

the acquisition described in section 7874(a)(2)(B)(i), except as provided in paragraphs (d)(3)(v) and (e)(2) of this section. A foreign entity that is treated as a domestic corporation under section 7874(b) shall continue to be treated as a domestic corporation without regard to whether the provisions of section 7874(a)(2)(B)(ii) and (iii) are satisfied at a later time.

(h) *Nonapplication of section 367*—(1) *General rule.* If section 7874(b) applies to a surrogate foreign corporation, section 367 shall not apply to the transfer of stock or other property to such entity as part of the acquisition described in section 7874(a)(2)(B)(i).

(2) *Example.* The following example illustrates the application of paragraphs (g) and (h)(1) of this section. It is assumed that the transaction in the example occurs after March 4, 2003. The example reads as follows:

*Example. Conversion of foreign corporation to domestic corporation.* (i) *Facts.* FP, a newly formed foreign corporation, acquires pursuant to a plan substantially all of the stock of DX, a domestic corporation, by issuing its stock to the owners of DX in exchange for their DX stock. The former owners of DX, all of whom are U.S. persons, hold more than 80% of the stock of FP by reason of their ownership of DX stock. The EAG that includes FP does not have substantial business activities in FP's country of incorporation after the acquisition when compared to the total business activities of the EAG.

(ii) *Analysis.* FP is a surrogate foreign corporation under section 7874(a)(2)(B). Under section 7874(b), FP is treated as a domestic corporation for purposes of the Internal Revenue Code. In addition, the former owners of DX are not subject to section 367 with respect to the transfer of their DX stock to FP.

(i) [Reserved]

(j) *Effective date.* This section shall apply to acquisitions completed on or after June 6, 2006. However, taxpayers may apply this section to acquisitions completed prior to that date, but must apply it consistently to all acquisitions within its scope.

[T.D. 9265, 71 FR 32443, June 6, 2006]

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SOURCE: Sections 1.9000-1 through 1.9000-8 contained in T.D. 6500, 25 FR 12155, Nov. 26, 1960, unless otherwise noted.

§ 1.9000-1 Statutory provisions.

The Act of June 15, 1955 (Pub. L. 74, 84th Cong., 69 Stat. 134), provides as follows:

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

SECTION 1. *Repeal of sections 452 and 462*—(a) *Prepaid income.* Section 452 of the Internal Revenue Code of 1954 is hereby repealed.

(b) Reserves for estimated expenses, etc. Section 462 of the Internal Revenue Code of 1954 is hereby repealed.

SEC. 2. *Technical amendments.* The following provisions of the Internal Revenue Code of 1954 are hereby amended as follows:

(1) Subsection (c) of section 381 is amended by striking out paragraph (7) (relating to carryover of prepaid income in certain corporate acquisitions).

(2) The table of sections for subpart B of part II of subchapter E of chapter 1 (relating to taxable year for which items of gross income included) is amended by striking out "Sec. 452. Prepaid income."

(3) The table of sections for subpart C of such part II (relating to taxable year for which deductions are taken) is amended by striking out:

"Sec. 462. Reserves for estimated expenses, etc."

SEC. 3. *Effective date.* The amendments made by this act shall apply with respect to taxable years beginning after December 31, 1953, and ending after August 16, 1954.

SEC. 4. *Saving provisions*—(a) *Filing of statement.* If:

(1) the amount of any tax required to be paid for any taxable year ending on or before the date of the enactment of this act is increased by reason of the enactment of this act, and

(2) the last date prescribed for payment of such tax (or any installment thereof) is before December 15, 1955,

then the taxpayer shall, on or before December 15, 1955, file a statement which shows the increase in the amount of such tax required to be paid by reason of the enactment of this act.

(b) *Form and effect of statement*—(1) *Form of statement, etc.* The statement required by subsection (a) shall be filed at the place fixed for filing the return. Such statement shall be in such form, and shall include such information necessary or appropriate to show the increase in the amount of the tax required to be paid for the taxable year by reason of the enactment of this act, as the Secretary of the Treasury or his delegate shall by regulations prescribe.

(2) *Treatment as amount shown on return.* The amount shown on a statement filed under subsection (a) as the increase in the amount of the tax required to be paid for the

taxable year by reason of the enactment of this act shall, for all purposes of the internal revenue laws, be treated as tax shown on the return. Notwithstanding the preceding sentence, that portion of the amount of increase in tax for any taxable year which is attributable to a decrease (by reason of the enactment of this act) in the net operating loss for a succeeding taxable year shall not be treated as tax shown on the return.

(3) *Waiver of interest in case of payment on or before December 15, 1955.* If the taxpayer, on or before December 15, 1955, files the statement referred to in subsection (a) and pays in full that portion of the amount shown thereon for which the last date prescribed for payment is before December 15, 1955, then for purposes of computing interest (other than interest on overpayments) such portion shall be treated as having been paid on the last date prescribed for payment. This paragraph shall not apply if the amount shown on the statement as the increase in the amount of the tax required to be paid for the taxable year by reason of the enactment of this act is greater than the actual increase unless the taxpayer establishes, to the satisfaction of the Secretary of the Treasury or his delegate, that his computation of the greater amount was based upon a reasonable interpretation and application of sections 452 and 462 of the Internal Revenue Code of 1954, as those sections existed before the enactment of this act.

(c) *Special rules—(1) Interest for period before enactment.* Interest shall not be imposed on the amount of any increase in tax resulting from the enactment of this act for any period before the day after the date of the enactment of this act.

(2) *Estimated tax.* Any addition to the tax under section 294(d) of the Internal Revenue Code of 1939 shall be computed as if this act had not been enacted. In the case of any installment for which the last date prescribed for payment is before December 15, 1955, any addition to the tax under section 6654 of the Internal Revenue Code of 1954 shall be computed as if this act had not been enacted.

(3) *Treatment of certain payments which taxpayer is required to make.* If:

(A) The taxpayer is required to make a payment (or an additional payment) to another person by reason of the enactment of this act, and

(B) The Internal Revenue Code of 1954 prescribes a period, which expires after the close of the taxable year, within which the taxpayer must make such payment (or additional payment) if the amount thereof is to be taken into account (as a deduction or otherwise) in computing taxable income for such taxable year,

then, subject to such regulations as the Secretary of the Treasury or his delegate may prescribe, if such payment (or additional payment) is made on or before December 15,

1955, it shall be treated as having been made within the period prescribed by such Code.

(4) *Treatment of certain dividends.* Subject to such regulations as the Secretary of the Treasury or his delegate may prescribe, for purposes of section 561(a)(1) of the Internal Revenue Code of 1954, dividends paid after the 15th day of the third month following the close of the taxable year and on or before December 15, 1955, may be treated as having been paid on the last day of the taxable year, but only to the extent (A) that such dividends are attributable to an increase in taxable income for the taxable year resulting from the enactment of this act, and (B) elected by the taxpayer.

(5) *Determination of date prescribed.* For purposes of this section, the determination of the last date prescribed for payment or for filing a return shall be made without regard to any extension of time therefor and without regard to any provision of this section.

(6) *Regulations.* For requirement that the Secretary of the Treasury or his delegate shall prescribe all rules and regulations as may be necessary by reason of the enactment of this act, see section 7805(a) of the Internal Revenue Code of 1954.

#### § 1.9000-2 Effect of repeal in general.

(a) Section 452 (relating to prepaid income) and section 462 (relating to reserves for estimated expenses) of the Internal Revenue Code of 1954 were repealed by the Act of June 15, 1955 (Pub. L. 74, 84th Cong., 69 Stat. 134), with respect to all years subject to such Code. The effect of the repeal will generally be to increase the tax liability of taxpayers who elected to adopt the methods of accounting provided by sections 452 and 462. References to sections of law in §§ 1.9000-2 to 1.9000-8, inclusive, are references to the Internal Revenue Code of 1954 unless otherwise specified.

(b) The Act of June 15, 1955, provides that if the amount of any tax is increased by the repeal of sections 452 and 462 and if the last date prescribed for the payment of such tax (or any installment thereof) is before December 15, 1955, then the taxpayer shall on or before such date file a statement as prescribed in § 1.9000-3. The last date prescribed for payment for this purpose shall be determined without regard to any extensions of time and without regard to the provisions of the Act of June 15, 1955.