Internal Revenue
bulletin

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HIGHLIGHTS OF THIS ISSUE

These synopses are intended only as aids to the reader in identifying the subject matter covered. They may not be relied upon as authoritative interpretations.

INCOME TAX

Rev. Proc. 2014–55, page 753.

This revenue procedure provides that eligible U.S. citizens and residents with certain Canadian retirement plans will be treated as making an election under paragraph 7 of Article XVIII of the U.S.-Canada Income Tax Treaty to defer U.S. income tax on income accruing in their retirement plans until a distribution is made. Such individuals will be treated as having made the election in the first year in which they would have been entitled to make the election under the treaty. This revenue procedure also eliminates a reporting requirement associated with such Canadian retirement plans.

Notice 2014–58, page 746.

This notice amplifies Notice 2010–62; 2010–40 I.R.B. 411, by providing additional guidance regarding the codification of the economic substance doctrine and the related penalty amendments.

Notice 2014–59, page 747.

Notice 2014–59 announces the intention of the Department of the Treasury (Treasury) and the IRS to amend certain provisions of the temporary regulations published under sections 1441, 1442, and 6049 of the Internal Revenue Code (Code) on March 6, 2014, to provide modified applicability dates with respect to: (i) the standards of knowledge applicable to a withholding certificate or documentary evidence to document a payee that is an entity under § 1.1441–7(b); and (ii) the rules under § 1.6049–5(c) providing the circumstances under which a withholding agent or payor may rely on documentary evidence provided by a payee instead of a withholding certificate to document the foreign status of the payee for purposes of chapters 3 and 61. Prior to the issuance of these amendments, taxpayers may rely on this notice regarding the modified applicability dates.

EMPLOYEE PLANS

Notice 2014–62, page 749.

This notice sets forth updates on the corporate bond monthly yield curve, the corresponding spot segment rates for September 2014 used under § 417(e)(3)(D), the 24-month average segment rates applicable for October 2014, and the 30-year Treasury rates. These rates reflect the application of § 430(h)(2)(C)(iv), which was added by the Moving Ahead for Progress in the 21st Century Act, Public Law 112–141 (MAP–21) and amended by section 2003 of the Highway and Transportation Funding Act of 2014 (HATFA).

TAX CONVENTIONS

Rev. Proc. 2014–55, page 753.

This revenue procedure provides that eligible U.S. citizens and residents with certain Canadian retirement plans will be treated as making an election under paragraph 7 of Article XVIII of the U.S.-Canada Income Tax Treaty to defer U.S. income tax on income accruing in their retirement plans until a distribution is made. Such individuals will be treated as having made the election in the first year in which they would have been entitled to make the election under the treaty. This revenue procedure also eliminates a reporting requirement associated with such Canadian retirement plans.

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Department of the Treasury
Internal Revenue Service

ADMINISTRATIVE

Rev. Proc. 2014–55, page 753.
This revenue procedure provides that eligible U.S. citizens and residents with certain Canadian retirement plans will be treated as making an election under paragraph 7 of Article XVIII of the U.S.-Canada Income Tax Treaty to defer U.S. income tax on income accruing in their retirement plans until a distribution is made. Such individuals will be treated as having made the election in the first year in which they would have been entitled to make the election under the treaty. This revenue procedure also eliminates a reporting requirement associated with such Canadian retirement plans.

The IRS Mission

Provide America's taxpayers top-quality service by helping them understand and meet their tax responsibilities and enforce the law with integrity and fairness to all.

Introduction

The Internal Revenue Bulletin is the authoritative instrument of the Commissioner of Internal Revenue for announcing official rulings and procedures of the Internal Revenue Service and for publishing Treasury Decisions, Executive Orders, Tax Conventions, legislation, court decisions, and other items of general interest. It is published weekly.

It is the policy of the Service to publish in the Bulletin all substantive rulings necessary to promote a uniform application of the tax laws, including all rulings that supersede, revoke, modify, or amend any of those previously published in the Bulletin. All published rulings apply retroactively unless otherwise indicated. Procedures relating solely to matters of internal management are not published; however, statements of internal practices and procedures that affect the rights and duties of taxpayers are published.

Revenue rulings represent the conclusions of the Service on the application of the law to the pivotal facts stated in the revenue ruling. In those based on positions taken in rulings to taxpayers or technical advice to Service field offices, identifying details and information of a confidential nature are deleted to prevent unwarranted invasions of privacy and to comply with statutory requirements.

Rulings and procedures reported in the Bulletin do not have the force and effect of Treasury Department Regulations, but they may be used as precedents. Unpublished rulings will not be relied on, used, or cited as precedents by Service personnel in the disposition of other cases. In applying published rulings and procedures, the effect of subsequent legislation, regulations, court decisions, rulings, and procedures must be considered, and Service personnel and others concerned are cautioned against reaching the same conclusions in other cases unless the facts and circumstances are substantially the same.

The Bulletin is divided into four parts as follows:

Part I.—1986 Code.
This part includes rulings and decisions based on provisions of the Internal Revenue Code of 1986.

Part II.—Treaties and Tax Legislation.
This part is divided into two subparts as follows: Subpart A, Tax Conventions and Other Related Items, and Subpart B, Legislation and Related Committee Reports.

Part III.—Administrative, Procedural, and Miscellaneous.
To the extent practicable, pertinent cross references to these subjects are contained in the other Parts and Subparts. Also included in this part are Bank Secrecy Act Administrative Rulings. Bank Secrecy Act Administrative Rulings are issued by the Department of the Treasury's Office of the Assistant Secretary (Enforcement).

Part IV.—Items of General Interest.
This part includes notices of proposed rulemakings, disbarment and suspension lists, and announcements.

The last Bulletin for each month includes a cumulative index for the matters published during the preceding months. These monthly indexes are cumulated on a semiannual basis, and are published in the last Bulletin of each semiannual period.

Part III. Administrative, Procedural, and Miscellaneous

Additional Guidance Under the Codified Economic Substance Doctrine and Related Penalties

Notice 2014–58

PURPOSE

This notice amplifies Notice 2010–62, 2010–40 I.R.B. 411, by providing additional guidance regarding the codification of the economic substance doctrine and the related penalty amendments. Specifically, this notice provides guidance regarding: (1) the definition of "transaction" for purposes of applying the codified economic substance doctrine under section 7701(o), and (2) the meaning of "similar rule of law" as described in the accuracy-related penalty under section 6662(b)(6). This notice is also relevant with respect to the availability of the reasonable cause exceptions under sections 6664(c) and (d) and the reasonable basis exception under section 6676 because those exceptions are inapplicable to transactions described in section 6662(b)(6).

BACKGROUND

The economic substance doctrine is a judicial doctrine that was codified in section 7701(o) by section 1409 of the Health Care and Education Reconciliation Act of 2010, Pub. L. No. 111–152. Section 7701(o)(5)(A) defines "economic substance doctrine" as the common-law doctrine that disallows tax benefits under subtitle A of the Internal Revenue Code if the transaction that produces those benefits lacks economic substance or a business purpose. Under section 7701(o)(1), a transaction has economic substance if: (1) the transaction changes in a meaningful way (apart from Federal income tax effects) the taxpayer's economic position; and (2) the taxpayer has a substantial purpose (apart from Federal income tax effects) for entering into such transaction.

Section 7701(o)(5)(D) provides that "[t]he term 'transaction' includes a series of transactions." The legislative history explained:

> The provision does not alter the court's ability to aggregate, disaggregate, or otherwise recharacterize a transaction when applying the [economic substance] doctrine. For example, the provision reiterates the present-law ability of the courts to bifurcate a transaction in which independent activities with non-tax objectives are combined with an unrelated item having only tax-avoidance objectives in order to disallow those tax-motivated benefits.

H.R. Rep. No. 111–443(I), at 296–297, P.L. 111–152, Health Care and Education Reconciliation Act of 2010. Although section 7701(o) does not provide a definition of "transaction," the term has been defined in the analogous context of reportable transactions. Specifically, Treas. Reg. § 1.6011–4(b)(1) provides that, for purposes of the reportable transaction disclosure regime, the term "transaction" includes all of the factual elements relevant to the expected tax treatment of any investment, entity, plan, or arrangement and also includes any series of steps carried out as part of a plan.

Section 6662(b)(6) imposes a penalty on an underpayment attributable to tax benefits that were disallowed because a transaction lacks economic substance (within the meaning of section 7701(o)) or fails to meet the requirements of any similar rule of law. Neither section 7701(o) nor section 6662 defines "similar rule of law." However, the legislative history explained, with respect to a "similar rule of law," that the "penalty would apply to a transaction that is disregarded as a result of the application of the same factors and analysis that is required under the provision [section 7701(o)] for an economic substance analysis, even if a different term is used to describe the doctrine." H.R. Rep. 111–443(I), at 304.

Sections 6664(c)(2) and (d)(2) provide that the reasonable cause and good faith exception to a section 6662 or 6662A penalty does not apply to the portion of an underpayment or reportable transaction understatement attributable to one or more transactions described in section 6662(b)(6). For purposes of the penalty for an erroneous claim for refund or credit of an excessive amount, section 6676(c) provides that any excessive amount (within the meaning of section 6676(b)) that is attributable to any transaction described in section 6662(b)(6) is not treated as having a reasonable basis.

DISCUSSION

A. Transaction

For purposes of determining whether the codified economic substance doctrine applies, "transaction" generally includes all the factual elements relevant to the expected tax treatment of any investment, entity, plan, or arrangement; and any or all of the steps that are carried out as part of a plan. Facts and circumstances determine whether a plan's steps are aggregated or disaggregated when defining a transaction.

Generally, when a plan that generated a tax benefit involves a series of interconnected steps with a common objective, the "transaction" includes all of the steps taken together – an aggregation approach. This means that every step in the series will be considered when analyzing whether the "transaction" as a whole lacks economic substance. However, when a series of steps includes a tax-motivated step that is not necessary to achieve a non-tax objective, an aggregation approach may not be appropriate. In that case, the "transaction" may include only the tax-motivated steps that are not necessary to accomplish the non-tax goals – a disaggregation approach.

Whether the economic substance doctrine is relevant and whether a transaction should be disaggregated will be considered on a case-by-case basis, depending on the facts and circumstances of each individual case. For example, if transfers of multiple assets and liabilities occur and the transfer of a specific asset or assumption of a specific liability was tax-motivated and unnecessary to accomplish a non-tax objective, then the economic substance doctrine may be applied solely to the transfer or assumption of that specific asset or liability. Separable activities may take many forms including, for example, the use of an intermediary employed for tax benefits and whose actions or involvement was unnecessary to accomplish an overarching non-tax objective.

These situations are merely examples intended to illustrate the potential application of the disaggregation approach and are not exhaustive or comprehensive.

B. Similar Rule of Law

For purposes of section 6662(b)(6), "similar rule of law" means a rule or doctrine that disallows the tax benefits under subtitle A of the Code related to a transaction because:

(1) the transaction does not change a taxpayer's economic position in a meaningful way (apart from Federal income tax effects); or

(2) the taxpayer did not have a substantial purpose (apart from Federal income tax effects) for entering into the transaction.

In other words, "similar rule of law" means a rule or doctrine that applies the same factors and analysis that is required under section 7701(o) for an economic substance analysis, even if a different term or terms (for example, "sham transaction doctrine") are used to describe the rule or doctrine. See H.R. Rep. 111–443, at 304.

The IRS will not apply a penalty under section 6662(b)(6) (or otherwise argue that a transaction is described in section 6662(b)(6)) unless it also raises section 7701(o) to support the underlying adjustments. If the IRS does not raise section 7701(o) to disallow the claimed tax benefits and instead relies upon other judicial doctrines (e.g., the substance over form or step transaction doctrines) to support the underlying adjustments, the IRS will not apply a section 6662(b)(6) penalty (or otherwise argue that a transaction is described in section 6662(b)(6)) because the IRS will not treat the transaction as failing to meet the requirements of a similar rule of law. Code sections and Treasury regulations, other than section 7701(o) and the regulations under that section, that disallow tax benefits are not similar rules of law for purposes of section 6662(b)(6).

EFFECT ON OTHER DOCUMENTS

Notice 2010–62, 2010–40 I.R.B. 411, is amplified.

EFFECTIVE DATE

This notice is effective for transactions entered into after March 30, 2010.

CONTACT INFORMATION

The principal author of this notice is James G. Hartford of the Office of Associate Chief Counsel (Procedure and Administration). For further information regarding this notice, contact Mr. Hartford at (202) 317-3400 (not a toll-free number).

Modified Applicability Dates of Certain Provisions Under Chapters 3 and 61

Notice 2014–59

I. PURPOSE

This notice announces the intention of the Department of the Treasury (Treasury) and the IRS to amend certain provisions of the temporary regulations published under sections 1441, 1442, and 6049 of the Internal Revenue Code (Code) on March 6, 2014, to provide modified applicability dates with respect to: (i) the standards of knowledge applicable to a withholding certificate or documentary evidence to document a payee that is an entity under § 1.1441–7(b); and (ii) the rules under § 1.6049–5(c) providing the circumstances under which a withholding agent or payor may rely on documentary evidence provided by a payee instead of a withholding certificate to document the foreign status of the payee for purposes of chapters 3 and 61. Prior to the issuance of these amendments, taxpayers may rely on this notice regarding the modified applicability dates.

II. BACKGROUND

On March 18, 2010, the Hiring Incentives to Restore Employment Act of 2010, Pub. L. 111–147 (H.R. 2847), added chapter 4 to Subtitle A of the Code (sections 1471–1474 (commonly known as "FATCA")). Chapter 4 generally requires withholding agents to withhold at a 30 percent rate on certain payments to a foreign financial institution (FFI) unless the FFI has entered into an agreement (FFI agreement) to obtain status as a participating FFI and, among other things, to report certain information with respect to U.S. accounts. Chapter 4 also imposes on withholding agents withholding, documentation, and reporting requirements with respect to certain payments made to non-financial foreign entities (NFFEs). On January 17, 2013, Treasury and the IRS published final regulations under chapter 4 (TD 9610, 78 Fed. Reg. 5873) (final chapter 4 regulations).

On March 6, 2014, Treasury and the IRS published temporary regulations under chapter 4 (T.D. 9657, 79 Fed. Reg. 12812) (temporary chapter 4 regulations) and under chapter 3, chapter 61, and section 3406 (T.D. 9658, 79 Fed. Reg. 12726) (temporary coordination regulations). The temporary coordination regulations modify certain provisions of the regulations under chapters 3 and 61 and section 3406 to coordinate with the chapter 4 regulations, including (i) the standards of knowledge for withholding agents under § 1.1441–7(b); and (ii) the conditions under which a withholding agent or a payor (as defined for chapter 61 purposes in § 1.6049–5(c)(5)) may rely on documentary evidence to document a payee's foreign status. The temporary coordination regulations are generally effective for payments made by withholding agents and payors beginning on or after July 1, 2014.

The temporary coordination regulations in § 1.1441–7(b) amend the standards of knowledge regarding the circumstances under which a withholding agent has reason to know that a payee's claim of foreign status is unreliable or incorrect. These amendments were made to coordinate with the chapter 4 regulations and are consistent with the standards of knowledge that apply for purposes of chapter 4. The temporary coordination regulations in § 1.1441–7(b)(5) and (b)(8) modify the circumstances under which a withholding agent that is described in § 1.1441–7(b)(3)(i) (including a financial institution) and that has obtained a withholding certificate or documentary evidence has reason to know that a claim of foreign status made by a direct account holder is unreliable or incorrect for purposes of chapters 3 and 61. In particular, the temporary coordination regulations provide additional U.S. indicia that will cause a withholding agent to have reason to know that a claim of foreign status by a direct account holder is unreliable or incorrect for purposes of chapters 3 and 61. The additional U.S.

indicia are as follows: (1) the withholding agent's classification of the account holder as a U.S. person in its account information; (2) a current U.S. telephone number for the account holder if the withholding agent has no telephone number for the account holder outside the United States; and (3) an unambiguous indication of a U.S. place of birth for an individual direct account holder on accompanying documentation or in the withholding agent's account information. See § 1.1441–7(b)(5)(i), (b)(5)(ii), (b)(8)(ii), and (b)(8)(iii). The temporary coordination regulations under § 1.1441–7(b)(3)(ii) do not require a withholding agent to take into account these additional U.S. indicia for a preexisting obligation if the foreign status of the direct account holder was documented by the withholding agent for purposes of chapter 3 or chapter 61 before July 1, 2014, unless the withholding agent is notified of a change in circumstances with respect to the obligation or, in the case of an individual account holder, reviews documentation that contains a U.S. place of birth.

The regulations under § 1.6049–5(c)(1) provide guidance on a payor's use of documentary evidence with respect to an offshore obligation to establish a payee's foreign status for certain amounts paid outside the United States under § 1.6049–5(e). Prior to amendment, an amount was considered paid outside the United States under § 1.6049–5(e) if the payor completed the acts necessary to effect the payment outside the United States, provided that the payment was not further described in § 1.6049–5(e). Section 1.6049–5(e) describes certain "U.S. tiebacks," which cause a payment not to be treated as an amount paid outside the United States, such as when a payment is transferred to an account maintained by the payee in the United States or mailed to a United States address when certain other conditions apply. Additionally, prior to amendment, the regulations under § 1.6049–5(c)(4) modified the regulations under § 1.6049–5(c)(1) regarding the use of documentary evidence for payments of amounts that are not subject to withholding under § 1.1441–2(a), other than amounts described in § 1.6049–5(d)(3)(iii) (dealing with U.S. short-term original issue discount and U.S. bank deposit interest). The temporary coordination regulations amend § 1.6049–5(e) and § 1.6049–5(c)(4) to provide further guidance with respect to when an amount is considered paid outside the United States and the types of documentary evidence permitted for establishing a payee's foreign status with respect to certain payments, including the requirements for maintaining such documentation.

On May 19, 2014, Treasury and the IRS issued Notice 2014–33 (2014–21 I.R.B. 1033), which, among other things, states the intention of Treasury and the IRS to amend the chapter 4 regulations to allow a withholding agent or FFI to treat an obligation held by an entity that is issued, opened, or executed on or after July 1, 2014, and before January 1, 2015, as a preexisting obligation described in §§ 1.1471–2(a)(4)(ii), 1.1472–1(b)(2), and 1.1471–4(c)(3), except that an FFI may not apply the documentation exception under § 1.1471–4(c)(3)(iii).

III. SCOPE

This notice applies to withholding agents, FFIs, and payors that have withholding or information reporting requirements under chapter 3, chapter 4, chapter 61, or section 3406 with respect to accounts and obligations they open or enter into before January 1, 2015, and provides relief generally consistent with Notice 2014–33. As under Notice 2014–33, the relief provided by this notice may be used with respect to all accounts and obligations to which the relief applies, or separately with respect to any such account or clearly identified group of such accounts (for example, by line of business).

IV. MODIFIED APPLICABILITY DATE WITH RESPECT TO THE STANDARDS OF KNOWLEDGE FOR ENTITIES

Following the publication of Notice 2014–33, some commentators noted that, while the modifications to § 1.1441–7(b) in the temporary coordination regulations address the application of the revised reason to know standards for obligations that were documented before July 1, 2014, the Notice does not address how § 1.1441–7(b) applies to entity accounts opened on or after July 1, 2014, and before January 1, 2015, that are treated as preexisting obligations by withholding agents and participating FFIs for purposes of chapter 4 under section IV of the Notice. These commentators requested that a similar modified applicability date be added to § 1.1441–7(b) for purposes of chapters 3 and 61 (and for chapter 4 purposes by cross-reference to § 1.1441–7(b) in § 1.1471–3(e)(4)) to effectively implement the Notice's transition relief with respect to the allowance to treat a new entity account as a preexisting entity account. Absent such a modification, a withholding agent that makes a payment that is subject to withholding under sections 1441 and 1442 to a new account held by an entity that it treats as a preexisting account under the Notice would be required to apply the revised standards of knowledge under § 1.1441–7(b) when validating a withholding certificate or documentary evidence furnished by the entity to determine whether withholding under chapter 3 applies, even though the withholding agent may have a longer period of time to apply the documentation requirements (including the revised standards of knowledge) under chapter 4 with respect to the same entity. In response to these comments, Treasury and the IRS intend to modify the revised standards of knowledge in the temporary coordination regulations to allow a withholding agent to apply the rules under § 1.1441–7(b)(5) and (b)(8) as in effect and contained in 26 CFR part 1 revised April 1, 2013, to accounts opened, and obligations entered into, by an entity, on or after July 1, 2014, and before January 1, 2015. Therefore, this notice provides additional time for withholding agents to apply the new entity account procedures to document a new obligation held by an entity and further facilitates the relief provided by Notice 2014–33.

In addition, certain commentators stated that the allowance for preexisting obligations provided in section V of Notice 2014–33 and § 1.1441–7(b)(3)(ii) would still require a withholding agent to immediately identify a change in circumstances for an entity payee that occurs on any date on or after July 1, 2014, based on the additional U.S. indicia specified in § 1.1441–7(b) (and described above). Commentators suggested that, because withholding agents lack existing systems that can identify the new U.S. indicia, additional time should be provided

for withholding agents to modify their systems to identify the new U.S. indicia for an existing entity account holder. In furtherance of the relief provided by Notice 2014–33 with respect to new obligations held by an entity, and to coordinate with the revised applicability date described in the preceding paragraph, Treasury and the IRS also intend to amend the temporary coordination regulations to provide that, with respect to an obligation held by an entity, a withholding agent will not be required to treat the additional U.S. indicia specified in § 1.1441–7(b) as a change in circumstances under § 1.1441–1(e)(4)(ii)(D) before January 1, 2015.

The amendments described in this section IV apply to withholding agents and FFIs for purposes of determining a payee's or account holder's foreign status for chapter 4 purposes by cross-reference to § 1.1441–7(b) in § 1.1471–3(e)(4) and are available only with respect to obligations held by entities.

V. ALLOWANCE TO APPLY PRIOR RULES REGARDING DOCUMENTARY EVIDENCE FOR CERTAIN OFFSHORE PAYMENTS

The temporary coordination regulations revise § 1.6049–5(c)(1) to make the use of documentary evidence available with respect to offshore obligations (rather than just offshore accounts) and revise § 1.6049–5(e) to remove the U.S. tiebacks (described above), thus allowing for a payor's use of documentary evidence without regard to the presence of U.S. tiebacks with respect to a payment. In addition, the temporary coordination regulations in § 1.6049–5(c)(1) specify the types of documentary evidence on which a payor can rely, replacing the generalized standard for documentary evidence previously provided in § 1.6049–5(c)(1). The types of documentary evidence allowed are consistent with the final chapter 4 regulations under § 1.1471–3(c)(5)(i). Finally, the temporary coordination regulations in § 1.6049–5(c)(1) specify the types of withholding agents and payors that may use documentary evidence to document a payee (that is, a financial institution or a broker or dealer in securities). The temporary coordination regulations under § 1.6049–5(c)(1) apply to payments made on or after July 1, 2014, except to payments made with respect to preexisting obligations as described in § 1.1441–7(b)(3)(ii). An allowance is contained in the temporary coordination regulations under § 1.1441–6(c)(4) for when a withholding agent may rely on documentary evidence to provide a reduced rate of withholding under an income tax treaty.

To allow payors additional time to modify their systems to implement the revised requirements of § 1.6049–5(c)(1), Treasury and the IRS intend to modify the temporary coordination regulations to allow a payor to continue to use, for accounts opened on or after July 1, 2014, and before January 1, 2015, the rules regarding the use of documentary evidence under § 1.6049–5(c)(1) and (c)(4) as in effect and contained in 26 CFR part 1 revised April 1, 2013 ("prior § 1.6049–5(c)"), instead of the new rules regarding documentary evidence for offshore obligations under § 1.6049–5(c)(1) and (c)(4) of the temporary coordination regulations. For consistency, a payor that applies prior § 1.6049–5(c) to an account or obligation will also be required to apply § 1.1441–6(c)(2) (to the extent applicable) and § 1.6049–5(e) as in effect and contained in 26 CFR part 1 revised April 1, 2013, with respect to the account or obligation.

VI. DRAFTING INFORMATION

The principal author of this notice is Nancy J. Lee of the Office of Associate Chief Counsel (International). For further information regarding this notice, contact Ms. Lee at (202) 317-6942 (not a toll-free number).

Update for Weighted Average Interest Rates, Yield Curves, and Segment Rates

Notice 2014–62

This notice provides guidance on the corporate bond monthly yield curve, the corresponding spot segment rates used under § 417(e)(3), and the 24-month average segment rates under § 430(h)(2) of the Internal Revenue Code. In addition, this notice provides guidance as to the interest rate on 30-year Treasury securities under § 417(e)(3)(A)(ii)(II) as in effect for plan years beginning before 2008 and the 30-year Treasury weighted average rate under § 431(c)(6)(E)(ii)(I). The rates in this notice reflect the application of § 430(h)(2)(C)(iv), which was added by the Moving Ahead for Progress in the 21st Century Act, Public Law 112–141 (MAP–21) and amended by section 2003 of the Highway and Transportation Funding Act of 2014, Public Law 113–159 (HATFA).

YIELD CURVE AND SEGMENT RATES

Generally, except for certain plans under sections 104 and 105 of the Pension Protection Act of 2006 and CSEC plans under § 414(y), § 430 of the Code specifies the minimum funding requirements that apply to single-employer plans pursuant to § 412. Section 430(h)(2) specifies the interest rates that must be used to determine a plan's target normal cost and funding target. Under this provision, present value is generally determined using three 24-month average interest rates ("segment rates"), each of which applies to cash flows during specified periods. To the extent provided under § 430(h)(2)(C)(iv), these segment rates are adjusted by the applicable percentage of the 25-year average segment rates for the period ending September 30 of the year preceding the calendar year in which the plan year begins. However, an election may be made under § 430(h)(2)(D)(ii) to use the monthly yield curve in place of the segment rates.

Notice 2007–81, 2007–44 I.R.B. 899, provides guidelines for determining the monthly corporate bond yield curve, and the 24-month average corporate bond segment rates used to compute the target normal cost and the funding target. In accordance with the methodology specified in Notice 2007–81, the monthly corporate bond yield curve derived from September 2014 data is in Table I at the end of this notice. The spot first, second, and third segment rates for the month of September 2014 are, respectively, 1.40, 3.98, and 5.04.

The 24-month average segment rates determined under § 430(h)(2)(C)(i) through (iii) must be adjusted pursuant to § 430(h)(2)(C)(iv) by the applicable percentage of the corresponding 25-year average segment rates. Section 2003(a) of

HATFA amended the applicable percentages under § 430(h)(2)(C)(iv). This change generally applies to plan years beginning on or after January 1, 2013. However, pursuant to section 2003(e)(2) of HATFA, a plan sponsor can elect not to have the amendments made to the applicable percentages by section 2003 of HATFA apply to any plan year beginning in 2013. These elections can be made either for all purposes or, alternatively, for purposes of determining the adjusted funding target attainment percentage under § 436. The 25-year average segment rates for plan years beginning in 2012, 2013, 2014 and 2015 were published in Notice 2012–55, 2012–36 I.R.B. 332, Notice 2013–11, 2013–11 I.R.B. 610, Notice 2013–58, 2013–40 I.R.B. 294, and Notice 2014–50, 2014–40 I.R.B. 590, respectively.

For plan years beginning in years 2012 through 2017, pursuant to the changes made by HATFA, the applicable minimum percentage is 90% and the applicable maximum percentage is 110%. These applicable percentages are referred to as HATFA applicable percentages. As described in the preceding paragraph, a special election is available for any plan year beginning in 2013 under which this change made by HATFA can be disregarded for all purposes or for limited purposes. To the extent such an election is made, the applicable minimum percentage for a plan year beginning in 2013 is 85% and the applicable maximum percentage for that plan year is 115%. These applicable percentages are referred to as MAP–21 applicable percentages.

The three 24-month average corporate bond segment rates applicable for October 2014 without adjustment for the 25-year average segment rate limits are as follows:

Applicable Month	First Segment	Second Segment	Third Segment
October 2014	1.17	4.07	5.17

Based on § 430(h)(2)(C)(iv) as amended by section 2003 of HATFA, the 24-month averages applicable for October 2014 adjusted for the HATFA applicable percentages of the corresponding 25-year average segment rates, are as follows:

For Plan Years Beginning In	Applicable Month		Adjusted 24-Month Average Segment Rates, Based on the HATFA Applicable Percentage of 25-Year Average Rates		
			First Segment	Second Segment	Third Segment
2013	October	2014	5.23	6.51	7.16
2014	October	2014	4.99	6.32	6.99
2015	October	2014	4.72	6.11	6.81

Based on § 430(h)(2)(C)(iv) as in effect prior to amendment by section 2003 of HATFA, the three 24-month averages applicable for October 2014 adjusted for the MAP–21 applicable percentages of the corresponding 25-year average segment rates, for plan years beginning in 2013, are as follows:

For Plan Years Beginning In	Applicable Month		Adjusted 24-Month Average Segment Rates, Based on on MAP–21 Applicable Percentage of 25-Year Average Rates		
			First Segment	Second Segment	Third Segment
2013	October	2014	4.94	6.15	6.76

30-YEAR TREASURY SECURITIES INTEREST RATES

Generally for plan years beginning after 2007, § 431 specifies the minimum funding requirements that apply to multiemployer plans pursuant to § 412. Section 431(c)(6)(B) specifies a minimum amount for the full-funding limitation described in section 431(c)(6)(A), based on the plan's current liability. Section 431(c)(6)(E)(ii)(I) provides that the interest rate used to calculate current liability for this purpose must be no more than 5 percent above and no more than 10 percent below the weighted average of the rates of interest on 30-year Treasury securities during the four-year period ending on the last day before the beginning of the plan year. Notice 88–73, 1988–2 C.B. 383, provides guidelines for determining the weighted average interest rate. The rate of interest on 30-year Treasury securities for September 2014 is 3.26 percent. The Service has determined this rate as the average of the daily determinations of yield on the 30-year Treasury bond maturing in August 2044. The following rates were determined for plan years beginning in the month shown below.

For Plan Years Beginning in		30-Year Treasury Weighted Average	Permissible Range		
Month	*Year*		90%	to	105%
October	2014	3.40	3.06		3.56

MINIMUM PRESENT VALUE SEGMENT RATES

In general, the applicable interest rates under § 417(e)(3)(D) are segment rates computed without regard to a 24-month average. Notice 2007–81 provides guidelines for determining the minimum present value segment rates. Pursuant to that notice, the minimum present value segment rates determined for September 2014 are as follows:

First Segment	Second Segment	Third Segment
1.40	3.98	5.04

DRAFTING INFORMATION

The principal author of this notice is Tony Montanaro of the Employee Plans, Tax Exempt and Government Entities Division. Mr. Montanaro may be e-mailed at *RetirementPlanQuestions@irs.gov*.

Table I
Monthly Yield Curve for September 2014
Derived from September 2014 Data

Maturity	*Yield*	*Maturity*	*Yield*	*Maturity*	*Yield*	*Maturity*	*Yield*	*Maturity*	*Yield*
0.5	0.23	20.5	4.69	40.5	5.08	60.5	5.22	80.5	5.29
1.0	0.52	21.0	4.71	41.0	5.09	61.0	5.22	81.0	5.29
1.5	0.81	21.5	4.73	41.5	5.09	61.5	5.22	81.5	5.29
2.0	1.08	22.0	4.75	42.0	5.10	62.0	5.23	82.0	5.29
2.5	1.34	22.5	4.76	42.5	5.10	62.5	5.23	82.5	5.29
3.0	1.58	23.0	4.78	43.0	5.11	63.0	5.23	83.0	5.29
3.5	1.81	23.5	4.79	43.5	5.11	63.5	5.23	83.5	5.30
4.0	2.02	24.0	4.81	44.0	5.12	64.0	5.24	84.0	5.30
4.5	2.22	24.5	4.82	44.5	5.12	64.5	5.24	84.5	5.30
5.0	2.41	25.0	4.83	45.0	5.13	65.0	5.24	85.0	5.30
5.5	2.59	25.5	4.84	45.5	5.13	65.5	5.24	85.5	5.30
6.0	2.76	26.0	4.86	46.0	5.13	66.0	5.24	86.0	5.30
6.5	2.91	26.5	4.87	46.5	5.14	66.5	5.25	86.5	5.30
7.0	3.06	27.0	4.88	47.0	5.14	67.0	5.25	87.0	5.30
7.5	3.20	27.5	4.89	47.5	5.15	67.5	5.25	87.5	5.31
8.0	3.33	28.0	4.90	48.0	5.15	68.0	5.25	88.0	5.31
8.5	3.45	28.5	4.91	48.5	5.15	68.5	5.25	88.5	5.31
9.0	3.56	29.0	4.92	49.0	5.16	69.0	5.25	89.0	5.31
9.5	3.66	29.5	4.93	49.5	5.16	69.5	5.26	89.5	5.31
10.0	3.76	30.0	4.94	50.0	5.16	70.0	5.26	90.0	5.31
10.5	3.85	30.5	4.95	50.5	5.17	70.5	5.26	90.5	5.31
11.0	3.93	31.0	4.96	51.0	5.17	71.0	5.26	91.0	5.31
11.5	4.01	31.5	4.97	51.5	5.17	71.5	5.26	91.5	5.31
12.0	4.08	32.0	4.98	52.0	5.18	72.0	5.26	92.0	5.31
12.5	4.14	32.5	4.98	52.5	5.18	72.5	5.27	92.5	5.32
13.0	4.20	33.0	4.99	53.0	5.18	73.0	5.27	93.0	5.32
13.5	4.25	33.5	5.00	53.5	5.18	73.5	5.27	93.5	5.32
14.0	4.30	34.0	5.01	54.0	5.19	74.0	5.27	94.0	5.32
14.5	4.35	34.5	5.01	54.5	5.19	74.5	5.27	94.5	5.32
15.0	4.39	35.0	5.02	55.0	5.19	75.0	5.27	95.0	5.32
15.5	4.43	35.5	5.03	55.5	5.20	75.5	5.27	95.5	5.32
16.0	4.46	36.0	5.03	56.0	5.20	76.0	5.28	96.0	5.32
16.5	4.50	36.5	5.04	56.5	5.20	76.5	5.28	96.5	5.32
17.0	4.53	37.0	4.05	57.0	5.20	77.0	5.28	97.0	5.32
17.5	4.55	37.5	5.05	57.5	5.21	77.5	5.28	97.5	5.32
18.0	4.58	38.0	5.06	58.0	5.21	78.0	5.28	98.0	5.33
18.5	4.61	38.5	5.06	58.5	5.21	78.5	5.28	98.5	5.33
19.0	4.63	39.0	5.07	59.0	5.21	79.0	5.28	99.0	5.33
19.5	4.65	39.5	5.07	59.5	5.22	79.5	5.29	99.5	5.33
20.0	4.67	40.0	5.08	60.0	5.22	80.0	5.29	100.0	5.33

[26 CFR 601.602]: Tax Forms and Instructions (Also: Part I. section 894; Part II. United States- Canada Income Tax Convention)

Rev. Proc. 2014–55

SECTION 1. PURPOSE

This revenue procedure provides guidance for applying paragraph 7 of Article XVIII (Pensions and Annuities) of the Convention between the United States and Canada with respect to Taxes on Income and on Capital, signed on September 26, 1980, as amended by Protocols signed on June 14, 1983, March 28, 1984, March 17, 1995, July 29, 1997, and September 21, 2007 (the "Convention"). This revenue procedure supersedes Revenue Procedure 2002–23, 2002–1 C.B. 744, and Notice 2003–75, 2003–2 C.B. 1204. This revenue procedure also provides guidance concerning information reporting with respect to interests in certain Canadian retirement plans.

SECTION 2. BACKGROUND

.01 *Domestic Rules*. In general, under the domestic law of the United States, an individual who is a citizen or resident of the United States and a beneficiary of a Canadian retirement plan will be subject to current U.S. income taxation on income accrued in the plan even though the income is not currently distributed to the beneficiary, unless the plan is an employees' trust within the meaning of section 402(b) of the Internal Revenue Code ("Code") and the individual is not a highly compensated employee subject to the rule of section 402(b)(4)(A). The individual will not be subject to Canadian income taxation with respect to the accrued income, however, until it is actually distributed from the plan (or from another Canadian retirement plan to which it is transferred in a tax-free rollover), provided the plan satisfies certain criteria under the domestic law of Canada. Due to this mismatch between the timing of the U.S. tax and the Canadian tax, instances of double taxation may arise for which no relief is available under U.S. domestic law.

.02 *Paragraph 7 of Article XVIII of the Convention.* Article XVIII(7), which was added to the Convention by the Protocol signed on March 17, 1995 ("1995 Protocol"), addressed this timing mismatch and provided that a natural person who is a citizen or resident of the United States and who is a beneficiary of a trust, company, organization or other arrangement that is a resident of Canada, generally exempt from income taxation in Canada and operated exclusively to provide pension, retirement or employee benefits, may elect to defer taxation in the United States, under rules established by the competent authority of the United States, with respect to any income accrued in the plan but not distributed by the plan, until such time as and to the extent that a distribution is made from the plan or any plan substituted therefor. As amended by the Protocol signed on September 21, 2007 ("2007 Protocol"), Article XVIII(7) of the Convention continues to provide a rule with respect to the taxation of a natural person on income accrued in a pension or employee benefit plan in the other Contracting State. Under Article XVIII(7) of the Convention, as amended by the 2007 Protocol, a natural person who is a citizen or resident of the United States and who is a beneficiary of a trust, company, organization or other arrangement that is a resident of Canada, generally exempt from income taxation in Canada and operated exclusively to provide pension or employee benefits, may elect to defer taxation in the United States, subject to rules established by the competent authority of the United States, with respect to any income accrued in the plan but not distributed by the plan, until such time as and to the extent that a distribution is made from the plan or any plan substituted therefor.

.03 *Revenue Procedure 2002–23*. Section 4 of Revenue Procedure 2002–23 sets forth the rules for making an election under Article XVIII(7) of the Convention. Pursuant to those rules, beneficiaries of certain Canadian retirement plans make the election by attaching to their timely filed (including extensions) U.S. Federal income tax return a statement that includes the following information: (i) a statement that the taxpayer is claiming the benefit of Article XVIII(7) of the Convention; (ii) the name of the trustee of the plan and the plan account number; and (iii) the balance in the plan at the beginning of the taxable year in which the election is being made. Beneficiaries must attach a copy of this statement to their timely filed (including extensions) U.S. Federal income tax return for each subsequent taxable year through the taxable year in which a final distribution is made from the plan (or from any transferee plan within the meaning of section 4.03 of Rev. Proc. 2002–23). Revenue Procedure 2002–23 is effective for taxable years ending on or after December 31, 2001. Section 7 of Revenue Procedure 2002–23 provides that for taxable years ending before such date and beginning on or after January 1, 1996, taxpayers may elect to apply either Revenue Procedure 2002–23 or Revenue Procedure 89–45, 1989–2 C.B. 596 (which was superseded by Revenue Procedure 2002–23).

.04 *Section 6048*. Code section 6048 requires information reporting with respect to contributions to, distributions from, and ownership of certain foreign trusts. Section 6048(a)(3)(B)(ii)(I) provides an exception for contributions to certain foreign compensatory trusts, including a foreign trust that is described in section 402(b). Information reporting under section 6048 is generally required with respect to a U.S. citizen or resident's contributions to, distributions from, and ownership of a Canadian trust for which an election may be made under Article XVIII(7) of the Convention. Persons who are subject to the section 6048 reporting requirements must file Form 3520, *Annual Return to Report Transactions with Foreign Trusts and Receipt of Foreign Gifts*, or Form 3520–A, *Annual Information Return of Foreign Trust With a U.S. Owner*.

.05 *Notices 2003–25 and 2003–57*. Notice 2003–25, 2003–1 C.B. 855, and Notice 2003–57, 2003–2 C.B. 397, addressed the application of section 6048 to certain Canadian retirement plans and stated that the Treasury Department and the Internal Revenue Service (IRS) were considering the establishment of a simplified reporting regime that would be coordinated with the election procedure described in Revenue Procedure 2002–23.

.06 *Notice 2003–75*. Notice 2003–75, 2003–2 C.B. 1204, describes the simplified reporting regime that the Treasury Department and the IRS developed for U.S. citizens and residents who hold interests in Canadian registered retirement savings plans ("RRSPs") and registered retirement income funds ("RRIFs") and the custodians of such plans. Section 2.01

of Notice 2003–75 stated that Treasury and the IRS were designing a new form for beneficiaries to report their interests in an RRSP or an RRIF and that the new form would coordinate the reporting rules with the procedure set forth in section 4 of Revenue Procedure 2002–23 for making the election under Article XVIII (7) of the Convention. Sections 2.02 and 2.03 of Notice 2003–75 provided interim reporting rules to be followed until the new form was available. Section 3 of Notice 2003–75 provides that section 6048 reporting is no longer required with respect to RRSPs and RRIFs that have beneficiaries or annuitants who are subject to the new simplified reporting regime.

.07 *Form 8891*. In 2004, the IRS released Form 8891, *U.S. Information Return for Beneficiaries of Certain Canadian Registered Retirement Plans*, for U.S. citizens or residents who hold an interest in an RRSP or an RRIF to report distributions received from their RRSP or RRIF, contributions to their RRSP or RRIF, and undistributed earnings of the RRSP or RRIF. U.S. citizens or residents who have not previously made an election pursuant to Revenue Procedure 2002–23 to defer U.S. income tax on income that has accrued in an RRSP or an RRIF, but that has not been distributed, may make the election to apply Article XVIII(7) on Form 8891.

.08 *Section 6038D and Form 8938.* Section 6038D requires a U.S. citizen or resident who holds any interest in a specified foreign financial asset to attach to that individual's federal income tax return certain information with respect to each such asset if the aggregate value of all such assets exceeds certain thresholds. An individual uses Form 8938, *Statement of Specified Foreign Financial Assets*, to report the required information. An individual who timely files Form 8891 with respect to an RRSP or an RRIF is currently exempt from the reporting obligations imposed by section 6038D with respect to that plan, provided the individual reports on Form 8938 the filing of the Form 8891 with respect to the RRSP or RRIF. See Treas. Reg. § 1.6038D–7T(a)(1).

SECTION 3. SCOPE

For purposes of this revenue procedure, the term "Canadian retirement plan" means any trust, company, organization, or other arrangement that is within the scope of Article XVIII(7) of the Convention. The term "beneficiary" means any individual who holds an interest in a Canadian retirement plan or plans and who would be subject to current U.S. income taxation under the domestic law of the United States on undistributed income accrued in such plan or plans. The term "annuitant" means an individual who is designated pursuant to a Canadian retirement plan as an annuitant and is not also a beneficiary as defined above.

This revenue procedure replaces the existing procedures under which a beneficiary may make an election under Article XVIII(7) of the Convention with respect to a Canadian retirement plan. Any election made pursuant to this revenue procedure is made on a plan-by-plan basis. This revenue procedure applies regardless of whether the beneficiary was a resident of Canada at the time contributions were made to the plan.

As described in section 4 of this revenue procedure, there are two different procedures for taxpayers to make an election to apply Article XVIII(7) of the Convention. Under the first method, a taxpayer elects to apply Article XVIII(7) of the Convention by reporting on a U.S. federal income tax return income earned with respect to a Canadian retirement plan on a distribution basis – that is, by recognizing income with respect to a Canadian retirement plan only upon receiving distributions from the plan. This method is only available to certain eligible individuals described in section 4.01 of this revenue procedure. Under the second method, a taxpayer that is not described in section 4.01 of this revenue procedure (i.e., a taxpayer that has reported on a U.S. federal income tax return the undistributed income earned with respect to a Canadian retirement plan) must request consent of the Commissioner to make an election to apply Article XVIII(7) of the Convention. See section 4.04 of this revenue procedure. An election to apply Article XVIII(7) of the Convention may not be revoked except with the consent of the Commissioner.

Sections 5 and 6 of this revenue procedure apply to any beneficiary or annuitant of a Canadian retirement plan and address information reporting with respect to such a plan and taxation of distributions from such a plan, respectively. Section 7 of this revenue procedure provides an example of how an election described under section 4.02 of this revenue procedure is applied.

SECTION 4. PROCEDURES FOR MAKING THE ELECTION

.01 *Eligible Individuals.* This section applies only to eligible individuals and only to income accrued in a Canadian retirement plan and not to any contributions to the plan. An "eligible individual" is a beneficiary of a Canadian retirement plan who:

A) Is or at any time was a U.S. citizen or resident (within the meaning of section 7701(b)(1)(A)) while a beneficiary of the plan;

B) Has satisfied any requirement for filing a U.S. Federal income tax return for each taxable year during which the individual was a U.S. citizen or resident;

C) Has not reported as gross income on a U.S. Federal income tax return the earnings that accrued in, but were not distributed by, the plan during any taxable year in which the individual was a U.S. citizen or resident; and

D) Has reported any and all distributions received from the plan as if the individual had made an election under Article XVIII(7) of the Convention for all years during which the individual was a U.S. citizen or resident.

.02 *Election Procedure for an Eligible Individual*. An eligible individual who did not previously make an election under Article XVIII(7) of the Convention to defer current U.S. income taxation on the undistributed income of a Canadian retirement plan will be treated as having made the election in the first year in which the individual would have been entitled to elect the benefits under Article XVIII(7) with respect to the plan. Consequently, such eligible individual will not be required to make the election for that first year or for any subsequent years either on Form 8891 or under the procedures set forth in Revenue Procedure 2002–23. If an eligible individual has an interest in more than one Canadian retirement plan, this paragraph 4.02 applies separately to each such plan. In accordance with section 6 of this revenue procedure, eligible indi-

viduals must report on their U.S. Federal income tax return any income that has accrued in the plan when it is distributed.

.03 *Effect of the Election.* Once an election is made pursuant to section 4.02 of this revenue procedure with respect to a Canadian retirement plan, that election is in effect for all subsequent taxable years through the year in which a final distribution is made from the plan, unless the election is revoked with the consent of the Commissioner.

.04 *Election Procedure for an Individual Other than an Eligible Individual*. Beneficiaries who have reported on their U.S. Federal income tax return undistributed income that has accrued in a Canadian retirement plan during a taxable year are not "eligible individuals" within the meaning of section 4.01 of this revenue procedure. Consequently, such beneficiaries are not eligible to apply section 4.02 of this revenue procedure to make an election under Article XVIII(7) of the Convention and will remain currently taxable on the undistributed income. If such a beneficiary desires to make an Article XVIII(7) election with respect to a Canadian retirement plan, the beneficiary must seek the consent of the Commissioner.

.05 *Effect on Prior Elections*. A beneficiary who has previously made an Article XVIII(7) election with respect to a Canadian plan on Form 8891 or under the procedures set forth in Revenue Procedure 2002–23 (or an eligible individual who is treated as having made the election pursuant to section 4.02 of this revenue procedure) is not required to file Form 8891 or a similar statement for taxable years ending after December 31, 2012. A beneficiary (or eligible individual) who wants to revoke a prior election must seek the consent of the Commissioner.

.06 *Effect on Prior Letter Rulings*. Pursuant to section 11.04 of Revenue Procedure 2014–1, 2014–1 I.R.B. 1, any letter ruling issued with respect to a late election for a Canadian retirement plan under Article XVIII(7) of the Convention is hereby modified to eliminate the requirement to file Form 8891 with respect to such plan.

SECTION 5. INFORMATION REPORTING WITH RESPECT TO CANADIAN RETIREMENT PLANS

.01 *Reporting Rules for a Beneficiary or Annuitant of a Canadian Retirement Plan*. Subject to any future guidance that may be issued by the Treasury Department and the IRS, beneficiaries (regardless of whether they are "eligible individuals" within the meaning of section 4.01 of this revenue procedure) and annuitants are not required to report contributions to, distributions from, and ownership of a Canadian retirement plan under the simplified reporting regime established by Notice 2003–75 (Form 8891) or pursuant to the reporting obligations imposed by section 6048 (Form 3520). In addition, custodians are not required to file Form 3520–A with respect to a Canadian retirement plan. This revenue procedure does not, however, affect any reporting obligations that a beneficiary or annuitant of a Canadian retirement plan may have under section 6038D or under any other provision of U.S. law, including the requirement to file FinCEN Form 114, Report of Foreign Bank and Financial Accounts (FBAR), imposed by 31 U.S.C. § 5314 and the regulations thereunder.

.02 *Effect on Form 8891*. This revenue procedure obsoletes Form 8891 as of December 31, 2014. Beneficiaries who have a valid extension in effect under section 6081 for taxable year 2013 and who have not filed a U.S. income tax return for taxable year 2013 by the date this revenue procedure is published in the Internal Revenue Bulletin may wish to attach Form 8891 to such return in order to satisfy the requirements of Treas. Reg. § 1.6038D–7T(a)(1). See section 2.08 above. Even though such beneficiaries are not required to file Form 8891 pursuant to the relief set forth in section 5.01, they may do so in order to report on Form 8938 that they have filed Form 8891 with respect to an RRSP or RRIF.

SECTION 6. DISTRIBUTIONS FROM CANADIAN RETIREMENT PLANS

Distributions received by any beneficiary or annuitant from a Canadian retirement plan, including the portion thereof that constitutes income that has accrued in the plan and has not previously been taxed in the United States, must be included in gross income by the beneficiary or annuitant in the manner provided under section 72, subject to any applicable provision of the Convention.

SECTION 7. EXAMPLE

Example: Taxpayer is a U.S. citizen and a resident of Canada who established an RRSP in 2004 and filed Form 1040, *U.S. Individual Income Tax Return*, for 2004 and all subsequent taxable years. Taxpayer did not attach to any Form 1040 a Form 8891 with respect to the RRSP and did not make an election under the procedures set forth in Revenue Procedure 2002–23. Taxpayer also did not include as gross income on any Form 1040 any earnings that accrued in the RRSP during 2004 and subsequent taxable years. Taxpayer has not received any distributions from the RRSP. Pursuant to section 4.01 of this revenue procedure, Taxpayer is an eligible individual and, pursuant to section 4.02 of this revenue procedure, will be treated as having made an election under Article XVIII(7) of the Convention to defer current U.S. income taxation on the undistributed income for 2004 and all subsequent taxable years through the taxable year in which there is a final distribution from the RRSP. When Taxpayer receives distributions from the RRSP, the entire amount of each distribution will be subject to U.S. Federal income tax. In addition, Taxpayer is not required to report his interest in the RRSP on Form 8891, Form 3520, or Form 3520–A. However, Taxpayer may need to report his interest in the RRSP under section 6038D or under another provision of U.S. law, including the requirement to file FinCEN Form 114, Report of Foreign Bank and Financial Accounts (FBAR), imposed by 31 U.S.C. § 5314 and the regulations thereunder.

SECTION 8. EFFECT ON OTHER DOCUMENTS

Revenue Procedure 2002–23, 2002–1 C.B. 744, and Notice 2003–75, 2003–2 C.B. 1204, are superseded. Form 8891 is obsolete as of December 31, 2014.

SECTION 9. EFFECTIVE DATE

This revenue procedure is effective for taxable years beginning on or after January 1, 1996, except that section 5.01 is effective for taxable years beginning on or after January 1, 2003, and section 5.02 is effective as of the date this revenue procedure is published in the Internal Revenue Bulletin. Form 8891 is obsolete as of December 31, 2014.

SECTION 10. DRAFTING INFORMATION

The principal author of this revenue procedure is Gregory T. Armstrong, formerly of the Office of Associate Chief Counsel (International). For further information regarding this revenue procedure, contact Rosy Lor at (202) 317-6933 (not a toll free number).

Definition of Terms

Revenue rulings and revenue procedures (hereinafter referred to as "rulings") that have an effect on previous rulings use the following defined terms to describe the effect:

Amplified describes a situation where no change is being made in a prior published position, but the prior position is being extended to apply to a variation of the fact situation set forth therein. Thus, if an earlier ruling held that a principle applied to A, and the new ruling holds that the same principle also applies to B, the earlier ruling is amplified. (Compare with modified, below).

Clarified is used in those instances where the language in a prior ruling is being made clear because the language has caused, or may cause, some confusion. It is not used where a position in a prior ruling is being changed.

Distinguished describes a situation where a ruling mentions a previously published ruling and points out an essential difference between them.

Modified is used where the substance of a previously published position is being changed. Thus, if a prior ruling held that a principle applied to A but not to B, and the new ruling holds that it applies to both A and B, the prior ruling is modified because it corrects a published position. (Compare with amplified and *clarified*, above).

Obsoleted describes a previously published ruling that is not considered determinative with respect to future transactions. This term is most commonly used in a ruling that lists previously published rulings that are obsoleted because of changes in laws or regulations. A ruling may also be obsoleted because the substance has been included in regulations subsequently adopted.

Revoked describes situations where the position in the previously published ruling is not correct and the correct position is being stated in a new ruling.

Superseded describes a situation where the new ruling does nothing more than restate the substance and situation of a previously published ruling (or rulings). Thus, the term is used to republish under the 1986 Code and regulations the same position published under the 1939 Code and regulations. The term is also used when it is desired to republish in a single ruling a series of situations, names, etc., that were previously published over a period of time in separate rulings. If the new ruling does more than restate the substance of a prior ruling, a combination of terms is used. For example, modified and *superseded* describes a situation where the substance of a previously published ruling is being changed in part and is continued without change in part and it is desired to restate the valid portion of the previously published ruling in a new ruling that is self contained. In this case, the previously published ruling is first modified and then, as modified, is superseded.

Supplemented is used in situations in which a list, such as a list of the names of countries, is published in a ruling and that list is expanded by adding further names in subsequent rulings. After the original ruling has been supplemented several times, a new ruling may be published that includes the list in the original ruling and the additions, and supersedes all prior rulings in the series.

Suspended is used in rare situations to show that the previous published rulings will not be applied pending some future action such as the issuance of new or amended regulations, the outcome of cases in litigation, or the outcome of a Service study.

Abbreviations

The following abbreviations in current use and formerly used will appear in material published in the Bulletin.

A—Individual.
Acq.—Acquiescence.
B—Individual.
BE—Beneficiary.
BK—Bank.
B.T.A.—Board of Tax Appeals.
C—Individual.
C.B.—Cumulative Bulletin.
CFR—Code of Federal Regulations.
CI—City.
COOP—Cooperative.
Ct.D.—Court Decision.
CY—County.
D—Decedent.
DC—Dummy Corporation.
DE—Donee.
Del. Order—Delegation Order.
DISC—Domestic International Sales Corporation.
DR—Donor.
E—Estate.
EE—Employee.
E.O.—Executive Order.
ER—Employer.
ERISA—Employee Retirement Income Security Act.
EX—Executor.
F—Fiduciary.
FC—Foreign Country.
FICA—Federal Insurance Contributions Act.
FISC—Foreign International Sales Company.
FPH—Foreign Personal Holding Company.
F.R.—Federal Register.
FUTA—Federal Unemployment Tax Act.
FX—Foreign corporation.
G.C.M.—Chief Counsel's Memorandum.
GE—Grantee.
GP—General Partner.
GR—Grantor.
IC—Insurance Company.
I.R.B.—Internal Revenue Bulletin.
LE—Lessee.
LP—Limited Partner.
LR—Lessor.
M—Minor.
Nonacq.—Nonacquiescence.
O—Organization.
P—Parent Corporation.
PHC—Personal Holding Company.
PO—Possession of the U.S.
PR—Partner.
PRS—Partnership.
PTE—Prohibited Transaction Exemption.
Pub. L.—Public Law.
REIT—Real Estate Investment Trust.
Rev. Proc.—Revenue Procedure.
Rev. Rul.—Revenue Ruling.
S—Subsidiary.
S.P.R.—Statement of Procedural Rules.
Stat.—Statutes at Large.
T—Target Corporation.
T.C.—Tax Court.
T.D.—Treasury Decision.
TFE—Transferee.
TFR—Transferor.
T.I.R.—Technical Information Release.
TP—Taxpayer.
TR—Trust.
TT—Trustee.
U.S.C.—United States Code.
X—Corporation.
Y—Corporation.
Z—Corporation.

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Ann	Announcement
CD	Court Decision
DO	Delegation Order
EO	Executive Order
PL	Public Law
PTE	Prohibited Transaction Exemption
RP	Revenue Procedure
RR	Revenue Ruling
SPR	Statement of Procedural Rules
TC	Tax Convention
TD	Treasury Decision
TDO	Treasury Department Order

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