

**Corrections of Publication**

Accordingly, the publication of final regulations (T.D. 8395), which was the subject of FR Doc. 92-2175, is corrected as follows:

1. On page 4250, in column 1 in the heading, the language "28 CFR Parts 20, 25 and 301" is corrected to read "28 CFR Parts 20, 25, 301, and 602".

2. On page 4250, column 1, in the preamble under the heading **SUMMARY**, line 9, the language "under chapters 1 and 12 of the Code. In" is corrected to read "under chapters 11 and 12 of the Internal Revenue Code. In".

3. On page 4250, column 1, in the preamble under the heading **SUPPLEMENTARY INFORMATION**, remove the second sentence in the first paragraph.

4. On page 4250, column 1, in the preamble under the heading **SUPPLEMENTARY INFORMATION**, next to the last line of paragraph 1, the language "annual burden per respondent is ten" is corrected to read "annual burden per respondent is 20".

5. On page 4250, column 1, in the preamble under the heading **SUPPLEMENTARY INFORMATION**, the last two sentences in paragraph 2 are corrected to read "They are based upon the information available to the Internal Revenue Service. Individual respondents may require more or less time, depending on their particular circumstances."

6. On page 4250, column 1, in the preamble under the heading **SUPPLEMENTARY INFORMATION**, the last five lines of that column are corrected to read "the Internal Revenue Service, Attn: IRS Reports Clearance Officer, T:FP, Washington, DC 20224, and to the Office of Management and Budget, Attention: Desk Officer for the Department of the Treasury, Office of Information and Regulatory Affairs, Washington, DC 20503".

7. On page 4250, column 3, in the preamble under the heading "*Scope of Section 2701*", line 3 of the first full paragraph of that column, the language "termination of an interest held indirectly" is corrected to read "transfer of an interest held indirectly".

8. On page 4251, column 2, in the preamble under the heading "*The Subtraction Method of Valuation*", first full paragraph from the top of that column, next to last line, the language "See § 25.2512-9(a)(1)(i). The proposed" is corrected to read "See § 25.2512-5(a)(1)(i). The proposed".

9. On page 4251, column 2, in the preamble under the heading "*The Subtraction Method of Valuation*", last paragraph of that column, line 6 from

bottom of that column, the language "chapter 4 does not affect minority" is corrected to read "chapter 14 does not affect minority".

10. On page 4252, column 1, in the preamble under the heading "*Indirect Ownership*", line 5, the language "of transfer that included the termination" is corrected to read "of transfer that included the transfer".

11. On page 4254, column 2, in the preamble under the heading "Adoption of Amendments to the Regulations", lines 1 and 2, the language "Accordingly, 26 CFR parts 20, 25 and 301 are amended as follows:" is corrected to read "Accordingly, 28 CFR parts 20, 25, 301, and 602 are amended as follows:".

**§ 25.2701-1 [Corrected]**

12. On page 4256, column 2, § 25.2701-1(b)(2)(i)(C) introductory text, line 3, the language "§ 25.2701-6) if—" is corrected to read "§ 25.2701-6) (or a contribution to capital by an entity to the extent an individual indirect holder has an interest in the entity), if—".

13. On page 4256, column 2, § 25.2701-1(b)(2)(i)(C)(2), line 1, the language "if the termination is not treated as" is corrected to read "if the termination (or contribution) is not treated as".

14. On page 4256, column 2, § 25.2701-1(b)(2)(ii) introductory text, line 3, the language "if the termination of an indirect holding" is corrected to read "if the transfer of an indirect holding".

15. On page 4256, column 2, § 25.2701-1(b)(2)(ii)(E), line 1, the language "Last to any other indirect holder(s)" is corrected to read "Last, to any other indirect holder(s)".

16. On page 4256, column 3, § 25.2701-1(c)(3), line 7, the language "class is proportional to the class of the" is corrected to read "class is the same class as (or is proportional to the class of) the".

17. On page 4256, column 3, § 25.2701-1(c)(3), line 9, the language "identical or proportional to the rights of" is corrected to read "identical (or proportional) to the rights of".

18. On page 4256, column 3, § 25.2701-1(c)(3), line 18, the language "the Internal Revenue Code (e.g., section" is corrected to read "the Internal Revenue Code (e.g., section".

19. On page 4256, column 3, § 25.2701-1(c)(4), line 3, the language "individual of equity interests to the" is corrected to read "individual to a member of the individual's family of equity interests to the".

**DEPARTMENT OF THE TREASURY****Internal Revenue Service****26 CFR Parts 20, 25, 301 and 602**

(T.D. 8395)

RIN 1545-AP44

**Special Valuation Rules; Correction**

AGENCY: Internal Revenue Service, Treasury.

ACTION: Correction to final regulations.

**SUMMARY:** This document contains corrections to Treasury Decision 8395, which was published in the Federal Register for Thursday, February 4, 1992 (56 FR 4250). The final regulations relate to chapter 14 of the Internal Revenue Code as enacted in the Omnibus Budget Reconciliation Act of 1990, concerning special valuation rules for purposes of federal estate and gift taxes and rules involving lapsing rights and other transactions that are treated as completed transfers.

EFFECTIVE DATE: January 28, 1992.

**FOR FURTHER INFORMATION CONTACT:** Fred E. Grundeman, (202) 535-9512 (not a toll-free number).

**SUPPLEMENTARY INFORMATION:****Background**

The final regulations that are the subject of these corrections conform the regulations to section 2701 through 2704 of the Internal Revenue Code. These regulations provide special valuation rules for purposes of the Federal estate and gift taxes imposed under chapters 11 and 12 of the Internal Revenue Code. In addition these regulations provide rules involving lapsing rights and other transactions that are treated as completed transfers under chapter 14.

**Need for Correction**

As published, T.D. 8395 contains errors which may prove to be misleading and are in need of clarification.

§ 25.2701-3 (Corrected)

20. On page 4259, column 3, § 25.2701-3(b)(1), is corrected to read as follows:

(b) . . .

(1) *Step 1—Valuation of family-held interest—(i) In general.* Except as provided in paragraph (b)(1)(ii) of this section determine the fair market value of all family-held equity interests in the entity immediately after the transfer. The fair market value is determined by assuming that the interests are held by one individual, using a consistent set of assumptions.

(ii) *Special rule for contributions to capital.* In the case of a contribution to capital, determine the fair market value of the contribution.

21. On page 4259, column 3, § 25.2701-3(b)(2), is corrected to read as follows:

(b) . . .

(2) *Step 2—Subtract the value of senior equity interests—(i) In general.* If the amount determined in *Step 1* of paragraph (b)(1) of this section is not determined under the special rule for contributions to capital, from that value subtract the following amounts:

(A) An amount equal to the sum of the fair market value of all family-held senior equity interests, (other than applicable retained interests held by the transferor or applicable family members) and the fair market value of any family-held equity interests of the same class or a subordinate class to the transferred interests held by persons other than the transferor, members of the transferor's family, and applicable family members of the transferor. The fair market value of an interest is its pro rata share of the fair market value of all family-held senior equity interests of the same class (determined, immediately after the transfer, as is all family-held senior equity interests were held by one individual); and

(B) The value of all applicable retained interests held by the transferor or applicable family members (other than an interest received as consideration for the transfer) determined under § 25.2701-2, taking into account the adjustment described in paragraph (b)(5) of this section.

(ii) *Special rule for contributions to capital.* If the value determined in *Step 1* of paragraph (b)(1) of this section is determined under the special rule for contributions to capital, subtract the value of any applicable retained interest received in exchange for the contribution to capital determined under § 25.2701-2.

22. On page 4260, column 1, § 25.2701-3(b)(3), lines 6 and 7, the language "transferred interests and other family-held subordinate equity interests. If" is corrected to read "transferred interests and other subordinate equity interests held by the transferor, applicable family members, and members of the transferor's family. If".

23. On page 4260, column 1, § 25.2701-3(b)(4)(ii)(A), line 3 from the bottom of that paragraph, the language "who had no other interest in the entity," is corrected to read "who had no interest in the entity other than the family-held interests of the same class."

24. On page 4260, column 2, § 25.2701-3(b)(4)(iv), last line of that paragraph, the language "section 2701," is corrected to read "section 2701 except that, in the case of a contribution to capital, the *Step 4* value of such an interest is zero."

25. On page 4260, column 2, § 25.2701-3(b)(5)(i), line 6, the language "family members exceeds the family" is corrected to read "family members (including any interest received as consideration for the transfer) exceeds the family".

26. On page 4260, column 3, § 25.2701-3(d), *Step 4 of Example 1*, is corrected to read as follows:

(d) . . .

*Example 1.* . . .

*Step 4:* Because no consideration was furnished for the transfer, the adjustment under *Step 4* is limited to the amount of any appropriate minority or similar discount. Before the application of *Step 4* the amount of A's gift is \$520,000.

27. On page 4260, column 3, § 25.2701-3(d), *Step 2 of Example 2*, lines 2 and 3, the language "*Step 1*, subtract \$500,000 (\$400,000, the fair market value of 500 shares of A's preferred" is corrected to read "*Step 1*, subtract \$500,000 (\$400,000, the value of 500 shares of A's preferred".

28. On page 4261, column 1, § 25.2701-3(d), *Step 4 of Example 2*, lines 1 and 2, the language "*Step 4:* No adjustment is made under *Step 4* for the same reasons set forth in *Example 1*," is corrected to read "*Step 4:* The adjustment under *Step 4* is the same as in *Example 1*."

29. On page 4261, column 1, § 25.2701-3(d), *Step 3 of Example 4*, line 1, the language "*Step 3.* The amount allocated to the" is corrected to read "*Step 3.* The amount allocated to the transferred."

30. On page 4261, column 2, § 25.2701-3(d), *Step 4 of Example 4*, the last three lines of *Step 4* are corrected to read, "is \$83,333. If the section 2701 value of the applicable retained interest were \$100,000, the *Step 4* adjustment would have been a \$33,333 reduction for

consideration received ((250/750) x \$100,000)."

31. On page 4261, column 2, § 25.2701-3(d), *Step 3 of Example 5*, line 1, the language "*Step 3.* The amount allocated to the" is corrected to read "*Step 3.* The amount allocated to the transferred".

32. On page 4261, column 2, § 25.2701-3(d), *Step 4 of Example 5*, the last sentence of *Step 4* is corrected to read "Thus, the amount of the gift is \$686,887."

§ 25.2702-5 (Corrected)

33. On page 4271, column 3, § 25.2702-5(c)(8)(ii)(C)(2) (i) and (ii) are corrected and (iii) is removed, to read as follows:

(c) . . .

(8) . . .

(ii) . . .

(C) . . .

(2) . . .

(i) For the original term of the term holder's interest; and

(ii) At the rate used in valuing the retained interest at the time of the original transfer.

34. On page 4272, column 1, § 25.2702-5(c)(8)(ii)(C)(3), lines 9 through 12 from top of the column, the language "conversion date over the amount (including acquisition costs) reinvested in the new residence or expended for repairs of the existing residence, and the" is corrected to read "conversion date over the fair market value of the assets as to which the trust continues as a qualified personal residence trust, and the".

§ 25.2704-2 (Corrected)

35. On page 4276, column 2, § 25.2704-2(b), line 20, the language "See § 25.2704-1(e)(1)(B) for a discussion" is corrected to read "See § 25.2704-1(c)(1)(B) for a discussion".

§ 25.2704-3 (Corrected)

36. On page 4277, column 1, § 25.2704-3, line 2 the language "occurring after January 28, 1992 of rights" is corrected to read "occurring after January 28, 1992, of rights".

37. On page 4277, column 1, § 25.2704-3, line 5, the language "after January 28, 1992 of property" is corrected to read "after January 28, 1992, of property".

§ 301.6501(c)-1 (Corrected)

38. On page 4277, column 3, after § 301.6501(c)-1(e)(3) and preceding the signature "Fred T. Goldberg, Jr." The following language should have appeared:

**PART 602—OMB CONTROL NUMBERS  
UNDER THE PAPERWORK  
REDUCTION ACT**

**Par. 14.** The authority citation for part 602 continues to read as follows:

Authority: 26 U.S.C. 7806.

**Par. 15.** The table of OMB Control Numbers in § 602.101(c) is amended by adding the following citations to read as follows:

§ 602.101 OMB Control numbers.

(c) . . .

| CFR part or section where identified and described | Current OMB control No |
|--|------------------------|
| 25.2701-2  | 1545-1241              |
| 25.2701-4  | 1545-1241              |
| 25.2702-6  | 1545-1273              |
| 301.6501(c)-1                                      | 1545-1241              |

**Dale D. Goode,**

*Federal Register Liaison Officer, Assistant  
Chief Counsel (Corporate).*

[FR Doc. 92-7276 Filed 4-1-92; 8:45 am]

BILLING CODE 4520-01-0