

Section 1.892-3T also issued under 26 U.S.C. 892(c).  
 Section 1.892-4T also issued under 26 U.S.C. 892(c).  
 Section 1.892-5 also issued under 26 U.S.C. 892(c).  
 Section 1.892-5T also issued under 26 U.S.C. 892(c).  
 Section 1.892-6T also issued under 26 U.S.C. 892(c).  
 Section 1.892-7T also issued under 26 U.S.C. 892(c). \* \* \*

**Par. 2.** Section 1.892-5 is added to read as follows:

**§ 1.892-5 Controlled commercial entity.**

(a) through (a)(2) [Reserved]. For further information, see § 1.892-5T(a) through (a)(2).

(3) For purposes of section 892(a)(2)(B), the term *entity* means and includes a corporation, a partnership, a trust (including a pension trust described in § 1.892-2T(c)) and an estate.

(4) *Effective date.* This section applies on or after the earlier of January 14, 2002 or the date these regulations are published as final regulations in the **Federal Register**.

(b) through (d) [Reserved]. For further information, see §§ 1.892-5T(b) through (d).

**Par. 3.** Section 1.892-5T is amended by:

1. Removing the flush language immediately following paragraph (a)(2).
  2. Adding paragraph (a)(3).
- The addition reads as follows:

**§ 1.892-5T Controlled commercial entity (temporary regulations).**

(a) \* \* \*  
 (3) [Reserved]. For further information, see § 1.892-5(a)(3).  
 \* \* \* \* \*

**PART 301—PROCEDURE AND ADMINISTRATION**

**Par. 4.** The authority citation for part 301 continues to read in part as follows:

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

**Par. 5.** Section 301.7701-2 is amended by:

1. Revising paragraphs (b)(6) and (c)(2)(ii).
2. Revising the first sentence of paragraph (e).

The revisions read as follows:

**§ 301.7701-2 Business entities; definitions.**

\* \* \* \* \*  
 (b) \* \* \*  
 (6) A business entity wholly owned by a State or any political subdivision thereof, or a business entity wholly owned by a foreign government (as defined in § 1.892-2T);  
 \* \* \* \* \*

(c) \* \* \*  
 (2) \* \* \*  
 (ii) *Special rule for certain business entities.* If the single owner of a business entity is a bank (as defined in section 581, or, in the case of a foreign bank, as defined in section 585(a)(2)(B) without regard to the second sentence thereof), then the special rules of the Internal Revenue Code applicable to banks will continue to apply to the single owner as if the wholly owned entity were a separate entity.  
 \* \* \* \* \*

(e) *Effective date.* Except as otherwise provided in this paragraph (e), the rules of this section apply as of January 1, 1997, except that paragraph (b)(6) applies on or after the earlier of January 14, 2002 or the date these regulations are published as final regulations in the **Federal Register** to a business entity wholly owned by a foreign government regardless of any prior entity classification, and paragraph (c)(2)(ii) of this section applies to taxable years beginning after January 12, 2001. \* \* \*

**Robert E. Wenzel,**

*Deputy Commissioner of Internal Revenue.*  
 [FR Doc. 01-251 Filed 1-11-01; 8:45 am]

**BILLING CODE 4830-01-P**

**DEPARTMENT OF THE TREASURY**

**Internal Revenue Service**

**26 CFR Part 7**

[LR-230-76]

**Requirements Relating to Certain Exchanges Involving a Foreign Corporation**

**AGENCY:** Internal Revenue Service (IRS), Treasury.

**ACTION:** Withdrawal of notice of proposed regulations.

**SUMMARY:** This document withdraws proposed regulations under section 367(c). The proposed regulations correspond to temporary regulations that are also being removed in this issue of the **Federal Register**. The temporary regulations are being removed because they are no longer necessary and, as a result, may be misleading.

**FOR FURTHER INFORMATION CONTACT:** Mark D. Harris at (202) 622-3860 (not a toll-free number).

**SUPPLEMENTARY INFORMATION:**

**Background**

On December 30, 1977, the IRS and Treasury published in the **Federal Register** proposed regulations (42 FR 65204) and temporary regulations (42

FR 65152) under section 367(c) of the Internal Revenue Code. The principal purpose of these regulations, §§ 7.367(c)-1 and 7.367(c)-2, was to distinguish between the treatment of transfers described in section 367(c) before and after the enactment of the Tax Reform Act of 1976 (the Act) (90 Stat. 1634). Before enactment of the Act, transfers described in section 367(c) were subject to a ruling requirement. After enactment of the Act, transfers described in section 367(c) were within the scope of §§ 7.367(b)-1 through 7.367(b)-12. In light of the substantial time that has passed since enactment of the Act and, moreover, in light of the fact that §§ 1.367(b)-1 through 1.367(b)-6 have substantially superceded §§ 7.367(b)-1 through 7.367(b)-12, §§ 7.367(c)-1 and 7.367(c)-2 are no longer necessary and may be misleading.

Accordingly, the IRS and Treasury are removing temporary regulations §§ 7.367(c)-1 and 7.367(c)-2 in this issue of the **Federal Register**. Correspondingly, this document removes proposed regulations §§ 7.367(c)-1 and 7.367(c)-2.

**List of Subjects in 26 CFR Part 7**

Income taxes, Reporting and recordkeeping requirements.

**Withdrawal of Proposed Amendments to the Regulations**

Accordingly, under the authority of 26 U.S.C. 7805, proposed regulations under 26 CFR part 7 relating to §§ 7.367(c)-1 and 7.367(c)-2, published December 30, 1977 (42 FR 65204), are withdrawn.

**Robert E. Wenzel,**

*Deputy Commissioner of Internal Revenue.*  
 [FR Doc. 01-490 Filed 1-11-01; 8:45 am]

**BILLING CODE 4830-01-U**

**PENSION BENEFIT GUARANTY CORPORATION**

**29 CFR Parts 4003, 4007, and 4071**

**RIN 1212-AA95**

**Assessment of and Relief From Penalties**

**AGENCY:** Pension Benefit Guaranty Corporation.

**ACTION:** Proposed rule.

**SUMMARY:** The PBGC has issued a number of policy statements about penalties over the last few years. Some of these policy statements have been incorporated into the PBGC's regulations. For the convenience of the