EPA proposed to approve the following rule into the California SIP.

Local agency	Rule No.	Rule title	Adopted	Submitted
SCAQMD	1113	Architectural Coatings	07/13/07	03/07/08

We proposed to approve this rule because we determined that it complied with the relevant CAA requirements. Our proposed action contains more information on the rule and our evaluation.

II. Public Comments and EPA Responses

EPA’s proposed action provided a 30-day public comment period. During this period, we received comments from the following parties.

1. Dan Pourreau and Dave Roznowski, Lyondell Chemical; letter dated October 25, 2010.

2. David Darling, American Coatings Association; letter dated November 3, 2010.

The comments and our responses are summarized below.

Comment #1: Lyondell Chemical commented that, in 2009, they requested that EPA remove all reporting and recordkeeping requirements for tertiary-butyl acetate (TBAC), but has not yet received a formal response from EPA. Lyondell’s comment requests that EPA respond to the 2009 request by removing the unique tracking requirement for TBAC and moving TBAC to the 40 CFR 51.100(s)(1) list of exempt compounds. Lyondell further requests that EPA remove the proposed recommendation to include a recordkeeping requirement for future Rule 1113 revisions, because this is complicating the rule development

process and making TBAC a less attractive VOC-compliance option than it should be regarding Rule 1113 as well as coatings subject to other South Coast rules.

In support of these requests, Lyondell states that EPA is not using the TBAC data for modeling purposes and does not require reporting for any other exempt compound with “borderline” reactivity, that TBAC has low toxicity and negligible environmental impact, and that reporting and tracking its emissions does not help protect human health or the environment. Lyondell also states most States do not track and report TBAC emissions. Lyondell feels that tracking and reporting TBAC emissions is a new and burdensome