

§ 1.199–5T Application of section 199 to pass-thru entities for taxable years beginning after May 17, 2006, the enactment date of the Tax Increase Prevention and Reconciliation Act of 2005 (temporary).

(e) * * *

(4) * * *

(ii) * * *

(A) * * * In this step, in this example, the portion of the trustee commissions not directly attributable to the rental operation (\$2,000) is directly attributable to non-trade or business activities. In addition, the state income and personal property taxes are not directly attributable under § 1.652(b)–3(a) to either trade or business or non-trade or business activities, so the portion of those taxes not attributable to either the PRS interests or the rental operation is not a trade or business expense and, thus, is not taken into account in computing QPAI. The portion of the state income and personal property taxes that is treated as an other trade or business expense is \$3,000 (\$5,000 × \$30,000 total trade or business gross receipts/\$50,000 total gross receipts). * * *

* * * * *

(g) *No attribution of qualified activities.* Except as provided in § 1.199–3T(i)(7) regarding qualifying in-kind partnerships and § 1.199–3T(i)(8) regarding EAG partnerships, an owner of a pass-thru entity is not treated as conducting the qualified production activities of the pass-thru entity, and vice versa. This rule applies to all partnerships, including partnerships that have elected out of subchapter K under section 761(a). Accordingly, if a partnership manufactures QPP within the United States, or produces a qualified film or produces utilities in the United States, and distributes or leases, rents, licenses, sells, exchanges, or otherwise disposes of such property to a partner who then, without performing its own qualifying activity, leases, rents, licenses, sells, exchanges, or otherwise disposes of such property, then the partner's gross receipts from this latter lease, rental, license, sale, exchange, or other disposition are treated as non-DPGR. In addition, if a partner manufactures QPP within the United States, or produces a qualified film or produces utilities in the United States, and contributes or leases, rents, licenses, sells, exchanges, or otherwise disposes of such property to a partnership which then, without performing its own qualifying activity, leases, rents, licenses, sells, exchanges, or otherwise disposes of such property, then the partnership's gross receipts

from this latter disposition are treated as non-DPGR.

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DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

[TD 9292]

RIN 1545–BB11

Partner's Distributive Share: Foreign Tax Expenditures; Correction

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Correcting amendments.

SUMMARY: This document contains correction to final regulations (TD 9292) that were published in the **Federal Register** on Thursday, October 19, 2006 (71 FR 61648) regarding the allocation of creditable foreign tax expenditures by partnerships.

DATES: The correction is effective October 19, 2006.

FOR FURTHER INFORMATION CONTACT:

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SUPPLEMENTARY INFORMATION:

Background

The correction notice that is the subject of this document is under section 704 of the Internal Revenue Code.

Need for Correction

As published, final regulations (TD 9292) 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

n Accordingly, 26 CFR part 1 is corrected by making the following correcting amendments:

PART 1—INCOME TAXES

n **Paragraph 1.** The authority citation for part 1 continues to read, in part, as follows:

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

n **Par. 2.** Section 1.704–1 is amended by revising instructional Par. 2, number 2 to read as follows:

1. * * *

2. The heading and text of paragraphs (b)(1)(ii)(b), and (b)(5) *Examples 25* through 27 are revised.

* * * * *

n **Par. 3.** Section 1.704–1(d)(5) is amended by revising *Example 25* paragraph (ii), the ninth sentence and *Example 26* paragraph (ii), the eighth sentence to read as follows:

§ 1.704–1 Partner's distributive share.

* * * * *

Example 25. * * *

(ii) * * * Accordingly, the country X taxes will be reallocated according to the partners' interests in the partnership.

Example 26. * * *

(ii) * * * Because AB's partnership agreement allocates the \$80,000 of country X taxes and \$40,000 of country Y taxes in proportion to the distributive shares of income to which such taxes relate, the allocations are deemed to be in accordance with the partners' interests in the partnership under paragraph (b)(4)(viii) of this section.

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DEPARTMENT OF HOMELAND SECURITY

Coast Guard

33 CFR Part 117

[CGD08–06–005]

RIN 1625–AA09

Drawbridge Operation Regulations; Arkansas Waterway, Arkansas

AGENCY: Coast Guard, DHS.

ACTION: Final rule.

SUMMARY: The Coast Guard is revising the drawbridge operations for the Rob Roy Drawbridge across the Arkansas Waterway at Mile 67.4 at Pine Bluff, Arkansas, the Baring Cross Railroad Drawbridge across the Arkansas Waterway at Mile 119.6 at Little Rock, Arkansas, and the Van Buren Railroad Drawbridge across the Arkansas Waterway at Mile 300.8 at Van Buren, Arkansas, to reflect the actual procedures currently being followed. In addition, the following three bridges will be removed from 33 CFR 117.123 as they are locked in the open-to-