

allocable under section 334(b)(2) if X had received the authority in a distribution of all of Y's assets in a complete liquidation of Y immediately after X acquired Y's stock.

Therefore, for purposes of the allocation, X's \$130,000 cost basis in Y stock is deemed to be increased by Y's \$100,000 of unsecured liabilities to \$230,000. Of the \$230,000 deemed basis, \$180,000 is allocated to the authority, \$30,000 to goodwill, and \$20,000 to the trucks. Y's allowable monthly amortization deduction would be \$180,000 divided by 60, or \$3,000. X's \$130,000 cost basis in its Y stock must be decreased to \$62,174 as provided in paragraph (e)(2)(vi) of this section. Y's \$30,000 aggregate basis in its trucks remains unchanged.

Example 2. Assume the same facts as in Example (1), except that Y's aggregate basis in the trucks is \$120,000. If Y makes the election under § 1.9200-1(e)(2), the same allocation as in Example (1) would occur. However, in addition to the decrease in X's basis in its Y stock to \$62,174, the \$120,000 aggregate basis in the trucks must be reduced to \$112,174 (so that the \$112,174 basis minus secured liabilities of \$50,000 is equal to X's \$62,174 remaining stock basis).

Example 3. Assume the same facts as in Example (1), except that X pays a negotiated purchase price of \$120,000 for the Y stock, in order to take into account an anticipated tax liability of \$10,000, relating to potential section 1245 recapture. If Y makes the election under § 1.9200-1(e)(2), then for purposes of allocating X's basis in Y stock, X's cost basis is deemed to be increased by Y's \$100,000 of unsecured liabilities as well as the \$10,000 of potential tax liability resulting from section 1245 recapture, to \$230,000. The \$10,000 of potential recapture tax is treated as a general liability and the deemed basis is allocated among Y's assets as in Example (1). In order to take into account the potential recapture tax liability, such amount must be based on the same fair market values that are used to determine the amount of the stock basis allocable to the operating authority.

(Sec. 266, Economic Recovery Tax Act of 1981 (Pub. L. 97-34; 95 Stat. 265); sec. 517, Highway Revenue Act of 1982 (Pub. L. 97-424; 96 Stat. 2097); and sec. 7805, Internal Revenue Code of 1954 (68A Stat. 917; 26 U.S.C. 7805))

[T.D. 7947, 49 FR 8247, Mar. 6, 1984; 49 FR 12244, Mar. 29, 1984]

§ 1.9200-2 Manner of taking deduction.

(a) *In general.* The deduction provided by § 1.9200-1 shall be taken by multiplying the amount of the monthly deduction determined under § 1.9200-1 (c)(2) for each motor carrier operating authority by the number of months in the taxable year for which the deduc-

tion is allowable, and entering the resulting amount at the appropriate place on the taxpayer's return for each year in which the deduction is properly claimed. Additionally, any taxpayer who has claimed the deduction provided by § 1.9200-1 must (unless it has already filed a statement containing the required information) attach a statement to the next income tax return of the taxpayer which has a filing due date on or after June 4, 1984. The statement shall provide, in addition to the taxpayer's name, address, and taxpayer identification number, the following information for each motor carrier operating authority for which a deduction was claimed:

(1) The taxable year of the taxpayer for which the deduction was first claimed;

(2) Whether the taxpayer's deduction was determined using the adjusted basis of the authority under section 1012 or an allocated stock basis under § 1.9200-1(e)(2); and

(3) If an allocation of stock basis has been made under § 1.9200-1(e)(2), the calculations made in determining the amount of basis to be allocated to the authority.

(b) *Filing and amendment of returns.* A taxpayer who has filed its return for the taxable year that includes July 1, 1980, claiming the deduction allowed under § 1.9200-1, may amend its return for such year in order to elect under § 1.9200-1(c)(1)(ii) to begin the 60-month period in the subsequent taxable year. A taxpayer eligible to take the deduction under § 1.9200-1 who has filed its returns for both the taxable year that includes July 1, 1980, and the following taxable year without claiming the deduction, may claim the deduction by filing amended returns or claims for refund for the taxable year in which the taxpayer elects to begin the 60-month period, and for subsequent taxable years. If a taxpayer first claims the deduction on an amended return under the preceding sentence, the statement required by paragraph (a) of this section must be attached to such amended return.

(c) *Deduction taken for operating authority other than under § 1.9200-1.* If a deduction other than the deduction allowed under § 1.9200-1 was taken in any

taxable year for the reduction in value of a motor carrier operating authority caused by administrative or legislative actions to decrease restrictions on entry into the interstate motor carrier business, the taxpayer should file an amended return for such taxable year which computes taxable income without regard to such deduction.

(Approved by the Office of Management and Budget under control number 1545-0767)

(Sec. 266, Economic Recovery Tax Act of 1981 (Pub. L. 97-34; 95 Stat. 265); sec. 517, Highway Revenue Act of 1982 (Pub. L. 97-424; 96 Stat. 2097); and sec. 7805, Internal Revenue Code of 1954 (68A Stat. 917; 26 U.S.C. 7805)

[T.D. 7947, 49 FR 8249, Mar. 6, 1984]

§ 1.9300-1T Reduction in taxable income for housing Hurricane Katrina displaced individuals.

(a) *In general.* For a taxable year beginning in 2005 or 2006, a taxpayer who is a natural person may reduce taxable income by \$500 for each Hurricane Katrina displaced individual (as defined in paragraph (e)(1) of this section) to whom the taxpayer provides housing free of charge in, or on the site of, the taxpayer's principal residence for a period of 60 consecutive days ending in the taxable year. A taxpayer may not claim the reduction in taxable income unless the taxpayer includes the taxpayer identification number of the Hurricane Katrina displaced individual on the taxpayer's income tax return.

(b) *Provision of housing—(1) Principal residence.* For purposes of this section, the term *principal residence* has the same meaning as in section 121 and the regulations thereunder. See § 1.121-1(b)(1) and (b)(2).

(2) *Legal interest required.* A taxpayer is treated as providing housing for purposes of this section only if the taxpayer is an owner or lessee (including a co-owner or co-lessee) of the residence.

(3) *Compensation for providing housing—(i) In general.* No reduction in taxable income is allowed under this section to a taxpayer who receives rent or any other amount from any source in connection with the provision of housing.

(ii) *Amounts in connection with the provision of housing.* For purposes of this section, amounts in connection with the provision of housing include

(but are not limited to) amounts for rent and utilities. Amounts for telephone calls, food, clothing, and transportation are examples of amounts not in connection with the provision of housing.

(c) *Limitations—(1) Dollar limitation—(i) In general.* The reduction under paragraph (a) of this section may not exceed the maximum dollar limitation reduced by the amount of the reduction under this section for all prior taxable years. The maximum dollar limitation is—

(A) \$2,000 in the case of an unmarried individual;

(B) \$2,000 in the case of a husband and wife who file a joint income tax return; and

(C) \$1,000 in the case of a married individual who files a separate income tax return.

(ii) *Married individuals with separate principal residences.* The limitations in paragraphs (c)(1)(i)(B) and (c)(1)(i)(C) of this section apply without regard to whether the married individuals occupy the same principal residence. A person is treated as married for purposes of this section if the individual is treated as married under section 7703.

(2) *Spouse or dependent of the taxpayer.* No reduction is allowed for a Hurricane Katrina displaced individual who is the spouse or dependent of the taxpayer.

(3) *Individual taken into account only once.* A taxpayer may not reduce taxable income under paragraph (a) of this section with respect to a Hurricane Katrina displaced individual who was taken into account by the taxpayer for any prior taxable year.

(4) *Taxpayers occupying the same principal residence.* A Hurricane Katrina displaced individual may be taken into account by only one taxpayer occupying the same principal residence for all taxable years.

(d) *Substantiation.* A taxpayer claiming a reduction under this section must prepare and maintain records sufficient to show entitlement to the reduction as provided in Form 8914 (Exemption Amount for Taxpayers Housing Individuals Displaced by Hurricane Katrina) or other forms, instructions, publications or guidance published by the IRS.