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*Announcement 95-32; 1995 IRB LEXIS 150, *;
 1995-17 I.R.B. 18*

Announcement 95-32

Announcement 95-32; 1995 IRB LEXIS 150; 1995-17 I.R.B. 18

April 24, 1995

[* 1]

SUBJECT MATTER: Capitalization of Interest; Correction

TEXT:

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Correction to final regulations.

SUMMARY: This document contains corrections to the final regulations [[TD 8584 \[1995-5 I.R.B. 5\]](#)] which were published in the Federal Register for Thursday, December 29, 1994 ([59 FR 67187](#)). The final regulations relate to the requirement to capitalize interest with respect to the production of property.

EFFECTIVE DATE: January 1, 1995.

FOR FURTHER INFORMATION CONTACT: Jan L. Skelton, (202) 622-4970 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

The final regulations that are the subject of these corrections are under [section 263A\(f\) of the Internal Revenue Code](#).

Need for Correction

As published, the final regulations contains errors that are misleading and in need of correction.

Correction of Publication

Accordingly, the publication of final regulations which is the subject of FR Doc. 94-31431, is corrected as follows:

1. On page 67190, column 1, in the preamble following the paragraph heading "In General", second full paragraph, eighth line from the bottom of the paragraph, the word "that" is corrected to read "than".
2. On page 67190, [*2] column 1, in the preamble following the paragraph heading "In General", second full paragraph, sixth line from the bottom of the paragraph, the word "for" is corrected to read "under".
3. On page 67190, column 2, in the preamble following the paragraph heading "Accounts Payable and Simplification Rule for Tracing", third full paragraph, line 8, the language "expenditures for all property, IRS and" is corrected to read "expenditures for all property. The IRS and".
4. On page 67191, column 1, in the preamble following the paragraph heading "*Notional Principal Contracts*", line 1, the word "principle" is corrected to read "principal".
5. On page 67192, in the preamble following the paragraph heading "Land Attributable to Benefitted Property", line 11 from the top of column 1, the word "on" is corrected to read "of".
6. On page 67192, column 3, in the preamble following the paragraph heading "*Utilities -- Construction Work in Process*", paragraph 2, line 7, the language "FAS" is corrected to read "SFAS".
7. On page 67195, column 1, in the preamble following the paragraph heading "In General", paragraph 2, line 1, the date "August 17, 1998" is corrected to read "August 17, 1988".
8. On [*3] page 67195, column 2, in the preamble following the paragraph heading "Consolidated Return Interest Rule", first full paragraph, line 5 from the bottom of the paragraph, the language "interest intragroup debt, but at the same" is corrected to read "interest on intragroup debt, but at the same".
9. On page 67195, in the preamble following the paragraph heading "Comments on Related Person Rules", line 4 from the top of column 3, the language "Rev. Proc." is corrected to read "Notice".

§ 1.263A-0 [Corrected]

10. On page 67197, column 1, § 1.263A-0, the contents entry for § 1.263A-9(g)(6) is corrected to read as follows:

§ 1.263A-0 *Outline of regulations under [section 263A](#).*

* * *

§ 1.263A-9 *The avoided cost method.*

* * *

(g) * * *

(6) Notional principal contracts and other derivatives.

[Reserved]

* * *

§ 1.263A-8 [Corrected]

11. On page 67198, column 2, § 1.263A-8, paragraph (b)(2)(iii), line 3, the language "the

thresholds under paragraphs" is corrected to read "the classification thresholds under paragraphs".

12. On page 67198, column 3, § 1.263A-8, paragraph (c)(1), last line of the paragraph, the language "windowpanes.)" is corrected to read "windowpanes).".

13. On page 67199, column **[*4]** 3, § 1.263A-8, paragraph (d)(2)(v)(B), line 3, the language "meaning of [section 460\(c\)\(6\)\(A\)](#) with" is corrected to read "meaning of [section 460\(e\)\(6\)\(A\)](#) with".

14. On page 67199, column 3, § 1.263A-8, paragraph (d)(2)(v)(B) , line 5, section "[460\(d\)\(1\)\(B\)\(i\)](#)" is corrected to read "[460\(c\)\(1\)\(B\)\(i\)](#)". § 1.263A-9 [Corrected]

15. On page 67200, column 3, § 1.263A-9, paragraph (b)(2), line 7 from the bottom of the paragraph, the language "the rules of § 1.163-8T Traced debt also" is corrected to read "the rules of § 1.163-8T. Traced debt also".

16. On page 67200, column 3, § 1.263A-9, in the paragraph heading of paragraph (c)(1), line 2, the word "Rule" is corrected to read *rule*".

17. On page 67200, column 3, § 1.263A-9, paragraph (c)(1) introductory text, last line in the column, the word "production" is corrected to read "product".

18. On page 67201, column 1, § 1.263A-9, paragraph (c)(3), paragraph (i) of *Example.*, line 12, the language "\$ 1,000,000 (loan #). The loan is nontraced" is corrected to read "\$ 1,000,000 (loan #1). The loan is nontraced".

19. On page 67201, column 2, § 1.263A-9, paragraph (c)(5)(i)(B), in the *Example.*, line 6, the figure "\$ 2,500,00" is corrected to read "\$ **[*5]** 2,500,000".

20. On page 67202, column 1, § 1.263A-9, in paragraph (c)(5)(iii)(D), line 2, the language "*nontraced debt or rate is contingent -- If*" is corrected to read "*nontraced debt or rate is contingent. If*"

21. On page 67202, column 2, § 1.263A-9, paragraph (c)(6), paragraph (ii) of *Example 2.*, line 9, the language "([\$ 1,400,000-\$ 1,000,000)+ " is corrected to read "([\$ 1,400,000-\$ 1,000,000) + "

22. On page 67202, column 2, § 1.263A-9, in the paragraph heading of paragraph (c)(7), line 3, the period is removed.

23. On page 67202, column 3, § 1.263A-9, paragraph (c)(7)(ii)(A), line 3, the word "expenditures" is corrected to read "expenditure".

24-25. On page 67203, column 1, § 1.263A-9, paragraph (e)(1), line 11, the word "trade" is corrected to read "trace".

26. On page 67203, column 1, § 1.263A-9, paragraph (c)(2), line 7, the language "\$ 10,000,000 gross receipts test for all" is corrected to read "\$ 10,000,000 gross receipts test) and the taxpayer has met the \$ 10,000,000 gross receipts for all".

27. On page 67203, column 1, § 1.263A-9, in the paragraph heading of paragraph (f), line 3, the period is removed.

28. On page 67204, § 1.263A-9, paragraph (f)(3), paragraph (i) of **[*6]** *Example 3.*, line 2 of the table is corrected to read as follows:

Annual rate	Period out-	Use of
----------------	-------------	--------

No. * * *	Principal	(percent)	standing	proceeds
2	2,000,000	11	6/01-12/31	Nontraced.

29. On page 67204, column 1, § 1.263A-9, paragraph (f)(3), paragraph (v) of *Example 3.*, last line, the language "\$ 500,000 + \$ 1,000,000 + \$ 1,600,000 + 4)." is corrected to read "\$ 500,000 + \$ 1,000,000 + \$ 1,600,000] + 4).".

30. On page 67205, column 2, § 1.263A-9, the paragraph designated (g)(2)(iv)(c) is correctly designated paragraph (g)(2)(iv)(C).

31. On page 67205, column 2, § 1.263A-9, paragraph (g)(2)(v), line 4, the word "provisions" is corrected to read "provision".

32. On page 67205, column 3, § 1.263A-9, paragraph (g)(2)(v), paragraph (i) of *Example 1.*, line 2 from the bottom of the paragraph, the language "[\$ 135,000 X \$ 108,000)], \$ 75,000 is deferred" is corrected to read "[\$ 135,000 + \$ 108,000)], \$ 75,000 is deferred".

33. On page 67205, column 3, § 1.263A-9, paragraph (g)(2)(v), paragraph (ii) of *Example 1.*, line 6, the language "is 11.6 percent ([\$ 135,000 X \$ 108,000] / " is corrected to read "is 11.6 percent ([\$ 135,000 + \$ 108,000] / ".

34. On page 67206, column 3, § 1.263A-9, paragraph (g)(3)(iii)(E), **[*7]** in the *Example.*, line 7 from the bottom of the column, the letter "S" is corrected to read "X".

35. On page 67206, column 3, § 1.263A-9, paragraph (g)(3)(iii)(F), in the *Example.*, line 3 from the bottom of the column, the language "segment is 3-year inventory. Under paragraph" is corrected to read "segment is 3-year old inventory. Under paragraph".

36. On page 67207, column 2, § 1.263A-9, paragraph (g)(5)(iii), paragraph (i) of *Example.*, the last line of the paragraph, the language "([\$ 600,000 / \$ 6,000,000] X 5,000,000)." is corrected to read "([\$ 600,000 / \$ 6,000,000] X \$ 5,000,000).".

§ 1.263A-10 [Corrected]

37. On page 67207, column 3, the section heading designated "§ 1.263-10" is correctly designated "§ 1.263A-10".

38. On page 67209, column 1, § 1.263A-10, paragraph (b)(5)(iv), the first line of column 1, the word "period" is corrected to read "periods".

39. On page 67209, column 2, § 1.263A-10, paragraph (b)(6), paragraph (ii) of *Example 3.*, line 7, the word "lost" is corrected to read "lot".

40. On page 67209, column 2, § 1.263A-10, paragraph (b)(6), paragraph (ii) of *Example 3.*, line 8, the word "paragraph" is corrected to read "paragraphs".

41. On page 67209, column 2, § 1.263A-10, **[*8]** paragraph (b)(6), paragraph (ii) of *Example 3.*, line 6 from the bottom of the paragraph, the language "paragraph (b)(5) of this section. Under" is corrected to read "paragraph (b)(5) of this section). Under".

42. On page 67210, column 1, § 1.263A-10, paragraph (b)(6), in *Example 6.*, line 7, the language "the costs of the allocable share of swimming" is corrected to read "the costs of the allocable share of the swimming".

§ 1.263A-11 [Corrected]

43. On page 67211, column 1, § 1.263A-11, paragraph (c)(2) , line 3, the regulation section "§ 1,263A-8(d)(2)(ii)" is corrected to read "1.263A-8(d)(2)(ii)".

44. On page 67211, column 1, § 1.263A-11, paragraph (d)(1), line 23, the language "or units of production, If an asset used" is corrected to read "or units of production. If an asset used".

45. On page 67211, column 2, § 1.263A-11, paragraph (e)(1)(ii) introductory text, line 2, the language "a unit of real property" is corrected to read "a unit of real property --".

46. On page 67211, column 3, § 1.263A-11, paragraph (e)(1)(iii), line 4, the word "the" is corrected to read "that".

47. On page 67211, column 3, § 1.263A-11, paragraph (e)(2), line 5, the language "property costs are excluded [***9**] from the" is corrected to read "property costs) are excluded from the".

§ 1.263A-12 [Corrected]

48. On page 67212, column 3, § 1.263A-12, paragraph (d)(4), line 3, the word "example" is corrected to read "examples".

49. On page 67212, column 3, § 1.263A-12, paragraph (c)(2) introductory text, line 1, the word "The" is corrected to read "The".

§ 1.263A-13 [Corrected]

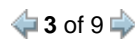
50. On page 67213, column 3, § 1.263A-13, paragraph (a), line 2 from the bottom of the paragraph, the language "and costs of features based on the" is corrected to read "and costs of common features based on the".

51. On page 67214, column 3, § 1.263A-13, paragraph (c)(7), paragraph (ii) of *Example.*, line 2, the language "the meaning of paragraph (c)(2)(i) of this" is corrected to read "the meaning of paragraph (c)(2)(i) of this".

Cynthia E. Grigsby, *Chief, Regulations Unit, Associate Chief Counsel (Corporate)*.

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