specific examination of the manner in which such accounts are segregated under the applicable foreign law. Accordingly, such an expansion is not provided in these regulations, but the Treasury Department and IRS will consider the issue for possible future published guidance.

The commentator also urged that guidance is needed concerning (1) what steps must be taken to verify that an entity is a permitted investor, and (2) what happens if, despite verification efforts, the entity in question was never a permitted investor or subsequently loses its status as such. The Treasury Department and IRS are aware of this issue, but have concluded it is beyond the scope of the proposed regulations and at this time might better be addressed by Internal Revenue Bulletin guidance or by letter ruling. Accordingly, the issue is not addressed in these final regulations, but the Treasury Department and IRS will consider the issue for possible future published guidance.

Finally, the commentator suggested that the language of the amendment that expands the list of permitted investors to include certain Puerto Rican accounts should be clarified to eliminate confusion. Specifically, in the notice of proposed rulemaking, the proviso clause of the amendment stated that such an account will be a permitted investor ''provided the requirements of section 817(d) and (h) are satisfied.'' The commentator expressed concern that the language of the amendment as written in the notice of proposed rulemaking could be read to present an issue of circularity (that is, to be a permitted investor, the account must satisfy section 817(h), but to satisfy section 817(h), the account must be a permitted investor.) To eliminate this potential confusion, the final regulations state that, solely for purposes of § 1.817–5(f)(3)(vi), the requirement under section 817(d)(1) that the account be segregated pursuant to State law or regulation shall be disregarded and § 1.817–5(f)(1) shall be applied without regard to the Puerto Rican segregated asset account.

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 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 Internal Revenue 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 these final regulations is James Polfer, Office of the Associate Chief Counsel (Financial Institutions and Products), Internal Revenue Service. However, personnel from other offices of the Treasury Department and the IRS 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 TAX

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

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

Section 1.817–5 also issued under 26 U.S.C. 817(h).

■ **Par. 2.** Section 1.817–5 is amended as follows:

■ 1. The last sentence of paragraph (a)(2)(iii) is removed.

■ 2. Paragraph (f)(3)(iii) is revised.

■ 3. Paragraph (f)(3)(iv) is redesignated as paragraph (f)(3)(vii).

■ 4. New paragraphs (f)(3)(iv) through (vi) are added.

■ The revisions and additions read as follows:

§ 1.817–5 Diversification requirements for variable annuity, endowment, and life insurance contracts.

* * * * *

(f) * * *

(3) * * *

(iii) Held by the trustee of a qualified pension or retirement plan;

(iv) Held by a qualified tuition program as defined in section 529;

(v) Held by the trustee of a pension plan established and maintained outside of the United States, as defined in section 7701(a)(9), primarily for the benefit of individuals substantially all of whom are nonresident aliens, as defined in section 7701(b)(1)(B);

(vi) Held by an account which, pursuant to Puerto Rican law or regulation, is segregated from the general asset accounts of the life insurance company that owns the account, provided the requirements of section 817(d) and (h) are satisfied. Solely for purposes of this paragraph (f)(3)(vi), the requirement under section 817(d)(1) that the account be segregated pursuant to State law or regulation shall be disregarded and § 1.817–5(f)(1) shall be applied without regard to the Puerto Rican segregated asset account; or

* * * * *

Linda E. Stiff,

Deputy Commissioner for Services and Enforcement.

Approved: February 29, 2008.

Eric Solomon,

Assistant Secretary of the Treasury (Tax Policy).

[FR Doc. E8–4577 Filed 3–6–08; 8:45 am]

BILLING CODE 4830–01–P

DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

[TD 9383]

RIN 1545–BH21

Guidance Under Section 1502; Amendment of Matching Rule for Certain Gains on Member Stock

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Final and temporary regulations.

SUMMARY: This document contains final and temporary regulations concerning the treatment of certain intercompany gain with respect to consolidated group member stock. These amendments provide for the redetermination of an intercompany gain as excluded from gross income in certain member stock transactions. These regulations affect corporations filing consolidated returns. The text of these temporary regulations also serves as the text of the proposed regulations set forth in the notice of proposed rulemaking on this subject in the Proposed Rules section in this issue of the **Federal Register**.

DATES: *Effective Date:* These regulations are effective on *March 7, 2008.*

Applicability Date: For dates of applicability, see § 1.1502–13T(c)(6)(ii)(C)(*2*) and (f)(7)(ii).

FOR FURTHER INFORMATION CONTACT: John F. Tarrant or Ross E. Poulsen, (202) 622–7790 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

Section 1.1502–13 provides rules governing the timing and characterization of items resulting from transactions between consolidated group members. Section 1.1502–13(c) provides general rules under which the timing and character of such items can be deferred or recharacterized to clearly reflect the taxable income (and tax liability) of the group as a whole. These rules generally apply a ''matching'' principle under which, in a property transaction, the seller's (S) timing is linked to the buyer's (B) use of its basis in the property and S and B's characterizations are subject to redetermination in order to effectuate single entity principles.

Section 1.1502–13(c)(6)(i) provides a general rule that S's intercompany item might be redetermined under § 1.1502–13(c)(1)(i) to be excluded from gross income or treated as a noncapital, nondeductible amount where B's corresponding item is excluded or nondeductible. However, § 1.1502–13(c)(6)(ii) provides that, notwithstanding the general rule in paragraph (c)(1)(i), S's intercompany income or gain is redetermined to be excluded from gross income only to the extent it involves one of three specific situations. S's intercompany income or gain is redetermined to be excluded from gross income to the extent B's corresponding item is a deduction or loss and, in the taxable year the item is taken into account under § 1.1502–13, it is permanently and explicitly disallowed under another provision of the Internal Revenue Code or regulations. § 1.1502–13(c)(6)(ii)(A). For this purpose, an amount is not permanently and explicitly disallowed to the extent that, among other things, the Internal Revenue Code or regulations provide that the amount is not recognized (for example, a loss that is realized but not recognized under section 332 or section 355(c)). § 1.1502–13(c)(6)(ii)(A)(*1*). S's intercompany income or gain is redetermined to be excluded from gross income to the extent B's corresponding item is a loss that is realized but not recognized under section 311(a) on a distribution to a nonmember. § 1.1502–13(c)(6)(ii)(B). Finally, S's intercompany item of income or gain is redetermined to be excluded from gross income to the extent ''the Commissioner determines that treating S's intercompany item as excluded from gross income is consistent with the purposes of § 1.1502–13 and other provisions of the Internal Revenue Code and regulations.'' § 1.1502–13(c)(6)(ii)(C).

The IRS has received ruling requests asking the Commissioner to determine that S's gain with respect to member stock should be redetermined as excluded from gross income, as described in § 1.1502–13(c)(6)(ii)(C). In considering these requests, the IRS has concluded that the principles set out in § 1.1502–13(c)(6)(ii)(C) guiding the Commissioner's exercise of discretion are not clear enough to justify the redetermination of such gain as excludible. In the context of gain with respect to member stock, the intercompany transaction regulations, and the consolidated return regulations in general, reflect a balancing of single and separate entity concerns. Gain with respect to member stock is often derivative and duplicative of potential gain with respect to the member's underlying assets. The consolidated return regulations permit but do not require the mitigation of this duplication. In many instances, the allowed mitigation is tailored very narrowly to protect against any possible implication of other consolidated return policies. See §§ 1.1502–13(c)(6)(ii)(A), 1.1502–13(f)(5), and 1.1502–13(f)(6). Thus, for example, although § 1.1502–13(a) provides that the purpose of the intercompany transaction rules is to clearly reflect the taxable income of the group as a whole (which includes the elimination of duplicated gain), § 1.1502–13(c)(6)(ii)(A)(*1*) explicitly contemplates possible gain duplication where S's intercompany item is taken into account due to a section 332 or section 355(c) transaction. Accordingly, the IRS generally does not foresee situations in which it would exercise its discretion to redetermine intercompany gain on member stock to be excludible under § 1.1502–13(c)(6)(ii)(C).

The IRS and Treasury Department also do not foresee situations in which it should be necessary to invoke § 1.1502–13(c)(6)(ii)(C) (the ''Commissioner's Discretionary Rule'') with respect to intercompany gain on property other than stock. Nevertheless, in the Proposed Rules section in this issue of the **Federal Register** (REG–137573–07), the IRS and Treasury Department request comments on whether any such situations are not appropriately addressed by other provisions of § 1.1502–13. The Commissioner's Discretionary Rule will be retained while the IRS and Treasury Department consider such comments. However, absent compelling comments, the IRS and Treasury Department anticipate ultimately eliminating the Commissioner's Discretionary Rule.

The IRS and Treasury Department, however, have identified one additional situation in which it would be appropriate to allow the exclusion of intercompany gain with respect to member stock. Accordingly, these temporary regulations redesignate current § 1.1502–13(c)(6)(ii)(C) as § 1.1502–13(c)(6)(ii)(D) and add a new specific exception to the rule limiting redetermination of intercompany income or gain in § 1.1502–13(c)(6)(ii). This new rule has the advantage of clarity, and avoids requiring the IRS to exercise its discretion on an ad hoc basis.

Explanation of Provisions

These temporary regulations provide a rule under which, notwithstanding § 1.1502–13(c)(6)(ii)(A)(*1*), an intercompany gain with respect to member stock is redetermined to be excluded from gross income to the extent that (1) such gain is the common parent's (P) intercompany item, (2) immediately before the intercompany gain is taken into account, P holds the member stock with respect to which the intercompany gain was realized, (3) P's basis in such member stock that reflects the intercompany gain that is taken into account is eliminated without the recognition of gain or loss (and that basis is not further reflected in the basis of any successor asset), (4) the group has not and will not derive any Federal income tax benefit from the intercompany transaction that gave rise to such intercompany gain or the redetermination of the intercompany gain (including any adjustment to basis in member stock under § 1.1502–32), and (5) the effects of the intercompany transaction have not previously been reflected, directly or indirectly, on the group's consolidated return. For this purpose, the redetermination of P's intercompany gain is not in and of itself a Federal income tax benefit that would preclude redetermination under this rule.

The purpose of the provision is to prevent the effective duplication of gain within a consolidated group that would result from taking an intercompany gain into account without any corresponding tax basis (or other resulting tax benefit). The provision's five requirements are intended to ensure that any intercompany gain with respect to member stock may only be redetermined to be excluded from gross income to the extent that it is not reflected in basis after the transaction (or does not result in some other tax benefit). Accordingly, where some tax benefit has been derived from the intercompany transaction, a portion of the intercompany gain may still be redetermined to be excluded from gross

income to the extent that no additional tax benefits were or would be derived and the provision's other requirements are satisfied. See § 1.1502–13T(f)(7)(i) *Example 8.*

For this purpose, the term ''Federal income tax benefit'' is intended to be construed broadly. For example, the term includes, but is not limited to, the reduction of an excess loss account that would otherwise be taken into account in the transaction. The effects of the intercompany transaction may be reflected on the group's consolidated return, for example, to the extent that any increase in the basis of the member's stock as a result of the intercompany transaction is taken into account and alters the reduction of any member's attributes under sections 108 and 1017 and § 1.1502–28.

In the Proposed Rules section in this issue of the **Federal Register** (REG–137573–07), the IRS and Treasury Department are requesting comments as to whether the rule should be broadened to apply to additional situations that would result in the effective duplication of gain. For example, should the rule be broadened to apply to other transactions involving member stock, or similar transactions involving nonmember stock?

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 has been determined, pursuant to 5 U.S.C. 553(b)(B), that good cause exists for dispensing with the notice and public comment procedures and that, pursuant to 5 U.S.C. 553(d)(3), good cause exists to dispense with a delayed effective date. The regulations are necessary to provide immediate guidance and relief to taxpayers regarding certain intercompany gains with respect to member stock. For the applicability of the Regulatory Flexibility Act refer to the Special Analyses section of the preamble to the cross-reference notice of proposed rulemaking published in the Proposed Rules section in this issue of the **Federal Register**. Pursuant to section 7805(f) of the Internal Revenue Code, these regulations have been submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on their impact on small business.

Drafting Information

The principal author of these regulations is John F. Tarrant, Office of Associate Chief Counsel (Corporate). However, other personnel from the IRS and Treasury Department participated in their development.

List of Subjects in 26 CFR Part 1

Income taxes, Reporting and recordkeeping requirements.

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 adding an entry in numerical order to read in part as follows:

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

Section 1.1502–13T also issued under 26 U.S.C. 1502. * * *

■ **Par. 2.** Section 1.1502–13 is amended as follows:

■ 1. Paragraph (c)(6)(ii)(C) is redesignated as (c)(6)(ii)(D).

■ 2. Paragraph (c)(6)(ii)(C) is added.

■ 3. Paragraph (f)(7) is redesignated as paragraph (f)(7)(i) and a new paragraph heading is added.

■ 4. Newly-designated paragraph (f)(7)(i) *Examples 7* and *8*, and paragraph (f)(7)(ii) are added.

The revisions and additions read as follows:

§ 1.1502–13 Intercompany transactions.

* * * * *

(c) * * *

(6) * * *

(ii) * * *

(C) [Reserved]. For further guidance, see § 1.1502–13T(c)(6)(ii)(C).

* * * * *

(f) * * *

(7) *Examples*—(i) *In general.* * * *

* * * * *

Example 7 [Reserved]. For further guidance, see § 1.1502–13T(f)(7)(i) *Example 7.*

Example 8 [Reserved]. For further guidance, see § 1.1502–13T(f)(7)(i) *Example 8.*

(ii) [Reserved]. For further guidance, see § 1.1502–13T(f)(7)(ii).

■ **Par. 3.** Section 1.1502–13T is added to read as follows:

§ 1.1502–13T Intercompany transactions (temporary).

(a) through (c)(6)(ii)(B) [Reserved]. For further guidance, see § 1.1502–13(a) through (c)(6)(ii)(B).

(C) *Certain intercompany gains on member stock*—(*1*) *In general.* Notwithstanding § 1.1502–13 (c)(6)(ii)(A)(*1*), intercompany gain with respect to member stock is redetermined to be excluded from gross income to the extent that—

(*i*) The gain is the common parent's (P) intercompany item;

(*ii*) Immediately before the intercompany gain is taken into account, P holds the member stock with respect to which the intercompany gain was realized;

(*iii*) P's basis in such member stock that reflects the intercompany gain that is taken into account is eliminated without the recognition of gain or loss (and such eliminated basis is not further reflected in the basis of any successor asset);

(*iv*) The group has not and will not derive any Federal income tax benefit from the intercompany transaction that gave rise to such intercompany gain or the redetermination of the intercompany gain (including any adjustment to basis in member stock under § 1.1502–32); and

(*v*) The effects of the intercompany transaction have not previously been reflected, directly or indirectly, on the group's consolidated return. For this purpose, the redetermination of the intercompany gain is not in and of itself considered a Federal income tax benefit.

(2) *Effective/applicability date*—(i) *In general.* This paragraph (c)(6)(ii)(C) applies with respect to items taken into account on or after *March 7, 2008.*

(ii) *Expiration date.* The applicability of this paragraph (c)(6)(ii)(C) will expire on *March 7, 2011.*

(c)(6)(ii)(D) through (f)(7)(i) *Example 6* [Reserved]. For further guidance, see § 1.1502–13(c)(6)(ii)(D) through (f)(7)(i) *Example 6.*

Example 7. Intercompany stock sale followed by section 332 liquidation into common parent. (i) *Facts.* P owns all of the stock of S, S owns all the stock of T, and T owns all of the stock of T1. On January 1 of Year 1, S distributes all of the T stock to P in a distribution to which section 301 applies. At the time of this distribution, the value of the T stock is $100 and S has a $40 basis in the T stock. Under section 311(b), S recognizes a $60 gain. Under section 301(d), P's basis in the T stock is $100. S will take its $60 gain into account under the matching rule in paragraph (c) of this section. On January 1 of Year 4, in an independent transaction, S distributes all of its assets to P in a complete liquidation to which section 332 applies, and, under paragraph (j)(2) of this section, P succeeds to S's $60 gain. On January 1 of Year 7, T distributes all of its T1 stock to P in a transaction to which section 355 applies. At the time of this distribution, P has a basis in the T stock of $100, the value of the T stock (without regard to T1) is $75, and the value of the T1 stock is $25. Under section 358, P allocates $25 of its $100 basis in the T stock to the T1 stock, and, under paragraph (j)(1) of this section, the T1 stock becomes a successor asset to the T stock. On January 1 of Year 9, in an independent transaction, when T's assets

have a value of $75, T distributes all of its assets to P in a complete liquidation to which section 332 applies.

(ii) *Analysis.* Under paragraphs (b)(1) and (f)(2) of this section, S's distribution of the T stock to P is an intercompany transaction, S is the selling member, and P is the buying member. In Year 9 when T liquidates, P has $0 of unrecognized gain or loss under section 332 because P has a $75 basis in the stock of T and receives a $75 distribution with respect to its T stock. Under paragraph (b)(3)(ii) of this section, P's $0 of unrecognized gain or loss with respect to the T stock under section 332 is a corresponding item. P takes $45 of its intercompany gain into account under the matching rule in Year 9 to reflect the difference between P's $0 of unrecognized gain and P's $45 of recomputed unrecognized gain. (If P and S were divisions of a single corporation, P would have had a $40 basis in the T stock, and, after the Year 7 distribution of the T1 stock, would have held the T stock with a $30 basis.) Paragraph (c)(6) of this section does not prevent the redetermination of P's intercompany gain as excluded from gross income to the extent that the gain is P's intercompany item, P holds the T stock with respect to which this portion of the intercompany gain was realized, P's basis in the T stock that reflects the $45 intercompany gain taken into account is eliminated without the recognition of gain or loss (and this eliminated basis is not further reflected in the basis of any successor asset), the group has not derived any Federal income tax benefit from the basis in the T stock and will not derive any Federal income tax benefit from a redetermination of this portion of the gain, and the effects of the intercompany transaction have not previously been reflected, directly or indirectly, on the P group's consolidated return. (See paragraph (c)(6)(ii)(C) of this section). Accordingly, under paragraph (c)(6)(ii)(C) of this section, the $45 intercompany gain that P takes into account is redetermined to be excluded from gross income.

Example 8. Intercompany stock sale followed by section 355 distribution by the common parent. (i) *Facts.* The facts are the same as *Example 7*, except that T does not distribute the stock of T1, instead, in Year 7, T makes a distribution of $50 to P in a transaction to which section 301 applies. Under § 1.1502–32, P's basis in its T stock is reduced by $50 and, under paragraph (f)(2)(ii) of this section, the intercompany distribution is excluded from P's gross income. Further, in Year 9, instead of liquidating T, P distributes the T stock to its shareholders in a transaction to which section 355 applies.

(ii) *Analysis.* On the distribution of the T stock, P has $0 of unrecognized gain under section 355(c) because P has a $50 basis in the stock of T which has a value of $50. Under paragraph (b)(3)(ii) of this section, P's $0 of unrecognized gain or loss with respect to the T stock under section 355(c) is a corresponding item. P takes its $60 intercompany gain into account under the matching rule in Year 9 to reflect the difference between P's $0 of unrecognized gain and P's $60 of recomputed gain ($50 unrecognized gain and $10 recognized gain). (If P and S were divisions of a single corporation, P would have had a $40 basis in the T stock, and, after the Year 7 distribution, would have held the T stock with a $10 excess loss account.) Paragraph (c)(6) of this section does not prevent the redetermination of P's intercompany gain as excluded from gross income to the extent that the gain is P's intercompany gain, P holds the T stock with respect to which this portion of the intercompany gain was realized, P's basis in the T stock that reflects the $60 intercompany gain taken into account is eliminated without the recognition of gain or loss (and this eliminated basis is not further reflected in any successor asset), the group has not derived any Federal income tax benefit from the basis in the T stock and will not derive any Federal income tax benefit from a redetermination of this portion of the gain, and the effects of the intercompany transaction have not previously been reflected, directly or indirectly, on the P group's consolidated return. (See paragraph (c)(6)(ii)(C) of this section). The intercompany transaction with respect to the T stock resulted in an increase in the basis of the T stock, and this increase in the basis of the T stock prevented P from holding the T stock with a $10 excess loss account (as a result of the Year 7 distribution) at the time of the section 355 distribution. Accordingly, the group derived a Federal income tax benefit from the intercompany transaction to the extent of $10. As such, under paragraph (c)(6)(ii)(C) of this section, only $50 of the $60 intercompany gain that P takes into account is redetermined to be excluded from gross income.

(iii) *Application of section 355(e).* If it was determined that section 355(e) applied to P's distribution of the T stock, P would recognize $0 of gain and derive a Federal income tax benefit to the extent of the full $60 increase in the basis of the T stock. Therefore, no portion of P's intercompany gain would be redetermined to be excluded from gross income under paragraph (c)(6)(ii)(C) of this section.

(ii) *Effective/applicability date*—(A) *In general.* Paragraph (f)(7)(i) *Examples 7* and *8* of this section apply with respect to items taken into account on or after *March 7, 2008*.

(B) *Expiration date.* The applicability of paragraph (f)(7)(i) *Examples 7* and *8* of this section will expire on *March 7, 2011*.

(g) through (m) [Reserved]. For further guidance, see § 1.1502–13(g) through (m).

Approved: March 3, 2008.

Linda E. Stiff,

Deputy Commissioner for Services and Enforcement.

Eric Solomon,

Assistant Secretary of the Treasury (Tax Policy).

[FR Doc. E8–4573 Filed 3–6–08; 8:45 am]

BILLING CODE 4830–01–P

DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

[TD 9384]

RIN 1545–BG33

Qualified Films Under Section 199

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Final regulations.

SUMMARY: This document contains final regulations involving the deduction for income attributable to domestic production activities under section 199. The final regulations revise certain rules and examples relating to the definitions of a qualified film produced by the taxpayer under section 199(c)(4)(A)(i)(II) and (c)(6) and an expanded affiliated group under section 199(d)(4). The final regulations affect taxpayers who produce qualified films and taxpayers who are members of expanded affiliated groups.

DATES: *Effective Date:* These regulations are effective March 7, 2008.

Applicability Date: For dates of applicability, see § 1.199–8(i)(8) and (9).

FOR FURTHER INFORMATION CONTACT: Concerning § 1.199–3(k), David McDonnell, at (202) 622–3040; concerning § 1.199–7, Ken Cohen (202) 622–7790 (not toll-free numbers).

SUPPLEMENTARY INFORMATION:

Background

This document amends §§ 1.199–3(k) and 1.199–7 of the Income Tax Regulations (26 CFR Part 1). Section 1.199–3(k) relates to the definition of qualified film produced by the taxpayer under section 199(c)(4)(A)(i)(II) and (c)(6) of the Internal Revenue Code (Code) and § 1.199–7 involves expanded affiliated groups under section 199(d)(4). Section 199 was added to the Code by section 102 of the American Jobs Creation Act of 2004 (Pub. L. 108–357, 118 Stat. 1418), and amended by section 403(a) of the Gulf Opportunity Zone Act of 2005 (Pub. L. 109–135, 119 Stat. 25), section 514 of the Tax Increase Prevention and Reconciliation Act of 2005 (Pub. L. 109–222, 120 Stat. 345), and section 401 of the Tax Relief and Health Care Act of 2006 (Pub. L. 109–432, 120 Stat. 2922).

On June 7, 2007, the IRS and Treasury Department published proposed regulations under section 199 (72 FR 31478). The proposed regulations revise certain rules and examples in TD 9263 (71 FR 31268) relating to qualified films produced by the taxpayer under section