

HIGHLIGHTS OF THIS ISSUE

These synopses are intended only as aids to the reader in identifying the subject matter covered. They may not be relied upon as authoritative interpretations.

INCOME TAX

T.D. 9514, page 527.

Final regulations under section 1221(b)(3) of the Code provide the time and manner rules for electing to treat the sale or exchange of a musical composition or a copyright in a musical work created by the taxpayer (or received by the taxpayer from the composition or work's creator in a transferred basis transaction) as the sale or exchange of a capital asset.

Announcement 2011-14, page 532.

This announcement advises the public that expenses for breast pumps and supplies that assist lactation may be deducted as medical expenses or reimbursed under a flexible spending arrangement or similar plan.

EMPLOYEE PLANS

Notice 2011-13, page 529.

Weighted average interest rate update; corporate bond indices; 30-year Treasury securities; segment rates. This notice contains updates for the corporate bond weighted average interest rate for plan years beginning in February 2011; the 24-month average segment rates; the funding transitional segment rates applicable for February 2011; and the minimum present value transitional rates for January 2011.

EXEMPT ORGANIZATIONS

Announcement 2011-17, page 532.

The IRS has revoked its determination that Arid Lands Project of North Haven, ME; Christian Credit Counselors International, Inc., of Santa Ana, CA; Consumer Credit Protection Agency,

Inc., of Tampa, FL; Falls Consumer Credit Management, Inc., of Akron, OH; Falls Consumer Credit Management, Inc., of Saint Clairsville, OH; Gullahorn Family Supporting Organization of Naples, FL; International Vision, Inc., of Washington, DC; Riverview Athletic Association, Inc., of Omaha, NE; Rising Stars Community Services, Inc., of Houston, TX; RFD Communications, Inc., of Omaha, NE; Revive Credit Counseling, Inc., of Santa Monica, CA; Neighborcare International, Inc., of Fairfield Grade, TN; Mexican American Research Center of Austin, TX; Modern Day Veterans 304 Chapter of Licking, MO; Modern Day Veterans 203 Chapter of Marble Hill, MO; Care of Crow Wing County of Brainerd, MN; Northwest Conservation Stewardship Fund of Seattle, WA; and Panhandle Land Conservancy, Inc., of Destin, FL, qualify as organizations described in sections 501(c)(3) and 170(c)(2) of the Code.

ADMINISTRATIVE

Announcement 2011-12, page 532.

This announcement contains a correction to final regulations (T.D. 9391, 2008-1 C.B. 945) providing rules under section 937(b) of the Code for determining whether income is derived from sources within a U.S. possession or territory specified in section 937(a)(1) (generally referred to in this preamble as a "territory") and whether income is effectively connected with the conduct of a trade or business within a territory as well as providing guidance under section 932 and other provisions related to the territories.

Actions Relating to Court Decisions is on the page following the Introduction.
Finding Lists begin on page ii.
Index for January through February begins on page v.



The IRS Mission

Provide America's taxpayers top-quality service by helping them understand and meet their tax responsibilities and en-

force the law with integrity and fairness to all.

Introduction

The Internal Revenue Bulletin is the authoritative instrument of the Commissioner of Internal Revenue for announcing official rulings and procedures of the Internal Revenue Service and for publishing Treasury Decisions, Executive Orders, Tax Conventions, legislation, court decisions, and other items of general interest. It is published weekly and may be obtained from the Superintendent of Documents on a subscription basis. Bulletin contents are compiled semiannually into Cumulative Bulletins, which are sold on a single-copy basis.

It is the policy of the Service to publish in the Bulletin all substantive rulings necessary to promote a uniform application of the tax laws, including all rulings that supersede, revoke, modify, or amend any of those previously published in the Bulletin. All published rulings apply retroactively unless otherwise indicated. Procedures relating solely to matters of internal management are not published; however, statements of internal practices and procedures that affect the rights and duties of taxpayers are published.

Revenue rulings represent the conclusions of the Service on the application of the law to the pivotal facts stated in the revenue ruling. In those based on positions taken in rulings to taxpayers or technical advice to Service field offices, identifying details and information of a confidential nature are deleted to prevent unwarranted invasions of privacy and to comply with statutory requirements.

Rulings and procedures reported in the Bulletin do not have the force and effect of Treasury Department Regulations, but they may be used as precedents. Unpublished rulings will not be relied on, used, or cited as precedents by Service personnel in the disposition of other cases. In applying published rulings and procedures, the effect of subsequent legislation, regulations,

court decisions, rulings, and procedures must be considered, and Service personnel and others concerned are cautioned against reaching the same conclusions in other cases unless the facts and circumstances are substantially the same.

The Bulletin is divided into four parts as follows:

Part I.—1986 Code.

This part includes rulings and decisions based on provisions of the Internal Revenue Code of 1986.

Part II.—Treaties and Tax Legislation.

This part is divided into two subparts as follows: Subpart A, Tax Conventions and Other Related Items, and Subpart B, Legislation and Related Committee Reports.

Part III.—Administrative, Procedural, and Miscellaneous.

To the extent practicable, pertinent cross references to these subjects are contained in the other Parts and Subparts. Also included in this part are Bank Secrecy Act Administrative Rulings. Bank Secrecy Act Administrative Rulings are issued by the Department of the Treasury's Office of the Assistant Secretary (Enforcement).

Part IV.—Items of General Interest.

This part includes notices of proposed rulemakings, disbarment and suspension lists, and announcements.

The last Bulletin for each month includes a cumulative index for the matters published during the preceding months. These monthly indexes are cumulated on a semiannual basis, and are published in the last Bulletin of each semiannual period.

The contents of this publication are not copyrighted and may be reprinted freely. A citation of the Internal Revenue Bulletin as the source would be appropriate.

For sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402.

Actions Relating to Decisions of the Tax Court

It is the policy of the Internal Revenue Service to announce at an early date whether it will follow the holdings in certain cases. An Action on Decision is the document making such an announcement. An Action on Decision will be issued at the discretion of the Service only on unappealed issues decided adverse to the government. Generally, an Action on Decision is issued where its guidance would be helpful to Service personnel working with the same or similar issues. Unlike a Treasury Regulation or a Revenue Ruling, an Action on Decision is not an affirmative statement of Service position. It is not intended to serve as public guidance and may not be cited as precedent.

Actions on Decisions shall be relied upon within the Service only as conclusions applying the law to the facts in the particular case at the time the Action on Decision was issued. Caution should be exercised in extending the recommendation of the Action on Decision to similar cases where the facts are different. Moreover, the recommendation in the Action on Decision may be superseded by new legislation, regulations, rulings, cases, or Actions on Decisions.

Prior to 1991, the Service published acquiescence or nonacquiescence only in

certain regular Tax Court opinions. The Service has expanded its acquiescence program to include other civil tax cases where guidance is determined to be helpful. Accordingly, the Service now may acquiesce or nonacquiesce in the holdings of memorandum Tax Court opinions, as well as those of the United States District Courts, Claims Court, and Circuit Courts of Appeal. Regardless of the court deciding the case, the recommendation of any Action on Decision will be published in the Internal Revenue Bulletin.

The recommendation in every Action on Decision will be summarized as acquiescence, acquiescence in result only, or nonacquiescence. Both “acquiescence” and “acquiescence in result only” mean that the Service accepts the holding of the court in a case and that the Service will follow it in disposing of cases with the same controlling facts. However, “acquiescence” indicates neither approval nor disapproval of the reasons assigned by the court for its conclusions; whereas, “acquiescence in result only” indicates disagreement or concern with some or all of those reasons. “Nonacquiescence” signifies that, although no further review was sought, the Service does not agree with the holding of the court and, generally,

will not follow the decision in disposing of cases involving other taxpayers. In reference to an opinion of a circuit court of appeals, a “nonacquiescence” indicates that the Service will not follow the holding on a nationwide basis. However, the Service will recognize the precedential impact of the opinion on cases arising within the venue of the deciding circuit.

The Actions on Decisions published in the weekly Internal Revenue Bulletin are consolidated semiannually and appear in the first Bulletin for July and the Cumulative Bulletin for the first half of the year. A semiannual consolidation also appears in the first Bulletin for the following January and in the Cumulative Bulletin for the last half of the year.

The Commissioner does not acquiesce in the following decision:

Robinson Knife Manufacturing Company and Subsidiaries v. Commissioner,¹

600 F.3d 121 (2d Cir. 2010),
rev'g T.C. Memo 2009-9

¹ Nonacquiesces to whether sales-based royalties that taxpayer paid for the right to use trademarks on the kitchen tools that it manufactures and sells are production costs “allocable to property produced” (inventory) within the meaning of Treas. Reg. §1.263A-1(e).

Part I. Rulings and Decisions Under the Internal Revenue Code of 1986

Section 1221.—Capital Asset Defined

26 CFR 1.1221-3: Time and manner for electing capital asset treatment for certain self-created musical works.

T.D. 9514

DEPARTMENT OF THE TREASURY Internal Revenue Service 26 CFR Part 1

Time and Manner for Electing Capital Asset Treatment for Certain Self-Created Musical Works

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Final regulation and removal of temporary regulation.

SUMMARY: This document contains a final regulation that provides the time and manner rules for electing to treat the sale or exchange of a musical composition or a copyright in a musical work created by the taxpayer (or received by the taxpayer from the composition or work's creator in a transferred basis transaction) as the sale or exchange of a capital asset. The regulation reflects changes to the law made by the Tax Increase Prevention and Reconciliation Act of 2005 and the Tax Relief and Health Care Act of 2006. The regulation affects taxpayers who elect to treat gain or loss from such a sale or exchange as capital gain or loss.

DATES: *Effective Date:* This regulation is effective on February 7, 2011.

Applicability Date: For date of applicability, see §1.1221-3(d).

FOR FURTHER INFORMATION CONTACT: Jamie Kim, (202) 622-4950 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

This document contains an amendment to the Income Tax Regulations (26 CFR part 1). On February 8, 2008, a temporary regulation (T.D. 9379, 2008-1 C.B. 715) was published in the **Federal Register** (73 FR 7464) that provided the time and manner rules for electing capital asset treatment for certain self-created musical works. A notice of proposed rulemaking (REG-153589-06, 2008-1 C.B. 730) cross-referencing the temporary regulation also was published in the **Federal Register** (73 FR 7503) on February 8, 2008. No comments in response to the notice of proposed rulemaking or requests to hold a public hearing were received, and no hearing was held. This Treasury decision adopts the proposed regulation with minor changes and removes the temporary regulation.

Section 1221(a) of the Internal Revenue Code (Code) generally provides that capital assets include all property held by a taxpayer with certain specified exclusions. Section 1221(a)(1) excludes from the definition of a capital asset inventory property or property held by a taxpayer primarily for sale to customers in the ordinary course of the taxpayer's trade or business. Section 1221(a)(3) excludes from the definition of a capital asset certain property — a copyright; a literary, musical, or artistic composition; a letter or memorandum; or similar property — held by a taxpayer whose personal efforts created the property (or held by a taxpayer whose basis in the property is determined by reference to the basis of such property in the hands of the taxpayer whose personal efforts created the property).

Section 1221(b)(3) of the Code, added by section 204 of the Tax Increase Prevention and Reconciliation Act of 2005, Public Law 109-222 (120 Stat. 345 (2005)), and amended by section 412 of the Tax Relief and Health Care Act of 2006, Public Law 109-432 (120 Stat. 2922 (2006)), provides that, at the election of a taxpayer, the section 1221(a)(1) and (a)(3) exclusions from capital asset status will not ap-

ply to a musical composition or a copyright in a musical work sold or exchanged by a taxpayer described in section 1221(a)(3). Thus, if a taxpayer who owns a musical composition or copyright in a musical work created by the taxpayer (or transferred to the taxpayer by the composition or work's creator in a transferred basis transaction) elects the application of this provision, gain or loss from the sale or exchange of the musical composition or copyright is treated as capital gain or loss.

Explanation of Provisions

This final regulation provides rules regarding the time and manner for electing under section 1221(b)(3) to treat gain or loss from the sale or exchange of certain musical compositions or copyrights in musical works as gain or loss from the sale or exchange of a capital asset.

Effective/Applicability Date

This regulation applies to elections under section 1221(b)(3) in taxable years beginning after May 17, 2006.

Special Analyses

It has been determined that this Treasury decision is not a significant regulatory action as defined in Executive Order 12866. 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 this regulation, and because the regulation does 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 this regulation 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 this regulation is Jamie Kim of the Office of Associate Chief Counsel (Income Tax & Accounting). However, other personnel from the IRS

and the Treasury Department participated in its development.

* * * * *

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 1.1221-3 is added to read as follows:

§1.1221-3 Time and manner for electing capital asset treatment for certain self-created musical works.

(a) *Description.* Section 1221(b)(3) allows an electing taxpayer to treat the sale or exchange of a musical composition or a copyright in a musical work created by the taxpayer's personal efforts (or having a basis determined by reference to the basis of such property in the hands of a taxpayer whose personal efforts created such

property) as the sale or exchange of a capital asset. As a consequence, gain or loss from the sale or exchange is treated as capital gain or loss.

(b) *Time and manner for making the election.* An election described in this section is made separately for each musical composition (or copyright in a musical work) sold or exchanged during the taxable year. An election must be made on or before the due date (including extensions) of the income tax return for the taxable year of the sale or exchange. The election is made on Schedule D, "Capital Gains and Losses," of the appropriate income tax form (for example, Form 1040, "U.S. Individual Income Tax Return;" Form 1065, "U.S. Return of Partnership Income;" Form 1120, "U.S. Corporation Income Tax Return") by treating the sale or exchange as the sale or exchange of a capital asset, in accordance with the form and its instructions.

(c) *Revocability of election.* The election described in this section is revocable with the consent of the Commissioner. To seek consent to revoke the election, a taxpayer must submit a request for a letter ruling under the applicable administrative procedures. Alternatively, an automatic

extension of 6 months from the due date of the taxpayer's income tax return (excluding extensions) is granted to revoke the election, provided the taxpayer timely filed the taxpayer's income tax return and, within this 6-month extension period, the taxpayer files an amended income tax return that treats the sale or exchange as the sale or exchange of property that is not a capital asset.

(d) *Effective/applicability date.* This section applies to elections under section 1221(b)(3) in taxable years beginning after May 17, 2006.

§1.1221-3T [Removed]

Par. 3. Section 1.1221-3T is removed.

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

Approved January 28, 2011.

Michael Mundaca,
*Assistant Secretary of
the Treasury (Tax Policy).*

(Filed by the Office of the Federal Register on February 4, 2011, 8:45 a.m., and published in the issue of the Federal Register for February 7, 2011, 76 F.R. 6553)

Part III. Administrative, Procedural, and Miscellaneous

Update for Weighted Average Interest Rates, Yield Curves, and Segment Rates

Notice 2011-13

This notice provides guidance as to the corporate bond weighted average interest rate and the permissible range of interest rates specified under § 412(b)(5)(B)(ii)(II) of the Internal Revenue Code as in effect for plan years beginning before 2008. It also provides guidance on the corporate bond monthly yield curve (and the corresponding spot segment rates), and the 24-month average segment rates under § 430(h)(2). In addition, this notice provides guidance as to the interest rate on 30-year Treasury securities under § 417(e)(3)(A)(ii)(II) as in effect for plan years beginning before 2008, the 30-year Treasury weighted average rate under § 431(c)(6)(E)(ii)(I), and the min-

imum present value segment rates under § 417(e)(3)(D) as in effect for plan years beginning after 2007.

CORPORATE BOND WEIGHTED AVERAGE INTEREST RATE

Sections 412(b)(5)(B)(ii) and 412(l)(7)(C)(i), as amended by the Pension Funding Equity Act of 2004 and by the Pension Protection Act of 2006 (PPA), provide that the interest rates used to calculate current liability and to determine the required contribution under § 412(l) for plan years beginning in 2004 through 2007 must be within a permissible range based on the weighted average of the rates of interest on amounts invested conservatively in long term investment grade corporate bonds during the 4-year period ending on the last day before the beginning of the plan year.

Notice 2004-34, 2004-1 C.B. 848, provides guidelines for determining the cor-

porate bond weighted average interest rate and the resulting permissible range of interest rates used to calculate current liability. That notice establishes that the corporate bond weighted average is based on the monthly composite corporate bond rate derived from designated corporate bond indices. The methodology for determining the monthly composite corporate bond rate as set forth in Notice 2004-34 continues to apply in determining that rate. See Notice 2006-75, 2006-2 C.B. 366.

The composite corporate bond rate for January 2011 is 5.57 percent. Pursuant to Notice 2004-34, the Service has determined this rate as the average of the monthly yields for the included corporate bond indices for that month.

The following corporate bond weighted average interest rate was determined for plan years beginning in the month shown below.

| For Plan Years Beginning in | | Corporate Bond Weighted Average | Permissible Range | |
|-----------------------------|------|---------------------------------|-------------------|------|
| Month | Year | | 90% | 100% |
| February | 2011 | 6.10 | 5.49 | 6.10 |

YIELD CURVE AND SEGMENT RATES

Generally for plan years beginning after 2007 (except for delayed effective dates for certain plans under sections 104, 105, and 106 of PPA), § 430 of the Code specifies the minimum funding requirements that apply to single employer plans pursuant to § 412. Section 430(h)(2) specifies the interest rates that must be used to determine a plan's target normal cost and funding target. Under this provision, present value is generally determined using three 24-month average interest rates

("segment rates"), each of which applies to cash flows during specified periods. However, an election may be made under § 430(h)(2)(D)(ii) to use the monthly yield curve in place of the segment rates. Section 430(h)(2)(G) set forth a transitional rule applicable to plan years beginning in 2008 and 2009 under which the segment rates were blended with the corporate bond weighted average described above, including an election under § 430(h)(2)(G)(iv) for an employer to use the segment rates without the transitional rule.

Notice 2007-81, 2007-2 C.B. 899, provides guidelines for determining the

monthly corporate bond yield curve, and the 24-month average corporate bond segment rates used to compute the target normal cost and the funding target. Pursuant to Notice 2007-81, the monthly corporate bond yield curve derived from January 2011 data is in Table I at the end of this notice. The spot first, second, and third segment rates for the month of January 2011 are, respectively, 1.93, 5.25, and 6.42. The three 24-month average corporate bond segment rates applicable for February 2011 are as follows:

| First Segment | Second Segment | Third Segment |
|---------------|----------------|---------------|
| 2.81 | 5.76 | 6.46 |

The transitional rule of § 430(h)(2)(G) does not apply to plan years beginning after December 31, 2009. Therefore, for a

plan year beginning after 2009 with a look-back month to February 2011, the funding segment rates are the three 24-month aver-

age corporate bond segment rates applicable for February 2011, listed above without blending for any transitional period.

30-YEAR TREASURY SECURITIES INTEREST RATES

Section 417(e)(3)(A)(ii)(II) (prior to amendment by PPA) defines the applicable interest rate, which must be used for purposes of determining the minimum present value of a participant's benefit under § 417(e)(1) and (2), as the annual rate of interest on 30-year Treasury securities for the month before the date of distribution or such other time as the Secretary may by regulations prescribe. Section 1.417(e)-1(d)(3) of the Income Tax Regulations provides that the applicable interest rate for a month is the annual

rate of interest on 30-year Treasury securities as specified by the Commissioner for that month in revenue rulings, notices or other guidance published in the Internal Revenue Bulletin.

The rate of interest on 30-year Treasury securities for January 2011 is 4.52 percent. The Service has determined this rate as the average of the daily determinations of yield on the 30-year Treasury bond maturing in November 2040.

Generally for plan years beginning after 2007, § 431 specifies the minimum funding requirements that apply to multiemployer plans pursuant to § 412. Section 431(c)(6)(B) specifies a minimum

amount for the full-funding limitation described in section 431(c)(6)(A), based on the plan's current liability. Section 431(c)(6)(E)(ii)(I) provides that the interest rate used to calculate current liability for this purpose must be no more than 5 percent above and no more than 10 percent below the weighted average of the rates of interest on 30-year Treasury securities during the four-year period ending on the last day before the beginning of the plan year. Notice 88-73, 1988-2 C.B. 383, provides guidelines for determining the weighted average interest rate. The following rates were determined for plan years beginning in the month shown below.

| For Plan Years Beginning in | | 30-Year Treasury Weighted Average | Permissible Range | |
|-----------------------------|-------------|-----------------------------------|-------------------|---------|
| <i>Month</i> | <i>Year</i> | | 90% | to 105% |
| February | 2011 | 4.27 | 3.84 | 4.48 |

MINIMUM PRESENT VALUE SEGMENT RATES

Generally for plan years beginning after December 31, 2007, the applicable interest rates under § 417(e)(3)(D) are segment rates computed without regard to a

24-month average. For plan years beginning in 2008 through 2011, the applicable interest rates are the monthly spot segment rates blended with the applicable rate under § 417(e)(3)(A)(ii)(II) as in effect for plan years beginning in 2007. Notice 2007-81 provides guidelines for determin-

ing the minimum present value segment rates. Pursuant to that notice, the minimum present value transitional segment rates determined for January 2011, taking into account the January 2011 30-year Treasury rate of 4.52 stated above, are as follows:

| For Plan Years Beginning in | First Segment | Second Segment | Third Segment |
|-----------------------------|---------------|----------------|---------------|
| 2010 | 2.97 | 4.96 | 5.66 |
| 2011 | 2.45 | 5.10 | 6.04 |

DRAFTING INFORMATION

The principal author of this notice is Tony Montanaro of the Employee Plans,

Tax Exempt and Government Entities Division. Mr. Montanaro may be e-mailed at RetirementPlanQuestions@irs.gov.

Table I

Monthly Yield Curve for January 2011
 Derived from January 2011 Data

| <i>Maturity</i> | <i>Yield</i> | <i>Maturity</i> | <i>Yield</i> | <i>Maturity</i> | <i>Yield</i> | <i>Maturity</i> | <i>Yield</i> | <i>Maturity</i> | <i>Yield</i> |
|-----------------|--------------|-----------------|--------------|-----------------|--------------|-----------------|--------------|-----------------|--------------|
| 0.5 | 0.52 | 20.5 | 6.04 | 40.5 | 6.46 | 60.5 | 6.61 | 80.5 | 6.68 |
| 1.0 | 0.81 | 21.0 | 6.06 | 41.0 | 6.47 | 61.0 | 6.61 | 81.0 | 6.68 |
| 1.5 | 1.11 | 21.5 | 6.08 | 41.5 | 6.47 | 61.5 | 6.61 | 81.5 | 6.69 |
| 2.0 | 1.43 | 22.0 | 6.10 | 42.0 | 6.48 | 62.0 | 6.62 | 82.0 | 6.69 |
| 2.5 | 1.77 | 22.5 | 6.11 | 42.5 | 6.48 | 62.5 | 6.62 | 82.5 | 6.69 |
| 3.0 | 2.11 | 23.0 | 6.13 | 43.0 | 6.49 | 63.0 | 6.62 | 83.0 | 6.69 |
| 3.5 | 2.44 | 23.5 | 6.15 | 43.5 | 6.49 | 63.5 | 6.62 | 83.5 | 6.69 |
| 4.0 | 2.76 | 24.0 | 6.16 | 44.0 | 6.50 | 64.0 | 6.63 | 84.0 | 6.69 |
| 4.5 | 3.06 | 24.5 | 6.18 | 44.5 | 6.50 | 64.5 | 6.63 | 84.5 | 6.69 |
| 5.0 | 3.33 | 25.0 | 6.19 | 45.0 | 6.51 | 65.0 | 6.63 | 85.0 | 6.70 |
| 5.5 | 3.58 | 25.5 | 6.20 | 45.5 | 6.51 | 65.5 | 6.63 | 85.5 | 6.70 |
| 6.0 | 3.81 | 26.0 | 6.22 | 46.0 | 6.52 | 66.0 | 6.63 | 86.0 | 6.70 |
| 6.5 | 4.01 | 26.5 | 6.23 | 46.5 | 6.52 | 66.5 | 6.64 | 86.5 | 6.70 |
| 7.0 | 4.20 | 27.0 | 6.24 | 47.0 | 6.52 | 67.0 | 6.64 | 87.0 | 6.70 |
| 7.5 | 4.37 | 27.5 | 6.25 | 47.5 | 6.53 | 67.5 | 6.64 | 87.5 | 6.70 |
| 8.0 | 4.52 | 28.0 | 6.27 | 48.0 | 6.53 | 68.0 | 6.64 | 88.0 | 6.70 |
| 8.5 | 4.66 | 28.5 | 6.28 | 48.5 | 6.54 | 68.5 | 6.64 | 88.5 | 6.70 |
| 9.0 | 4.79 | 29.0 | 6.29 | 49.0 | 6.54 | 69.0 | 6.65 | 89.0 | 6.70 |
| 9.5 | 4.91 | 29.5 | 6.30 | 49.5 | 6.54 | 69.5 | 6.65 | 89.5 | 6.71 |
| 10.0 | 5.02 | 30.0 | 6.31 | 50.0 | 6.55 | 70.0 | 6.65 | 90.0 | 6.71 |
| 10.5 | 5.12 | 30.5 | 6.32 | 50.5 | 6.55 | 70.5 | 6.65 | 90.5 | 6.71 |
| 11.0 | 5.21 | 31.0 | 6.33 | 51.0 | 6.55 | 71.0 | 6.65 | 91.0 | 6.71 |
| 11.5 | 5.30 | 31.5 | 6.34 | 51.5 | 6.56 | 71.5 | 6.66 | 91.5 | 6.71 |
| 12.0 | 5.37 | 32.0 | 6.35 | 52.0 | 6.56 | 72.0 | 6.66 | 92.0 | 6.71 |
| 12.5 | 5.44 | 32.5 | 6.35 | 52.5 | 6.56 | 72.5 | 6.66 | 92.5 | 6.71 |
| 13.0 | 5.51 | 33.0 | 6.36 | 53.0 | 6.57 | 73.0 | 6.66 | 93.0 | 6.71 |
| 13.5 | 5.56 | 33.5 | 6.37 | 53.5 | 6.57 | 73.5 | 6.66 | 93.5 | 6.71 |
| 14.0 | 5.62 | 34.0 | 6.38 | 54.0 | 6.57 | 74.0 | 6.66 | 94.0 | 6.72 |
| 14.5 | 5.67 | 34.5 | 6.39 | 54.5 | 6.58 | 74.5 | 6.67 | 94.5 | 6.72 |
| 15.0 | 5.71 | 35.0 | 6.39 | 55.0 | 6.58 | 75.0 | 6.67 | 95.0 | 6.72 |
| 15.5 | 5.75 | 35.5 | 6.40 | 55.5 | 6.58 | 75.5 | 6.67 | 95.5 | 6.72 |
| 16.0 | 5.79 | 36.0 | 6.41 | 56.0 | 6.59 | 76.0 | 6.67 | 96.0 | 6.72 |
| 16.5 | 5.83 | 36.5 | 6.41 | 56.5 | 6.59 | 76.5 | 6.67 | 96.5 | 6.72 |
| 17.0 | 5.86 | 37.0 | 6.42 | 57.0 | 6.59 | 77.0 | 6.67 | 97.0 | 6.72 |
| 17.5 | 5.89 | 37.5 | 6.43 | 57.5 | 6.59 | 77.5 | 6.67 | 97.5 | 6.72 |
| 18.0 | 5.92 | 38.0 | 6.43 | 58.0 | 6.60 | 78.0 | 6.68 | 98.0 | 6.72 |
| 18.5 | 5.95 | 38.5 | 6.44 | 58.5 | 6.60 | 78.5 | 6.68 | 98.5 | 6.72 |
| 19.0 | 5.97 | 39.0 | 6.45 | 59.0 | 6.60 | 79.0 | 6.68 | 99.0 | 6.72 |
| 19.5 | 6.00 | 39.5 | 6.45 | 59.5 | 6.60 | 79.5 | 6.68 | 99.5 | 6.73 |
| 20.0 | 6.02 | 40.0 | 6.46 | 60.0 | 6.61 | 80.0 | 6.68 | 100.0 | 6.73 |

Part IV. Items of General Interest

Source Rules Involving U.S. Possessions and Other Conforming Changes; Correction

Announcement 2011-12

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Correcting amendment.

SUMMARY: This document contains a correction to final regulations (T.D. 9391, 2008-1 C.B. 945) that were published in the **Federal Register** on Wednesday, April 9, 2008 (73 FR 19350) providing rules under section 937(b) of the Internal Revenue Code for determining whether income is derived from sources within a U.S. possession or territory specified in section 937(a)(1) (generally referred to in this preamble as a "territory") and whether income is effectively connected with the conduct of a trade or business within a territory as well as providing guidance under section 932 and other provisions related to the territories.

DATES: This correction is effective on January 25, 2011, and is applicable on April 9, 2008.

FOR FURTHER INFORMATION CONTACT: J. David Varley, (202) 435-5262 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

The final regulations and removal of temporary regulations that are the subjects of this document are under sections 1, 170A, 861, 871, 876, 881, 884, 901, 931, 932, 933, 934, 935, 937, 957, 1402, 6012, 6038, and 6046 of the Internal Revenue Code.

Need for Correction

As published, final regulations (T.D. 9391) contain an error that may prove to be misleading and is in need of clarification.

* * * * *

Correction of Publication

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

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 1.932-1 is amended by revising paragraph (e)(1) to read as follows:

§ 1.932-1 Coordination of United States and Virgin Islands income taxes.

* * * * *

(e) * * * (1) *U.S. returns.* Except as otherwise provided for returns filed under paragraph (c)(2)(ii) of this section, a return required under the rules of paragraphs (b) and (c) of this section to be filed with the United States must be filed as directed in the applicable forms and instructions.

LaNita Van Dyke,
*Chief, Publications and
Regulations Branch,
Legal Processing Division,
Associate Chief Counsel
(Procedure and Administration).*

(Filed by the Office of the Federal Register on January 24, 2011, 8:45 a.m., and published in the issue of the Federal Register for January 25, 2011, 76 F.R. 4244)

Lactation Expenses as Medical Expenses

Announcement 2011-14

The Internal Revenue Service has concluded that breast pumps and supplies that assist lactation are medical care under § 213(d) of the Internal Revenue Code because, like obstetric care, they are for the purpose of affecting a structure or function of the body of the lactating woman. Therefore, if the remaining requirements of § 213(a) are met (for example, the taxpayer's total medical expenses exceed 7.5 percent of adjusted gross income), expenses paid for breast pumps and supplies that assist lactation are deductible medical expenses. Amounts reimbursed for these

expenses under flexible spending arrangements, Archer medical savings accounts, health reimbursement arrangements, or health savings accounts are not income to the taxpayer.

The Service will revise Publication 502, *Medical and Dental Expenses*, to include this information.

ADDITIONAL INFORMATION

For additional information concerning this announcement, contact Amy S. Wei of the Office of Associate Chief Counsel (Income Tax and Accounting) at (202) 622-7900 (not a toll-free call).

Deletions From Cumulative List of Organizations Contributions to Which are Deductible Under Section 170 of the Code

Announcement 2011-17

The Internal Revenue Service has revoked its determination that the organizations listed below qualify as organizations described in sections 501(c)(3) and 170(c)(2) of the Internal Revenue Code of 1986.

Generally, the Service will not disallow deductions for contributions made to a listed organization on or before the date of announcement in the Internal Revenue Bulletin that an organization no longer qualifies. However, the Service is not precluded from disallowing a deduction for any contributions made after an organization ceases to qualify under section 170(c)(2) if the organization has not timely filed a suit for declaratory judgment under section 7428 and if the contributor (1) had knowledge of the revocation of the ruling or determination letter, (2) was aware that such revocation was imminent, or (3) was in part responsible for or was aware of the activities or omissions of the organization that brought about this revocation.

If on the other hand a suit for declaratory judgment has been timely filed, contributions from individuals and organizations described in section 170(c)(2) that

are otherwise allowable will continue to be deductible. Protection under section 7428(c) would begin on February 28, 2011 and would end on the date the court first determines that the organization is not described in section 170(c)(2) as more particularly set forth in section 7428(c)(1). For individual contributors, the maximum deduction protected is \$1,000, with a husband and wife treated as one contributor. This benefit is not extended to any individual, in whole or in part, for the acts or omissions of the organization that were the basis for revocation.

Arid Lands Project

North Haven, ME

Christian Credit Counselors International,
Inc.

Santa Ana, CA

Consumer Credit Protection Agency, Inc.
Tampa, FL

Falls Consumer Credit Management, Inc.
Akron, OH

Falls Consumer Credit Management, Inc.
Saint Clairsville, OH

Gullahorn Family Supporting
Organization

Naples, FL

International Vision, Inc.

Washington, D.C.

Riverview Athletic Association, Inc.

Omaha, NE

Rising Stars Community Services, Inc.

Houston, TX

RFD Communications, Inc.

Omaha, NE

Revive Credit Counseling, Inc.

Santa Monica, CA

Neighborcare International, Inc.
Fairfield Grade, TN

Mexican American Research Center
Austin, TX

Modern Day Veterans 304 Chapter
Licking, MO

Modern Day Veterans 203 Chapter
Marble Hill, MO

Care of Crow Wing County

Brainerd, MN

Northwest Conservation Stewardship
Fund

Seattle, WA

Panhandle Land Conservancy, Inc.

Destin, FL

Definition of Terms

Revenue rulings and revenue procedures (hereinafter referred to as “rulings”) that have an effect on previous rulings use the following defined terms to describe the effect:

Amplified describes a situation where no change is being made in a prior published position, but the prior position is being extended to apply to a variation of the fact situation set forth therein. Thus, if an earlier ruling held that a principle applied to A, and the new ruling holds that the same principle also applies to B, the earlier ruling is amplified. (Compare with *modified*, below).

Clarified is used in those instances where the language in a prior ruling is being made clear because the language has caused, or may cause, some confusion. It is not used where a position in a prior ruling is being changed.

Distinguished describes a situation where a ruling mentions a previously published ruling and points out an essential difference between them.

Modified is used where the substance of a previously published position is being changed. Thus, if a prior ruling held that a principle applied to A but not to B, and the new ruling holds that it applies to both A

and B, the prior ruling is modified because it corrects a published position. (Compare with *amplified* and *clarified*, above).

Obsoleted describes a previously published ruling that is not considered determinative with respect to future transactions. This term is most commonly used in a ruling that lists previously published rulings that are obsoleted because of changes in laws or regulations. A ruling may also be obsoleted because the substance has been included in regulations subsequently adopted.

Revoked describes situations where the position in the previously published ruling is not correct and the correct position is being stated in a new ruling.

Superseded describes a situation where the new ruling does nothing more than restate the substance and situation of a previously published ruling (or rulings). Thus, the term is used to republish under the 1986 Code and regulations the same position published under the 1939 Code and regulations. The term is also used when it is desired to republish in a single ruling a series of situations, names, etc., that were previously published over a period of time in separate rulings. If the new ruling does more than restate the substance

of a prior ruling, a combination of terms is used. For example, *modified* and *superseded* describes a situation where the substance of a previously published ruling is being changed in part and is continued without change in part and it is desired to restate the valid portion of the previously published ruling in a new ruling that is self contained. In this case, the previously published ruling is first modified and then, as modified, is superseded.

Supplemented is used in situations in which a list, such as a list of the names of countries, is published in a ruling and that list is expanded by adding further names in subsequent rulings. After the original ruling has been supplemented several times, a new ruling may be published that includes the list in the original ruling and the additions, and supersedes all prior rulings in the series.

Suspended is used in rare situations to show that the previous published rulings will not be applied pending some future action such as the issuance of new or amended regulations, the outcome of cases in litigation, or the outcome of a Service study.

Abbreviations

The following abbreviations in current use and formerly used will appear in material published in the Bulletin.

A—Individual.
Acq.—Acquiescence.
B—Individual.
BE—Beneficiary.
BK—Bank.
B.T.A.—Board of Tax Appeals.
C—Individual.
C.B.—Cumulative Bulletin.
CFR—Code of Federal Regulations.
CI—City.
COOP—Cooperative.
Ct.D.—Court Decision.
CY—County.
D—Decedent.
DC—Dummy Corporation.
DE—Donee.
Del. Order—Delegation Order.
DISC—Domestic International Sales Corporation.
DR—Donor.
E—Estate.
EE—Employee.
E.O.—Executive Order.

ER—Employer.
ERISA—Employee Retirement Income Security Act.
EX—Executor.
F—Fiduciary.
FC—Foreign Country.
FICA—Federal Insurance Contributions Act.
FISC—Foreign International Sales Company.
FPH—Foreign Personal Holding Company.
F.R.—Federal Register.
FUTA—Federal Unemployment Tax Act.
FX—Foreign corporation.
G.C.M.—Chief Counsel’s Memorandum.
GE—Grantee.
GP—General Partner.
GR—Grantor.
IC—Insurance Company.
I.R.B.—Internal Revenue Bulletin.
LE—Lessee.
LP—Limited Partner.
LR—Lessor.
M—Minor.
Nonacq.—Nonacquiescence.
O—Organization.
P—Parent Corporation.
PHC—Personal Holding Company.
PO—Possession of the U.S.
PR—Partner.

PRS—Partnership.
PTE—Prohibited Transaction Exemption.
Pub. L.—Public Law.
REIT—Real Estate Investment Trust.
Rev. Proc.—Revenue Procedure.
Rev. Rul.—Revenue Ruling.
S—Subsidiary.
S.P.R.—Statement of Procedural Rules.
Stat.—Statutes at Large.
T—Target Corporation.
T.C.—Tax Court.
T.D.—Treasury Decision.
TFE—Transferee.
TFR—Transferor.
T.I.R.—Technical Information Release.
TP—Taxpayer.
TR—Trust.
TT—Trustee.
U.S.C.—United States Code.
X—Corporation.
Y—Corporation.
Z—Corporation.

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Key to Abbreviations:

| | |
|-----|----------------------------------|
| Ann | Announcement |
| CD | Court Decision |
| DO | Delegation Order |
| EO | Executive Order |
| PL | Public Law |
| PTE | Prohibited Transaction Exemption |
| RP | Revenue Procedure |
| RR | Revenue Ruling |
| SPR | Statement of Procedural Rules |
| TC | Tax Convention |
| TD | Treasury Decision |
| TDO | Treasury Department Order |

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