

under § 4261(b) on the amount paid for each domestic segment of taxable transportation by air is \$3.30. For calendar year 2006, the tax under § 4261(c) on any amount paid (whether within or without the United States) for any transportation of any person by air, if such transportation begins or ends in the United States, generally is \$14.50. However, for a domestic segment beginning or ending in Alaska or Hawaii as described in § 4261(c)(3), the tax only applies to departures and is at the rate of \$7.30.

.31 *Reporting Exception for Certain Exempt Organizations with Nondeductible Lobbying Expenditures.* For taxable years beginning in 2006, the annual per person, family, or entity dues limitation to qualify for the reporting exception under § 6033(e)(3) (and section 5.05 of Rev. Proc. 98-19, 1998-1 C.B. 547), regarding certain exempt organizations with nondeductible lobbying expenditures, is \$91 or less.

.32 *Notice of Large Gifts Received from Foreign Persons.* For taxable years beginning in 2006, recipients of gifts from certain foreign persons may be required to report these gifts under § 6039F if the aggregate value of gifts received in a taxable year exceeds \$12,760.

.33 *Persons Against Which a Federal Tax Lien Is Not Valid.* For calendar year 2006, a federal tax lien is not valid against (i) certain purchasers under § 6323(b)(4) who purchased personal property in a casual sale for less than \$1,240, or (ii) a mechanic's lienor under § 6323(b)(7) that repaired or improved certain residential property if the contract price with the owner is not more than \$6,210.

.34 *Property Exempt from Levy.* For calendar year 2006, the value of property exempt from levy under § 6334(a)(2) (fuel, provisions, furniture, and other household personal effects, as well as arms for personal use, livestock, and poultry) may not exceed \$7,430. The value of property exempt from levy under § 6334(a)(3) (books and tools necessary for the trade, business, or profession of the taxpayer) may not exceed \$3,710.

.35 *Interest on a Certain Portion of the Estate Tax Payable in Installments.* For an estate of a decedent dying in calendar year 2006, the dollar amount used to determine the "2-percent portion" (for purposes of calculating interest under § 6601(j)) of the

estate tax extended as provided in § 6166 is \$1,200,000.

.36 *Attorney Fee Awards.* For fees incurred in calendar year 2006, the attorney fee award limitation under § 7430(c)(1)(B)(iii) is \$160 per hour.

.37 *Periodic Payments Received under Qualified Long-Term Care Insurance Contracts or under Certain Life Insurance Contracts.* For calendar year 2006, the stated dollar amount of the *per diem* limitation under § 7702B(d)(4) (regarding periodic payments received under a qualified long-term care insurance contract or periodic payments received under a life insurance contract that are treated as paid by reason of the death of a chronically ill individual) is \$250.

SECTION 4. EFFECTIVE DATE

.01 *General Rule.* Except as provided in section 4.02, this revenue procedure applies to taxable years beginning in 2006.

.02 *Calendar Year Rule.* This revenue procedure applies to transactions or events occurring in calendar year 2006 for purposes of sections 3.07 (low-income housing credit), 3.09 (pipeline construction industry optional expense substantiation rules), 3.15 (private activity bond volume cap), 3.16 (safe harbor rules for broker commissions on guaranteed investment contracts or investments purchased for a yield restricted defeasance escrow), 3.22 (health savings accounts), 3.25 (funeral trusts), 3.26 (expatriation to avoid tax), 3.27 (valuation of qualified real property in decedent's gross estate), 3.28 (annual exclusion for gifts), 3.29 (tax on arrow shafts), 3.30 (passenger air transportation excise tax), 3.33 (persons against which a federal tax lien is not valid), 3.34 (property exempt from levy), 3.35 (interest on a certain portion of the estate tax payable in installments), 3.36 (attorney fee awards), and 3.37 (periodic payments received under qualified long-term care insurance contracts or under certain life insurance contracts).

SECTION 5. DRAFTING INFORMATION

The principal author of this revenue procedure is Marnette M. Myers of the Office of Associate Chief Counsel (Income Tax & Accounting). For further infor-

mation regarding this revenue procedure, contact Ms. Myers at (202) 622-4920 (not a toll-free call).

26 CFR 1.1441-7: Extension of offer to resolve issues arising from certain tax, withholding, and reporting obligations of U.S. withholding agents with respect to payments to foreign persons.

Amendment to Sunset Date of Section 1441 Voluntary Compliance Program Under Rev. Proc. 2004-59

Rev. Proc. 2005-71

SECTION 1. PURPOSE

This revenue procedure modifies Rev. Proc. 2004-59, 2004-2 C.B. 678, to extend the sunset date of the Section 1441 Voluntary Compliance Program ("Section 1441 VCP") to March 31, 2006.

SECTION 2. BACKGROUND

Rev. Proc. 2004-59 set forth the provisions of the Section 1441 VCP, a program that is available to certain withholding agents with respect to the withholding, payment, and reporting of certain taxes due on payments to foreign persons.

The IRS initiated the Section 1441 VCP as a temporary program. Section 6 of Rev. Proc. 2004-59 provided that the Section 1441 VCP became effective September 29, 2004, and would be available for submissions made on or before December 31, 2005.

The volume of Section 1441 VCP submissions has increased steadily since the inception of the program. Many withholding agents that wish to participate in the program will not be able to complete the submission process before December 31, 2005, and will be excluded from participation in the VCP without an extension. To enable such withholding agents to participate in the VCP, this revenue procedure amends Section 6 of Rev. Proc. 2004-59 to extend the sunset date of the program for three months, to March 31, 2006. In addition, this revenue procedure amends Section 5.01, which allows taxpayers to request extensions to complete VCP submissions under certain circumstances. This revenue procedure provides that, for sec-

tion 1441 VCP submissions made after December 31, 2005, no extensions will be granted beyond June 30, 2006.

SECTION 3. EXTENSION OF SUNSET DATE

Sections 5 and 6 of Rev. Proc. 2004–59 are amended as follows.

In Section 5.01, the following sentence is added after the existing text. “For section 1441 VCP submissions made after December 31, 2005, no extensions will be granted beyond June 30, 2006.”

In Section 6, the second sentence is amended by deleting “December 31, 2005” and inserting in its place, “March 31, 2006.” A third, fourth, and fifth sentence are added as follows: “A Section 1441 VCP submission may not be made for calendar year 2005 Forms 1042 and

1042-S. A Section 1441 VCP submission made after December 31, 2005, must include an executed Form 872, *Consent to Extend the Time to Assess Tax*, consenting to extend for one additional year the time to assess tax with respect to amounts reportable on Form 1042 for the 2002 year. If the withholding agent has filed a Form 945 for the 2002 year, it should further include an executed Form SS–10, *Consent to Extend the Time to Assess Employment Taxes*, to extend the assessment period for income tax withholding for an additional year.”

SECTION 4. INQUIRIES

For further information regarding the Section 1441 VCP contact the Section 1441 VCP Coordinator at (212) 298–2698 (not a toll-free number).

SECTION 5. EFFECT ON OTHER DOCUMENTS

Rev. Proc. 2004–59 is modified.

SECTION 6. EFFECTIVE DATE

This revenue procedure is effective September 29, 2004, the effective date of Rev. Proc. 2004–59.

SECTION 7. DRAFTING INFORMATION

The principal author of this revenue procedure is Kathryn Holman of the Office of Associate Chief Counsel (International). For further information regarding this revenue procedure, contact Kathryn Holman at (202) 622–3840 (not a toll-free call).