

Regulatory Flexibility Analysis (IRFA). *Requirements Pertaining to Third Party Conformity Assessment Bodies*. 77 FR 31086, 31123–26. Specifically, the NOR for the bedside sleeper standard would not have a significant adverse impact on small laboratories. Based upon the number of laboratories in the United States that have applied for CPSC acceptance of the accreditation to test for conformance to other juvenile product standards, we expect that only a few laboratories will seek CPSC acceptance of their accreditation to test for conformance with the bedside sleeper standard. Most of these laboratories already will have been accredited to test for conformance to other juvenile product standards, and the only cost to them would be the cost of adding the bedside sleeper standard to their scope of accreditation. As a consequence, the Commission certifies that the NOR for the bedside sleeper standard will not have a significant impact on a substantial number of small entities.

#### List of Subjects

##### 16 CFR Part 1112

Administrative practice and procedure, Audit, Consumer protection, Reporting and recordkeeping requirements, Third party conformity assessment body.

##### 16 CFR Part 1222

Consumer protection, Imports, Incorporation by reference, Infants and Children, Labeling, Law Enforcement, and Toys.

For the reasons discussed in the preamble, the Commission amends 16 CFR chapter II as follows:

#### PART 1112—REQUIREMENTS PERTAINING TO THIRD PARTY CONFORMITY ASSESSMENT BODIES

- 1. The authority citation for part 1112 continues to read as follows:

**Authority:** 15 U.S.C. 2063; Pub. L. 110–314, section 3, 122 Stat. 3016, 3017 (2008).

- 2. Amend § 1112.15 by adding paragraph (b)(35) to read as follows:

##### § 1112.15 When can a third party conformity assessment body apply for CPSC acceptance for a particular CPSC rule or test method?

\* \* \* \* \*

(b) \* \* \*

(35) 16 CFR Part 1222, Safety Standard for Bedside Sleepers.

\* \* \* \* \*

- 3. Add part 1222 to read as follows:

#### PART 1222—SAFETY STANDARD FOR BEDSIDE SLEEPERS

Sec.

1222.1 Scope.

1222.2 Requirements for bedside sleepers.

**Authority:** The Consumer Product Safety Improvement Act of 2008, Pub. L. 110–314, § 104, 122 Stat. 3016 (August 14, 2008); Pub. L. 112–28, 125 Stat. 273 (August 12, 2011).

##### § 1222.1 Scope.

This part establishes a consumer product safety standard for bedside sleepers.

##### § 1222.2 Requirements for bedside sleepers.

(a) Except as provided in paragraph (b) of this section, each bedside sleeper must comply with all applicable provisions of ASTM F2906–13, Standard Consumer Safety Specification for Bedside Sleepers, approved on July 1, 2013. The Director of the Federal Register approves this incorporation by reference in accordance with 5 U.S.C. 552(a) and 1 CFR Part 51. You may obtain a copy from ASTM International, 100 Bar Harbor Drive, P.O. Box 0700, West Conshohocken, PA 19428; <http://www.astm.org/cpsc.htm>. You may inspect a copy at the Office of the Secretary, U.S. Consumer Product Safety Commission, Room 820, 4330 East West Highway, Bethesda, MD 20814, telephone 301–504–7923, or at the National Archives and Records Administration (NARA). For information on the availability of this material at NARA, call 202–741–6030, or go to: [http://www.archives.gov/federal\\_register/code\\_of\\_federal\\_regulations/ibr\\_locations.html](http://www.archives.gov/federal_register/code_of_federal_regulations/ibr_locations.html).

(b) Comply with ASTM F2906–13 with the following changes:

(1) Instead of complying with section 5.1 of ASTM F2906–13, comply with the following:

(i) Prior to or immediately after testing to this consumer safety specification, the bedside sleeper must be tested to 16 CFR Part 1218. Multimode products must also be tested to each applicable standard. When testing to 16 CFR Part 1218 the unit shall be freestanding, and not be secured to the test platform as dictated elsewhere in this standard.

(ii) 5.1.1 The bassinet minimum side height shall be as required in 16 CFR Part 1218, with the exception of a lowered side rail as permitted in 5.4.

(2) Instead of complying with section 7.1 of ASTM F2906–13, comply with the following:

(i) All bedside sleeper products shall comply with the marking and labeling requirements of 16 CFR Part 1218.

(ii) [Reserved]

(3) Instead of complying with section 8.1 of ASTM F2906–13, comply with the following:

(i) All bedside sleeper products shall comply with the instructional literature requirements of 16 CFR Part 1218.

(ii) [Reserved]

Dated: January 10, 2014.

**Todd A. Stevenson,**

*Secretary, Consumer Product Safety Commission.*

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#### DEPARTMENT OF THE TREASURY

##### Internal Revenue Service

##### 26 CFR Part 1

[TD 9653]

RIN 1545–BL28

##### Bond Premium Carryforward

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

**ACTION:** Final regulations.

**SUMMARY:** This document contains final regulations that provide guidance on the tax treatment of a debt instrument with a bond premium carryforward in the holder's final accrual period. The regulations in this document provide guidance to holders of Treasury securities and other debt instruments acquired at a premium.

**DATES:** *Effective Date:* These regulations are effective on January 15, 2014.

*Applicability Date:* For the date of applicability, see § 1.171–2(a)(4)(i)(C)(2).

**FOR FURTHER INFORMATION CONTACT:** William E. Blanchard, (202) 317–3900 (not a toll-free number).

##### SUPPLEMENTARY INFORMATION:

##### Background

On January 4, 2013, the IRS and the Treasury Department published temporary regulations (TD 9609) in the **Federal Register** (78 FR 666) relating to the federal income tax treatment of a debt instrument with a bond premium carryforward in the holder's final accrual period, including a Treasury bill acquired at a premium. See § 1.171–2T. On the same day, the IRS and the Treasury Department published a notice of proposed rulemaking (REG–140437–12) cross-referencing the temporary regulations in the **Federal Register** (78 FR 687). No comments were received on the notice of proposed rulemaking. No public hearing was requested or held.

The proposed regulations are adopted without substantive change by this

Treasury decision, and the corresponding temporary regulations are removed.

### Explanation of Provisions

Prior to the issuance of the temporary regulations, the IRS and the Treasury Department had received questions about an electing holder's treatment of a taxable zero coupon debt instrument, including a Treasury bill, acquired at a premium and with a negative yield. In this situation, as explained in more detail below, under the bond premium regulations in effect prior to the issuance of the temporary regulations (the prior regulations), a holder that had elected to amortize bond premium under section 171 generally would have had a capital loss upon the sale, retirement, or other disposition of the debt instrument rather than an ordinary deduction under section 171(a)(1) for all or a portion of the bond premium. The acquisition of a zero coupon debt instrument at a premium and with a negative yield was not contemplated when the prior regulations were revised in 1997 (TD 8746).

Under section 171(c) and § 1.171-4, a holder can elect to amortize bond premium on taxable debt instruments. A holder acquires a debt instrument at a premium if the holder's basis in the debt instrument immediately after its acquisition by the holder exceeds the sum of all amounts payable on the debt instrument after the acquisition date other than payments of qualified stated interest (as defined in § 1.1273-1(c)). The general effect of an election to amortize bond premium on a debt instrument that is a capital asset is to treat the bond premium as an offset to ordinary income rather than as a capital loss.

Under section 171(e) and § 1.171-2, an electing holder amortizes bond premium by offsetting the qualified stated interest allocable to an accrual period with the bond premium allocable to the period. As a result, the holder only includes the net amount of interest in income for the period. If the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to the accrual period, the holder treats the excess as a bond premium deduction under section 171(a)(1) for the accrual period. However, the amount treated as a bond premium deduction is limited to the amount by which the holder's total interest inclusions on the debt instrument in prior accrual periods exceed the total amount treated by the holder as a bond premium deduction on the debt instrument in prior accrual periods. If the bond premium allocable

to an accrual period exceeds the sum of the qualified stated interest allocable to the accrual period and the amount treated as a deduction under section 171(a)(1), the excess is carried forward to the next accrual period and is treated as bond premium allocable to that period. See § 1.171-2(a)(4). Under § 1.1016-5(b), a holder's basis in a taxable debt instrument is reduced by the amount of bond premium used to offset qualified stated interest on the debt instrument and the amount of bond premium allowed as a deduction under section 171(a)(1).

There is no stated interest payable, and therefore no qualified stated interest, on a zero coupon debt instrument, including a Treasury bill. As a result, under § 1.171-2, if a zero coupon debt instrument is acquired at a premium (that is, acquired for an amount greater than its stated principal amount), the bond premium allocable to an accrual period is carried forward to the next accrual period and to each succeeding accrual period. As a result, upon the sale, retirement, or other disposition of the debt instrument, there generally will be a bond premium carryforward in the holder's final accrual period. In this situation, because there is no qualified stated interest to offset the bond premium carryforward and the holder's basis in the debt instrument has not been reduced, under the prior regulations the holder would have had a capital loss in an amount at least equal to the bond premium carryforward.

To address the treatment of a bond premium carryforward in the situation described in the prior paragraph, the temporary regulations added a specific rule for the treatment of a bond premium carryforward determined as of the end of the holder's final accrual period for any taxable debt instrument for which the holder had elected to amortize bond premium. These final regulations adopt the rule in the temporary and proposed regulations. Thus, in the situation described in the prior paragraph, under these final regulations an electing holder deducts all or a portion of the bond premium under section 171(a)(1) when the instrument is sold, retired, or otherwise disposed of rather than recognizing a capital loss.

As noted above, no comments were received on the temporary regulations. The final regulations in this document are substantively the same as the temporary regulations.

### Applicability Date

Section 1.171-2(a)(4)(i)(C)(1) applies to a debt instrument (bond) acquired on

or after January 4, 2013 (the effective/applicability date of the temporary regulations). A taxpayer, however, may rely on this section for a debt instrument (bond) acquired before that date.

### 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 has also been determined that section 553(b) of the Administrative Procedure Act (5 U.S.C. chapter 5) does not apply to these regulations, and 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 proposed regulations preceding these final regulations were submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on their impact on small business. No comments were received.

### Drafting Information

The principal author of these regulations is William E. Blanchard, Office of Associate Chief Counsel (Financial Institutions and Products). However, other personnel from the IRS and the 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 is amended by removing the entry for '1.171-2T to read in part as follows:

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

■ **Par. 2.** Section 1.171-2 is amended by adding new paragraph (a)(4)(i)(C) to read as follows:

#### § 1.171-2 Amortization of bond premium.

(a) \* \* \*

(4) \* \* \*

(i) \* \* \*

(C) *Carryforward in holder's final accrual period—(1) Bond premium deduction.* If there is a bond premium carryforward determined under paragraph (a)(4)(i)(B) of this section as

of the end of the holder's accrual period in which the bond is sold, retired, or otherwise disposed of, the holder treats the amount of the carryforward as a bond premium deduction under section 171(a)(1) for the holder's taxable year in which the sale, retirement, or other disposition occurs. For purposes of § 1.1016-5(b), the holder's basis in the bond is reduced by the amount of bond premium allowed as a deduction under this paragraph (a)(4)(i)(C)(1).

(2) *Effective/applicability date.*

Notwithstanding § 1.171-5(a)(1), paragraph (a)(4)(i)(C)(1) of this section applies to a bond acquired on or after January 4, 2013. A taxpayer, however, may rely on paragraph (a)(4)(i)(C)(1) of this section for a bond acquired before that date.

\* \* \* \* \*

**§ 1.171-2T [Removed]**

■ **Par. 3.** Section 1.171-2T is removed.

■ **Par. 4.** Section 1.171-3 is amended by revising the fifth sentence in paragraph (b) to read as follows:

**§ 1.171-3 Special rules for certain bonds.**

\* \* \* \* \*

(b) \* \* \* However, the rules in § 1.171-2(a)(4)(i)(C) apply to any remaining deflation adjustment attributable to bond premium as of the end of the holder's accrual period in which the bond is sold, retired, or otherwise disposed of. \* \* \*

\* \* \* \* \*

**John Dalrymple,**

*Deputy Commissioner for Services and Enforcement.*

Approved: January 7, 2014.

**Mark J. Mazur,**

*Assistant Secretary of the Treasury (Tax Policy).*

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**PENSION BENEFIT GUARANTY CORPORATION**

**29 CFR Part 4022**

**Benefits Payable in Terminated Single-Employer Plans; Interest Assumptions for Paying Benefits**

**AGENCY:** Pension Benefit Guaranty Corporation.

**ACTION:** Final rule.

**SUMMARY:** This final rule amends the Pension Benefit Guaranty Corporation's regulation on Benefits Payable in Terminated Single-Employer Plans to prescribe interest assumptions under the regulation for valuation dates in February 2014. The interest assumptions are used for paying benefits under terminating single-employer plans covered by the pension insurance system administered by PBGC.

**DATES:** Effective February 1, 2014.

**FOR FURTHER INFORMATION CONTACT:**

Catherine B. Klion (*Klion.Catherine@pbgc.gov*), Assistant General Counsel for Regulatory Affairs, Pension Benefit Guaranty Corporation, 1200 K Street NW., Washington, DC 20005, 202-326-4024. (TTY/TDD users may call the Federal relay service toll-free at 1-800-877-8339 and ask to be connected to 202-326-4024.)

**SUPPLEMENTARY INFORMATION:** PBGC's regulation on Benefits Payable in Terminated Single-Employer Plans (29 CFR Part 4022) prescribes actuarial assumptions—including interest assumptions—for paying plan benefits under terminating single-employer plans covered by title IV of the Employee Retirement Income Security Act of 1974. The interest assumptions in the regulation are also published on PBGC's Web site (<http://www.pbgc.gov>).

PBGC uses the interest assumptions in Appendix B to Part 4022 to determine whether a benefit is payable as a lump sum and to determine the amount to pay. Appendix C to Part 4022 contains interest assumptions for private-sector pension practitioners to refer to if they wish to use lump-sum interest rates determined using PBGC's historical methodology. Currently, the rates in Appendices B and C of the benefit payment regulation are the same.

The interest assumptions are intended to reflect current conditions in the financial and annuity markets. Assumptions under the benefit payments regulation are updated monthly. This final rule updates the benefit payments interest assumptions for February 2014.<sup>1</sup>

<sup>1</sup> Appendix B to PBGC's regulation on Allocation of Assets in Single-Employer Plans (29 CFR Part 4044) prescribes interest assumptions for valuing benefits under terminating covered single-employer plans for purposes of allocation of assets under ERISA section 4044. Those assumptions are updated quarterly.

The February 2014 interest assumptions under the benefit payments regulation will be 1.75 percent for the period during which a benefit is in pay status and 4.00 percent during any years preceding the benefit's placement in pay status. In comparison with the interest assumptions in effect for January 2014, these interest assumptions are unchanged.

PBGC has determined that notice and public comment on this amendment are impracticable and contrary to the public interest. This finding is based on the need to determine and issue new interest assumptions promptly so that the assumptions can reflect current market conditions as accurately as possible.

Because of the need to provide immediate guidance for the payment of benefits under plans with valuation dates during February 2014, PBGC finds that good cause exists for making the assumptions set forth in this amendment effective less than 30 days after publication.

PBGC has determined that this action is not a "significant regulatory action" under the criteria set forth in Executive Order 12866.

Because no general notice of proposed rulemaking is required for this amendment, the Regulatory Flexibility Act of 1980 does not apply. See 5 U.S.C. 601(2).

**List of Subjects in 29 CFR Part 4022**

Employee benefit plans, Pension insurance, Pensions, Reporting and recordkeeping requirements.

In consideration of the foregoing, 29 CFR part 4022 is amended as follows:

**PART 4022—BENEFITS PAYABLE IN TERMINATED SINGLE-EMPLOYER PLANS**

■ 1. The authority citation for part 4022 continues to read as follows:

**Authority:** 29 U.S.C. 1302, 1322, 1322b, 1341(c)(3)(D), and 1344.

■ 2. In appendix B to part 4022, Rate Set 244, as set forth below, is added to the table.

**Appendix B to Part 4022—Lump Sum Interest Rates for PBGC Payments**

\* \* \* \* \*