

DEPARTMENT OF THE TREASURY**Internal Revenue Service****26 CFR Part 1**

[TD 9681]

RIN 1545-BL06

Partnerships; Start-Up Expenditures; Organization and Syndication Fees**AGENCY:** Internal Revenue Service (IRS), Treasury.**ACTION:** Final regulations.

SUMMARY: This document contains final regulations concerning the deductibility of start-up expenditures and organizational expenses for partnerships. The final regulations provide guidance regarding the deductibility of start-up expenditures and organizational expenses for partnerships following a termination of a partnership under section 708(b)(1)(B). These final regulations affect partnerships that undergo section 708(b)(1)(B) terminations and their partners.

DATES: These regulations are effective on July 23, 2014.

FOR FURTHER INFORMATION CONTACT: Rachel S. Smith, (202) 317-6852 (not a toll-free number).

SUPPLEMENTARY INFORMATION:**Background**

This document contains final amendments to the Income Tax Regulations (26 CFR part 1) under section 708(b) of the Internal Revenue Code (Code). On December 9, 2013, proposed regulations (REG-126285-12, 78 FR 73753) were published in the **Federal Register**. The proposed regulations were intended to eliminate uncertainty regarding whether a partnership is entitled to immediately deduct any unamortized start-up and organizational expenses upon its technical termination. Specifically, the proposed regulations provided that the new partnership was required to continue to amortize those expenditures using the same amortization period adopted by the terminating partnership. No written or electronic comments were received in response to the notice of proposed rulemaking. No requests for a public hearing were received, and accordingly, no hearing was held.

Explanation of Provisions

The Treasury decision adopts the proposed regulations with one minor change for clarity. Specifically, in § 1.708-1(b)(6)(i), “using the same amortization period adopted by the

terminating partnership” has been changed to “over the remaining portion of the amortization period adopted by the terminating partnership” to make clear that the amortization period does not restart. No substantive change is intended.

Special Analyses

It has been determined that this Treasury decision is not a significant regulatory action as defined in Executive Order 12866, as supplemented by Executive Order 13563. Therefore, a regulatory assessment is not required. It has also been determined that section 553(b) of the Administrative Procedure Act (5 U.S.C. chapter 5) does not apply to these regulations, and because these regulations do not impose a collection of information on small entities, the Regulatory Flexibility Act (5 U.S.C. chapter 6) does not apply. Pursuant to section 7805(f) of the Code, the notice of proposed rulemaking preceding these regulations was submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on its impact on small businesses. No comments were received.

Drafting Information

The principal author of these regulations is Rachel S. Smith, IRS Office of the Associate Chief Counsel (Passthroughs and Special Industries). However, other personnel from the IRS and the Treasury Department participated in their development.

Adoption of Amendments to the Regulations

Accordingly, 26 CFR part 1 is amended as follows:

PART 1—INCOME TAXES

■ **Paragraph 1.** The authority citation for part 1 continues to read in part as follows:

Authority: 26 U.S.C. 7805 * * *

■ **Par. 2.** Section 1.195-2 is added to read as follows:

§ 1.195-2 Technical termination of a partnership.

(a) *In general.* If a partnership that has elected to amortize start-up expenditures under section 195(b) and § 1.195-1 terminates in a transaction (or a series of transactions) described in section 708(b)(1)(B) or § 1.708-1(b)(2), the termination shall not be treated as resulting in a disposition of the partnership's trade or business for purposes of section 195(b)(2). See § 1.708-1(b)(6) for rules concerning the

treatment of these start-up expenditures by the new partnership.

(b) *Effective/applicability date.* This section applies to a technical termination of a partnership under section 708(b)(1)(B) that occurs on or after December 9, 2013.

■ **Par. 3.** Section 1.708-1 is amended by adding paragraph (b)(6) to read as follows:

§ 1.708-1 Continuation of partnership.

* * * * *

(b) * * *

(6) *Treatment of certain start-up or organizational expenses following a technical termination—(i) In general.* If a partnership that has elected to amortize start-up expenditures under section 195(b) or organizational expenses under section 709(b)(1) terminates in a transaction (or a series of transactions) described in section 708(b)(1)(B) or paragraph (b)(2) of this section, the new partnership must continue to amortize those expenditures over the remaining portion of the amortization period adopted by the terminating partnership. See section 195 and § 1.195-1 for rules concerning the amortization of start-up expenditures and section 709 and § 1.709-1 for rules concerning the amortization of organizational expenses.

(ii) *Effective/applicability date.* This paragraph (b)(6) applies to a technical termination of a partnership under section 708(b)(1)(B) that occurs on or after December 9, 2013.

■ **Par. 4.** Section 1.709-1 is amended by:

■ 1. Redesignating paragraph (b)(3) as (b)(3)(i).

■ 2. Adding a heading to newly designated paragraph (b)(3)(i).

■ 3. Adding paragraph (b)(3)(ii).

■ 4. Adding a sentence at the end of paragraph (b)(5).

The additions read as follows:

§ 1.709-1 Treatment of organization and syndication costs.

* * * * *

(b) * * *

(3) *Liquidation of partnership—(i) In general.* * * *

(ii) *Technical termination of a partnership.* If a partnership that has elected to amortize organizational costs under section 709(b) terminates in a transaction (or a series of transactions) described in section 708(b)(1)(B) or § 1.708-1(b)(2), the termination shall not be treated as resulting in a liquidation of the partnership for purposes of section 709(b)(2). See § 1.708-1(b)(6) for rules concerning the

treatment of these organizational costs by the new partnership.

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(5) * * * Paragraph (b)(3)(ii) of this section applies to a technical termination of a partnership under section 708(b)(1)(B) that occurs on or after December 9, 2013.

John Dalrymple,

Deputy Commissioner for Services and Enforcement.

Approved: May 29, 2014.

Mark J. Mazur,

Assistant Secretary of the Treasury (Tax Policy).

[FR Doc. 2014-17335 Filed 7-22-14; 8:45 am]

BILLING CODE 4830-01-P

DEPARTMENT OF EDUCATION

34 CFR Chapter III

[Docket ID ED-2014-OSERS-0068]

Final Priority; Rehabilitation Training: Rehabilitation Long-Term Training Program—Rehabilitation Specialty Areas

AGENCY: Office of Special Education and Rehabilitative Services, Department of Education.

ACTION: Final priority.

[CFDA Numbers: 84.129C, E, F, H, J, P, Q, R, and W.]

SUMMARY: The Assistant Secretary for Special Education and Rehabilitative Services announces a priority under the Rehabilitation Training: Rehabilitation Long-Term Training program. The Assistant Secretary may use this priority for competitions in fiscal year (FY) 2014 and later years in order to fund any of the rehabilitation specialty areas listed in this notice. The specific rehabilitation specialty areas to be funded in a given year will be listed in a notice inviting applications. This priority is designed to ensure that the Department funds high-quality rehabilitation programs in the following nine rehabilitation specialty areas of national need: Rehabilitation Administration (84.129C); Rehabilitation Technology (84.129E); Vocational Evaluation and Work Adjustment (84.129F); Rehabilitation of Individuals Who Are Mentally Ill (84.129H); Rehabilitation Psychology (84.129J); Rehabilitation of Individuals Who are Blind or Have Vision Impairments (84.129P); Rehabilitation of Individuals Who are Deaf or Hard of Hearing (84.129Q); Job Development and Job Placement Services (84.129R); and Comprehensive System of

Personnel Development (84.129W). These programs must meet rigorous standards in order to provide rehabilitation professionals the training and qualifications necessary to meet the current challenges facing State vocational rehabilitation (VR) agencies and related agencies and assist individuals with disabilities in achieving high-quality employment outcomes.

DATES: *Effective Date:* This priority is effective August 22, 2014.

FOR FURTHER INFORMATION CONTACT:

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If you use a telecommunications device for the deaf (TDD) or a text telephone (TTY), call the Federal Relay Service (FRS), toll free, at 1-800-877-8339.

SUPPLEMENTARY INFORMATION: *Purpose of Program:* The Rehabilitation Long-Term Training program provides financial assistance for projects that provide—

(1) Basic or advanced training leading to an academic degree in areas of personnel shortages in rehabilitation as identified by the Secretary;

(2) A specified series of courses or programs of study leading to the award of a certificate in areas of personnel shortages in rehabilitation as identified by the Secretary; and

(3) Support for medical residents enrolled in residency training programs in the specialty of physical medicine and rehabilitation.

Program Authority: 29 U.S.C. 772(b).

Applicable Program Regulations: 34 CFR parts 385 and 386.

We published a notice of proposed priority for this competition in the **Federal Register** on May 13, 2014 (79 FR 27236). That notice contained background information and our reasons for proposing this particular priority.

There are no differences between the proposed priority and this final priority.

Public Comment: In response to our invitation in the notice of proposed priority, 24 parties submitted comments on the proposed priority.

Generally, we do not address technical and other minor changes.

Analysis of Comments and Changes: An analysis of the comments and of any changes in the priority since publication of the notice of proposed priority follows.

Comment: The overwhelming majority of commenters were supportive of the priority. They pointed out that it

is important to have rehabilitation professionals trained in meeting the needs of individuals with a variety of disabilities. In particular, a number of commenters discussed the value that rehabilitation professionals trained in vocational evaluation can add to the field of rehabilitation. Professionals trained in vocational evaluation have particular expertise in assisting individuals with disabilities in making employment and career choices consistent with their unique abilities, thereby helping to ensure that individuals with disabilities achieve their employment goals.

Discussion: We appreciate the commenters' support for this priority.

Changes: None.

Comment: Two commenters expressed concern regarding the requirement for scholars to participate in an internship in a State VR agency as a requirement for program completion. They stated that internships may not be available in a State VR agency, particularly for those pursuing a rehabilitation program for serving individuals who are deaf or hard of hearing. Commenters stated that some State VR agencies may not have individuals qualified to supervise such internships, whereas other related agencies in the community may be able to provide internship opportunities that offer qualified supervisors and that would ultimately be more beneficial for scholars.

Discussion: We recognize that there may be some instances in which an institution of higher education receiving funds under this priority will need to develop internships in agencies other than the State VR agency. For this reason, paragraph (c)(5) of the priority provides an exception to this requirement in the event that a State VR agency cannot provide an internship in a scholar's field of study or if applicants demonstrate that it is otherwise not feasible for all students to complete an internship in a State VR agency. For example, if an applicant demonstrates that it is not feasible to provide the scholar an internship in a State VR agency because there are no staff able to supervise the individual or because the distance that the scholar would have to travel to the State VR agency is too great, then the scholar could be provided an internship in a related agency as defined in 34 CFR 386.4.

Changes: None.

Comment: Two commenters discussed the importance of coordination among professional associations, long-term training programs, and State VR agencies, specifically in the field of vocational