promoting safe flight of civil aircraft in air commerce by prescribing regulations for practices, methods, and procedures the Administrator finds necessary for safety in air commerce. This regulation is within the scope of that authority because it addresses an unsafe condition that is likely to exist or develop on products identified in this rulemaking action.

Regulatory Findings

We determined that this proposed AD would not have federalism implications under Executive Order 13132. This proposed AD would not have a substantial direct effect on the States, on the relationship between the national Government and the States, or on the distribution of power and responsibilities among the various levels of government.

For the reasons discussed above, I certify this proposed regulation:

(1) Is not a ''significant regulatory action'' under Executive Order 12866,

(2) Is not a ''significant rule'' under the DOT Regulatory Policies and Procedures (44 FR 11034, February 26, 1979),

(3) Will not affect intrastate aviation in Alaska to the extent that it justifies making a regulatory distinction, and

(4) Will not have a significant economic impact, positive or negative, on a substantial number of small entities under the criteria of the Regulatory Flexibility Act.

List of Subjects in 14 CFR Part 39

Air transportation, Aircraft, Aviation safety, Incorporation by reference, Safety.

The Proposed Amendment

Accordingly, under the authority delegated to me by the Administrator, the FAA proposes to amend 14 CFR part 39 as follows:

PART 39—AIRWORTHINESS DIRECTIVES

■ 1. The authority citation for part 39 continues to read as follows:

Authority: 49 U.S.C. 106(g), 40113, 44701.

§ 39.13 [Amended]

■ 2. The FAA amends § 39.13 by adding the following new airworthiness directive (AD):

Pratt & Whitney: Docket No. FAA–2014–1127; Directorate Identifier 2014–NE–16–AD.

(a) Comments Due Date

We must receive comments by May 1, 2015.

(b) Affected ADs

None.

(c) Applicability

This AD applies to all Pratt & Whitney (PW) JT8D–217C and JT8D–219 turbofan engines with low-pressure turbine (LPT) shaft part numbers 783319, 783319–001, 783319–003, 783319–004, 783320, 783320–001, 783320–003, 783320–004, 820514–001, 820514–003, 820514–004, or 820514–005, installed.

(d) Unsafe Condition

This AD was prompted by reports of cracking in the LPT shaft. We are issuing this AD to prevent failure of the LPT shaft, which could lead to an uncontained engine failure and damage to the airplane.

(e) Compliance

Comply with this AD within the compliance times specified, unless already done.

For engines with an LPT shaft part number listed in paragraph (c) of this AD:

(1) If the LPT shaft has 15,000 or fewer cycles since new (CSN) on the effective date of this AD, remove it from service before it accumulates 20,000 CSN.

(2) If the LPT shaft has more than 15,000 CSN on the effective date of this AD, remove it from service before it accumulates 5,000 additional cycles in service, or at the next piece-part exposure after accumulating 20,000 CSN, whichever occurs first.

(3) After the effective date of this AD, do not install any LPT shaft listed in paragraph (c) of this AD that is at piece-part exposure and exceeds the new life limit of 20,000 CSN, into any engine.

(f) Definitions

For the purpose of this AD, piece-part exposure is when the LPT shaft is completely disassembled from the engine.

(g) Alternative Methods of Compliance (AMOCs)

The Manager, Engine Certification Office, FAA, may approve AMOCs for this AD. Use the procedures found in 14 CFR 39.19 to make your request. You may email your request to: *ANE-AD-AMOC@faa.gov.*

(h) Related Information

(1) For more information about this AD, contact Jo-Ann Theriault, Aerospace Engineer, Engine Certification Office, FAA, Engine & Propeller Directorate, 12 New England Executive Park, Burlington, MA 01803; phone: 781–238–7105; fax: 781–238–7199; email: *jo-ann.theriault@faa.gov.*

(2) PW Service Bulletin No. JT8D 6504, dated November 5, 2014, which is not incorporated by reference in this proposed AD, can be obtained from PW using the contact information in paragraph (h)(3) of this proposed AD.

(3) For service information identified in this proposed AD, contact Pratt & Whitney, 400 Main St., East Hartford, CT 06108; phone: 860–565–8770; fax: 860–565–4503.

(4) You may view this service information at the FAA, Engine & Propeller Directorate, 12 New England Executive Park, Burlington, MA. For information on the availability of this material at the FAA, call 781–238–7125.

Issued in Burlington, Massachusetts, on February 20, 2015.

Colleen M. D'Alessandro,

Assistant Directorate Manager, Engine & Propeller Directorate, Aircraft Certification Service.

[FR Doc. 2015–04059 Filed 2–27–15; 8:45 am]

BILLING CODE 4910–13–P

DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

[REG–136018–13]

RIN 1545–BM20

Determination of Adjusted Applicable Federal Rates Under Section 1288 and the Adjusted Federal Long-Term Rate Under Section 382

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Notice of proposed rulemaking and notice of public hearing.

SUMMARY: This document contains proposed regulations that provide the method to be used to adjust the applicable Federal rates (AFRs) under section 1288 of the Internal Revenue Code (Code) (adjusted AFRs) for tax-exempt obligations and the method to be used to determine the long-term tax-exempt rate and the adjusted Federal long-term rate under section 382. For tax-exempt obligations, the proposed regulations affect the determination of original issue discount under section 1273 and of total unstated interest under section 483. In addition, the proposed regulations affect the determination of the limitations under sections 382 and 383 on the use of certain operating loss carryforwards, tax credits, and other attributes of corporations following ownership changes. This document also contains a request for comments and provides notice of a public hearing on these proposed regulations.

DATES: Written or electronic comments must be received by June 1, 2015. Outlines of topics to be discussed at the public hearing scheduled for June 24, 2015 must be received by June 1, 2015.

ADDRESSES: Send submissions to: CC:PA:LPD:PR (REG–136018–13), Room 5203, Internal Revenue Service, P.O. Box 7604, Ben Franklin Station, Washington, DC 20044. Submissions may be hand-delivered Monday through Friday between the hours of 8 a.m. and 4 p.m. to CC:PA:LPD:PR (REG–136018–13), Courier's Desk, Internal Revenue Service, 1111 Constitution Avenue NW., Washington, DC, or sent electronically, via the Federal eRulemaking portal at *www.regulations.gov* (IRS REG–136018–13). The public hearing will be held in the IRS Auditorium, Internal Revenue Building, 1111 Constitution Avenue NW., Washington, DC.

FOR FURTHER INFORMATION CONTACT: Concerning the proposed regulations under section 1288, Jason G. Kurth at (202) 317–6842; concerning the proposed regulations under section 382, William W. Burhop at (202) 317–6847; concerning submissions of comments, the hearing, and/or to be placed on the building access list to attend the hearing, Oluwafunmilayo (Funmi) Taylor at (202) 317–6901 (not toll-free numbers).

SUPPLEMENTARY INFORMATION:

Background

This document contains proposed amendments to 26 CFR part 1 (Income Tax Regulations) under sections 382 and 1288 of the Code. The proposed regulations provide the new method by which the Treasury Department and the IRS propose to determine the adjusted AFRs under section 1288 to take into account the tax exemption for interest on tax-exempt obligations (as defined in section 1275(a)(3) and § 1.1275–1(e)) and the long-term tax-exempt rate and the adjusted Federal long-term rate under section 382(f) to take into account differences between rates on long-term taxable and tax-exempt obligations.

Section 1274(d) directs the Secretary to determine the AFRs that are used for determining the imputed principal amount of debt instruments to which section 1274 applies, computing total unstated interest on payments to which section 483 applies, and other purposes. Under section 1274(d)(1), the AFR is: (i) In the case of a debt instrument with a term not over three years, the Federal short-term rate; (ii) in the case of a debt instrument with a term over three years but not over nine years, the Federal mid-term rate; and (iii) in the case of a debt instrument with a term over nine years, the Federal long-term rate. Sections 1274(d)(2) and (3) provide special rules for selecting the appropriate AFR in specified circumstances. Section 1274(d)(2) provides that, in the case of a sale or exchange, the AFR shall be the lowest AFR in effect for any month in the 3-calendar-month period ending with the first calendar month in which there is a binding contract in writing for the sale or exchange. Section 1274(d)(3) requires that options to renew or extend be taken into account in determining the term of a debt instrument. During each month, the Treasury Department determines the AFRs that will apply during the following calendar month based on the average market yield of outstanding marketable obligations of the United States with appropriate maturities. See § 1.1274–4(b). The IRS publishes the AFRs for each month in the Internal Revenue Bulletin (see § 601.601(d)(2)(ii)).

Section 1288(b)(1) provides that, in applying section 483 or section 1274 to a tax-exempt obligation, under regulations prescribed by the Secretary, appropriate adjustments shall be made to the AFR to take into account the tax exemption for interest on the obligation. The IRS publishes the adjusted AFRs for each month in the Internal Revenue Bulletin (see § 601.601(d)(2)(ii)).

In the case of a corporation that has undergone an ownership change described in section 382(g): (i) Section 382 places an annual limit (the section 382 limitation) on the amount of the corporation's taxable income that may be offset by certain net operating loss carryforwards and built-in losses; and (ii) section 383 places a limit, determined by reference to the section 382 limitation, on the amount of the corporation's income tax liability that may be offset by certain tax credits and other tax attributes. Under section 382(b)(1), the section 382 limitation generally equals the product of (A) the value of the stock of the corporation immediately prior to the ownership change and (B) the long-term tax-exempt rate.

Section 382(f)(1) defines the long-term tax-exempt rate as the highest of the adjusted Federal long-term rates in effect for any month in the three-calendar-month period ending with the calendar month in which the ownership change occurs. Section 382(f)(2) provides that the term ''adjusted Federal long-term rate'' means the Federal long-term rate determined under section 1274(d), except that sections 1274(d)(2) and (3) shall not apply, and such rate shall be properly adjusted for differences between rates on long-term taxable and tax-exempt obligations.

Section 382(f) was added to the Code by the Tax Reform Act of 1986, Public Law 99–514 (100 Stat. 2254). The Report of the Committee on Ways and Means on H.R. 3838, the Tax Reform Act of 1985 (the title of the Act as it passed the House), states that the long-term tax-exempt rate should be determined by adjusting the Federal long-term rate (determined under section 1274) pursuant to section 1288 to take into account tax exemption. H.R. Rep. No. 99–426, 99th Cong., 1st Sess. 268 (1985) (1986–3 CB (Vol. 2) 1, 268). The Conference Report for the Tax Reform Act of 1986 states that the adjusted Federal long-term rate is to be computed as the yield on a diversified pool of prime, general obligation tax-exempt bonds with remaining periods to maturity of more than nine years. The report also explains that it is necessary to the purposes of section 382 that the long-term tax-exempt rate be lower than the Federal long-term rate. Further, the Committee anticipated that the long-term tax-exempt rate would ordinarily fall in a range between (i) the Federal long-term rate multiplied by a percentage equal to the difference between 100 percent and the corporate tax rate, and (ii) 100 percent of the Federal long-term rate. 2 H.R. Rep. No. 99–841 (Conf. Rep.), 99th Cong., 2d Sess. II–188 (1986) (1986–3 CB (Vol. 4) 1, 188). Under current tax rates, that would be between 65 percent and 100 percent of the Federal long-term rate.

Since November 1986, the adjusted Federal long-term rate published under section 382(f)(2) has been equal to the long-term adjusted AFR with annual compounding published under section 1288(b) in the same month. See Rev. Rul. 86–133 (1986–2 CB 59) (see § 601.601(d)(2)(ii)). For calendar months from November 1986 to February 2013, the Treasury Department determined the adjusted Federal long-term rate and each adjusted AFR described in section 1288(b)(1) by multiplying the corresponding AFR by a fraction (the adjustment factor). The numerator of the adjustment factor was a composite yield of the highest-grade tax-exempt obligations available, which are prime, general obligation tax-exempt obligations. The denominator was a composite yield of U.S. Treasury obligations with maturities similar to those of the tax-exempt obligations. Each of the composite yields was measured over a one-month period.

Since the beginning of 2008, market yields of prime, general obligation tax-exempt obligations have sometimes exceeded market yields of comparable U.S. Treasury obligations, causing the adjusted Federal long-term rate and each adjusted AFR to exceed the corresponding AFRs. This relationship between the adjusted rates and the corresponding AFRs showed that the adjustment factor no longer served the purposes of sections 1288(b)(1) and 382(f)(2), which require adjustments to reflect only tax exemption, not credit quality. These rates are also inconsistent with the express intention of Congress that the adjusted Federal long-term rate and the long-term tax-exempt rate be lower than the Federal long-term rate.

Request for Comments and Summary of Comments

In response, the IRS published Notice 2013–4 (2013–9 IRB 527) on February 25, 2013, requesting comments on possible modifications to the method by which adjusted AFRs and the adjusted Federal long-term rate are determined. The notice solicited comments on several potential adjustment factors. One proposal was an adjustment factor based on tax rates, under which each adjusted AFR would be the product of (A) the appropriate AFR, and (B) the excess of (i) one hundred percent over (ii) a tax rate or a fixed percentage of a tax rate. Another proposal was an adjustment factor based on historical data, under which the adjustment factor would be fixed at an amount that would produce a spread between Federal long-term rates and adjusted Federal long-term rates equal to the average spread between those rates during the period from 1986 through 2007 (which is the period before changes in market conditions elevated the yields of many obligations in relation to U.S. Treasury obligations). The notice also requested comments on whether the adjusted Federal long-term rate described in section 382(f)(2) should continue to be determined in the same manner as the adjusted AFRs described in section 1288(b)(1).

Notice 2013–4 provided that, until the Treasury Department and the IRS issue further guidance, the adjusted AFRs and the long-term tax-exempt rate would continue to be calculated using the adjustment factor, except that the adjustment factor would equal one for any month in which the adjustment factor would otherwise be greater than one or in which the denominator of the adjustment factor would otherwise be less than or equal to zero.

The IRS received two comments in response to Notice 2013–4. One commenter recommended an adjustment factor based on tax rates for purposes of section 1288, and made no recommendation regarding section 382. That commenter suggested that the proper tax rate to use to calculate the adjusted AFRs is the highest individual tax rate set forth in section 1, increased by the tax rate under section 1411 applicable to the investment income of individuals.

The other commenter recommended the use of historical data to determine the lowest individual marginal tax rate needed to attract sufficient investors to clear the market supply of tax-exempt obligations for purposes of section 1288. That commenter recommended that there be no change to the calculation of the long-term tax-exempt rate under section 382. In the alternative, the commenter recommended that the adjusted Federal long-term rate described in section 382(f) be subject to a floor because the commenter argued that section 382 is intended to defer rather than eliminate net operating losses, and the lower the long-term tax-exempt rate, the greater the likelihood that net operating losses subject to section 382 limitation will expire before they are used.

Explanation of Provisions

The language and purposes of sections 382 and 1288 suggest that AFRs are to be adjusted in the same manner for purposes of both provisions. Implementation of each provision requires an adjustment to take into account the effect of tax exemption on market yields. Therefore, under these proposed regulations, the adjusted Federal long-term rate under section 382(f) would continue to be determined in the same manner as the adjusted AFRs under section 1288.

The Treasury Department and the IRS recognize that, to be entirely consistent with the language and legislative history of sections 382 and 1288, the adjusted Federal long-term rate and each adjusted AFR should be determined based on the current market yield on a pool of tax-exempt obligations that have terms, features, and credit quality matching those of U.S. Treasury obligations, which would result in an adjusted Federal long-term rate or adjusted AFR that is lower than the corresponding AFR. However, under recent market conditions tax-exempt obligations with perceived credit qualities approximating U.S. Treasury obligations arguably no longer exist. Because of the increasing spreads between the yields of U.S. Treasury obligations and other debt instruments, the yield of a pool of tax-exempt obligations will likely be higher than the yield of similar U.S. Treasury obligations and the AFR for the corresponding term.

During the period from 1986 to 2007, certain tax-exempt obligations satisfied the criteria in the Code and the legislative history. As discussed in this preamble, the current adjustment factor is based on the ratio of yields on prime, general obligation tax-exempt obligations to yields of U.S. Treasury obligations with similar maturities. From 1986 to 2007, that ratio (and, as a result, the ratios of adjusted AFRs and adjusted Federal long-term rates to AFRs) was, on average, approximately equal to one minus 59 percent of the maximum individual tax rate under section 1. That relationship was relatively stable over the period; the ratio of the spread between the yields to the maximum individual tax rate under section 1 generally did not vary by more than a few percentage points. In the absence of current market data from tax-exempt obligations and U.S. Treasury obligations with similar maturities and similar credit quality, the Treasury Department and the IRS believe this historical market data provides the best indication of the effect of a tax exemption on market yields.

The Treasury Department and the IRS therefore propose use of this historical market data to create an appropriate adjustment factor based on individual tax rates. Consistent with a proposal in Notice 2013–4 and one commenter's suggestion regarding section 1288, the proposed adjustment factor is one minus the product of a tax rate and a fixed percentage. The Treasury Department would therefore determine the adjusted AFRs and the adjusted Federal long-term rate for each month from the appropriate AFRs for that month using the proposed adjustment factor that results from the following calculation: 100 percent − [(a combined tax rate) × (a fixed percentage)]. Consistent with both commenters' suggestions regarding section 1288, the tax rate is the maximum individual tax rate.

Specifically, the tax rate in the proposed adjustment factor is the sum of the maximum individual rate under section 1 and the maximum individual rate under section 1411 for the month to which the rate applies. Using current maximum individual tax rates under sections 1 and 1411, the combined tax rate in the calculation would be 43.4 percent, the sum of 39.6 percent and 3.8 percent. High-income individuals purchase a large percentage of municipal bonds because these purchasers benefit the most from the tax exemption. While individual and corporate tax rates were relatively stable from 1986 to 2007, data analyzed by the Treasury Department indicate that the differential between yields on tax-exempt municipal bonds and comparable U.S. Treasury obligations was significantly more correlated with the highest individual income tax rates than with corporate tax rates. Thus, an adjustment factor based on the maximum individual tax rate allows a better approximation of the market-based adjustment that Congress intended than would one based on a corporate tax rate. The tax on net investment income under section 1411 is included in the proposed adjustment factor to account for the entire rate of federal tax imposed on high-income individuals who hold taxable obligations.

The fixed percentage is the amount by which that combined tax rate must be multiplied to reflect the historical relationship between the maximum tax rate and the spread between yields of taxable and tax-exempt obligations. The spread is less than 100% of the maximum tax rate because, for example, issuers of tax-exempt bonds need to attract purchasers with effective tax rates lower than the maximum individual tax rate. The fixed percentage in the proposed adjustment factor is 59 percent, because the yield on tax-exempt obligations from February 1986 to July 2007 was lower than that of comparable taxable obligations by, on average, 59 percent of the maximum individual rate in effect under section 1.

Therefore, the adjustment factor under current tax rates would be 74.39 percent, the result of subtracting 25.61 percent (the product of 43.4 percent and 59 percent) from 100 percent. If an AFR for a given month were 5 percent, under current tax rates, the corresponding adjusted AFR would be 3.72 percent: The product of 74.39 percent and 5 percent. If that 5 percent AFR were the Federal long-term rate for debt instruments with annual compounding, the adjusted Federal long-term rate under section 382 would likewise be 3.72 percent.

The proposed regulations do not adopt the suggestion of one commenter that the adjusted Federal long-term rate described in section 382(f) be subject to a floor because that would be inconsistent with the primary purpose of section 382. The primary purpose of section 382 is to preserve the integrity of the carryover provisions by discouraging tax-motivated corporate acquisitions while allowing the carryover provisions to perform their intended averaging function. To accomplish this purpose, section 382 seeks to limit the use of pre-change losses by an acquiring corporation to no more than the loss corporation's ability to use such losses, with that limit being determined by multiplying the long-term tax-exempt rate—a rate below the Federal long-term rate—by the value of the loss corporation. The Conference Report for the Tax Reform Act of 1986 explains:

> The use of a rate lower than the long-term Federal rate is necessary to ensure that the value of NOL carryforwards to the buying corporation is not more than their value to the loss corporation. Otherwise there would be a tax incentive for acquiring loss corporations. If the loss corporation were to sell its assets and invest in long-term Treasury obligations, it could absorb its NOL carryforwards at a rate equal to the yield on long-term government obligations. Since the price paid by the buyer is larger than the value of the loss company's assets (because of the value of NOL carryforwards are taken into account), applying the long-term Treasury rate to the purchase price would result in faster utilization of NOL carryforwards by the buying corporation.

2 H.R. Rep. No. 99–841 (Conf. Rep.), 99th Cong., 2d Sess. II–188 (1986) (1986–3 CB (Vol. 4) 1, 188).

Imposing a floor on the adjusted Federal long-term rate, and thereby on the long-term tax-exempt rate, would reduce the effect of the mechanism Congress established to ensure that the value of net operating loss carryforwards to the acquiring corporation is not more than the value of those carryforwards to the loss corporation. Moreover, as a matter of statutory interpretation, an upward adjustment of the adjusted Federal long-term rate to comply with a fixed minimum level would disregard the express direction of Congress to determine the adjusted Federal long-term rate based on the Federal long-term rate determined under section 1274(d), which is not subject to a floor, with adjustments to take into account the differences between rates on taxable and tax-exempt obligations. Further, the legislative history of section 382(f) suggests that Congress intended that the adjusted Federal long-term rate be determined in a manner similar to the adjusted AFR under section 1288.

The tax rate used to determine adjusted AFRs under these proposed regulations differs from the tax rate used to determine the interest rate on demand deposit securities under the State and Local Government Series (SLGS). Demand deposit SLGS securities are one-day certificates of indebtedness that are automatically rolled over each day until the holder requests redemption. See 31 CFR 344.7. The interest rate on the securities is based on yields of 13-week Treasury bills, with a number of adjustments. Among the adjustments is multiplying the annualized Treasury bill yield by the excess of one over the estimated marginal tax rate of purchasers of tax-exempt bonds. That estimated marginal tax rate is published from time to time in the **Federal Register** and is currently 39.6 percent. The Treasury Department and the IRS request comments on whether the interest rate on SLGS should reflect the same correction for tax exemption as the adjusted AFRs (the product of the fixed percentage and the combined tax rate).

Proposed Effective/Applicability Date

These regulations are proposed to apply to calendar months beginning after the date of publication of the Treasury decision adopting these rules as final regulations in the **Federal Register**.

Special Analyses

It has been determined that this notice of proposed rulemaking 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, 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, this notice of proposed rulemaking has been submitted to the Chief Counsel for Advocacy of the Small Business Administration for comments on its impact on small business.

Comments and Public Hearing

Before these proposed regulations are adopted as final regulations, consideration will be given to any written (a signed original and eight (8) copies) or electronic comments that are submitted timely to the IRS as prescribed in this preamble under the **ADDRESSES** heading. The Treasury Department and the IRS request comments on all aspects of the proposed rules. All comments will be available for public inspection and copying at *www.regulations.gov* or upon request.

A public hearing has been scheduled for June 24, 2015, at 10:00 a.m., in the IRS Auditorium, Internal Revenue Service, 1111 Constitution Avenue NW., Washington, DC. Due to building security procedures, visitors must enter through the Constitution Avenue entrance. In addition, all visitors must present photo identification to enter the building. Because of access restrictions, visitors will not be admitted beyond the immediate entrance area more than 30 minutes before the hearing starts. For information about having your name placed on the building access list to attend the hearing, see the **FOR FURTHER INFORMATION CONTACT** section of this preamble.

The rules of 26 CFR 601.601(a)(3) apply to the hearing. Persons who wish to present oral comments at the hearing must submit written (signed original and eight (8) copies) or electronic comments and an outline of the topics to be discussed and the time to be devoted to each topic by June 1, 2015. A period of 10 minutes will be allotted to each person for making comments. An agenda showing the scheduling of the speakers will be prepared after the deadline for receiving outlines has passed. Copies of the agenda will be available free of charge at the hearing.

Drafting Information

The principal authors of the proposed regulations are Jason G. Kurth, IRS Office of the Associate Chief Counsel (Financial Institutions and Products) and William W. Burhop, IRS Office of the Associate Chief Counsel (Corporate). However, other personnel from the Treasury Department and the IRS participated in their development.

List of Subjects in 26 CFR Part 1

Income taxes, Reporting and recordkeeping requirements.

Proposed Amendments to the Regulations

Accordingly, 26 CFR part 1 is proposed to be amended as follows:

PART 1—INCOME TAXES

■ **Paragraph 1.** The authority citation for part 1 is amended by adding entries in numerical order to read in part as follows:

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

Section 1.382–12 also issued under 26 U.S.C. 382(f) and 26 U.S.C. 382(m).
* * *

Section 1.1288–1 also issued under 26 U.S.C. 1288(b). * * *

■ **Par. 2.** Section 1.382–1 is amended by revising the introductory text and adding an entry for § 1.382–12 to read as follows:

§ 1.382–1 Table of contents.

This section lists the captions that appear in the regulations for §§ 1.382–2 through 1.382–12.

* * * * *

■ **Par. 3.** Section 1.382–12 is added to read as follows:

§ 1.382–12 Determination of adjusted Federal long-term rate.

(a) *In general.* The long-term tax-exempt rate for an ownership change is the highest of the adjusted Federal long-term rates in effect for any month in the 3-calendar-month period ending with the calendar month in which the change date occurs. For purposes of the previous sentence, the adjusted Federal long-term rate is the Federal long-term rate determined under section 1274(d) (without regard to paragraphs (2) and (3) thereof), adjusted for differences between rates on long-term taxable and tax-exempt obligations. The Secretary calculates the adjusted Federal long-term rate as provided in paragraph (b) of this section. The Internal Revenue Service publishes the long-term tax-exempt rate and the adjusted Federal long-term rate for each month in the Internal Revenue Bulletin (see § 601.601(d)(2)(ii) of this chapter).

(b) *Adjusted Federal long-term rate.* The adjusted Federal long-term rate for a calendar month is the product of the Federal long-term rate determined under section 1274(d) for that month, based on annual compounding, multiplied by the adjustment factor described in paragraph (c) of this section.

(c) *Adjustment factor.* The adjustment factor is a percentage equal to—

(1) The excess of 100 percent, over

(2) The product of—

(i) 59 percent, and

(ii) The sum of the maximum rate in effect under section 1 applicable to individuals and the maximum rate in effect under section 1411 applicable to individuals for the month to which the adjusted applicable Federal rate applies.

(d) *Effective/applicability date.* The rules of this section apply to the determination of the long-term tax-exempt rate and the adjusted Federal long-term rate during calendar months beginning after the date of publication of the Treasury decision adopting these rules as final regulations in the **Federal Register**.

■ **Par. 4.** Section 1.1288–1 is added to read as follows:

§ 1.1288–1 Adjustment of applicable Federal rate for tax-exempt obligations.

(a) *In general.* In applying section 483 or section 1274 to a tax-exempt obligation, the applicable Federal rate is adjusted to take into account the tax exemption for interest on the obligation. For each applicable Federal rate determined under section 1274(d), the Secretary computes a corresponding adjusted applicable Federal rate by multiplying the applicable Federal rate by the adjustment factor described in paragraph (b) of this section. The Internal Revenue Service publishes the applicable Federal rates and the adjusted applicable Federal rates for each month in the Internal Revenue Bulletin (see § 601.601(d)(2)(ii) of this chapter).

(b) *Adjustment factor.* The adjustment factor is a percentage equal to—

(1) The excess of 100 percent, over

(2) The product of—

(i) 59 percent, and

(ii) The sum of the maximum rate in effect under section 1 applicable to individuals and the maximum rate in effect under section 1411 applicable to individuals for the month to which the adjusted applicable Federal rate applies.

(c) *Effective/applicability date.* The rules of this section apply to the determination of adjusted applicable Federal rates during calendar months beginning after the date of publication of the Treasury decision adopting these rules as final regulations in the **Federal Register**.

John M. Dalrymple,
Deputy Commissioner for Services and Enforcement.

[FR Doc. 2015–04213 Filed 2–27–15; 8:45 am]
BILLING CODE 4830–01–P

DEPARTMENT OF HOMELAND SECURITY

Coast Guard

33 CFR Part 165

[Docket Number USCG–2015–0019]

RIN 1625–AA00

Safety Zone; Xterra Swim, Myrtle Beach, SC

AGENCY: Coast Guard, DHS.

ACTION: Notice of proposed rulemaking.

SUMMARY: The Coast Guard proposes to issue a temporary safety zone on the waters of the Intracoastal Waterway in Myrtle Beach, South Carolina. The Xterra Swim is scheduled to take place on Sunday, May 3, 2015. The temporary safety zone is necessary for the safety of the swimmers, participant vessels, spectators, and the general public during the event. The temporary safety zone will restrict vessel traffic in a portion of the Intracoastal Waterway, preventing non-participant vessels from entering, transiting through, anchoring in, or remaining within the regulated area unless authorized by the Captain of the Port Charleston or a designated representative.

DATES: Comments and related material must be received by the Coast Guard on or before April 1, 2015.

ADDRESSES: You may submit comments identified by docket number using any one of the following methods: