election. If a taxpayer makes the election, he shall be deemed to have consented to the application of the provisions of section 2 of the Act extending the time for assessing a deficiency attributable to the election. Section 2 of the Act does not shorten the period of limitations otherwise applicable. An agreement may be entered into under section 6501(c)(4) of the Internal Revenue Code of 1954 and corresponding provisions of prior law to extend the period for assessment.

(Sec. 2(f), 75 Stat. 683; 26 U.S.C. 613 note)

[T.D. 6583, 26 FR 12079, Dec. 16, 1961]

§ 1.9005–4 Manner of exercising election.

(a) *By whom election is to be made.* Generally, the taxpayer whose tax liability is affected by the election shall make the election. In the case of a partnership, or a corporation electing under the provisions of subchapter S, chapter 1 of the Internal Revenue Code of 1954, the election shall be exercised by the partnership or such corporation, as the case may be.

(b) *Time and manner of making election.* The election shall be made on or before February 14, 1962, by filing a statement with the district director with whom the taxpayer's income tax return for the taxable year in which the election is made is required to be filed. The statement shall include the following:

(1) A clear indication that an election is being made under section 2 of the Act, and

(2) The taxable years to which the election applies.

Amended income tax returns reflecting any increase or decrease in tax attributable to the election shall be filed for the taxable years to which the election applies. In the case of partnerships and electing small business corporations under subchapter S, chapter 1 of the Internal Revenue Code of 1954, amended returns shall be filed by the partnership or electing small business corporation, as well as by the partners or shareholders, as the case may be. Any amended return shall be filed with the office of the district director with whom the taxpayer files his income tax return for the taxable year in which the election is made, and, if practicable, on the same date the statement of election is filed, but amended returns shall be filed in no event later than May 31, 1962, unless an extension of time is granted under section 6081 of the Internal Revenue Code of 1954. Whenever the amended returns do not accompany the statement of election, a copy of the statement shall be submitted with the amended returns. The amended returns shall be accompanied by payment of the additional tax (together with interest thereon) resulting from the election.

(Sec. 2(f), 75 Stat. 683; 26 U.S.C. 613 note)

[T.D. 6583, 26 FR 12079, Dec. 16, 1961]

§ 1.9005–5 Terms; applicability of other laws.

All other terms which are not otherwise specifically defined shall have the same meaning as when used in the Internal Revenue Code of 1954 (or the corresponding provisions of prior law) except where otherwise distinctly expressed or manifestly intended to the contrary. Further, all provisions of law contained in the Code (or the corresponding provisions of prior law) shall apply to the extent that they can apply. Thus, all the provisions of subtitle F of the Code (and the corresponding provisions of prior law) shall apply to the extent they can apply, including the provisions of law relating to assessment, collection, credit or refund, and limitations. For purposes of this section and §§ 1.9005–1 to 1.9005–4, inclusive, the term ''Act'' means the Act of September 26, 1961 (Pub. L. 87–321, 75 Stat. 683).

(Sec. 2(f), 75 Stat. 683; 26 U.S.C. 613 note)

[T.D. 6583, 26 FR 12079, Dec. 16, 1961]

TAX REFORM ACT OF 1969

§ 1.9006 Statutory provisions; Tax Reform Act of 1969.

Section 946 of the Tax Reform Act of 1969 (83 Stat. 729) provides as follows:

SEC. 946. *Interest and penalties in case of certain taxable years*—(a) *Interest on underpayment.* Notwithstanding section 6601 of the Internal Revenue Code of 1954, in the case of any taxable year ending before the date of the enactment of this Act, no interest on any

underpayment of tax, to the extent such underpayment is attributable to the amendments made by this Act, shall be assessed or collected for any period before the 90th day after such date.

(b) *Declarations of estimated tax.* In the case of a taxable year beginning before the date of the enactment of this Act, if any taxpayer is required to make a declaration or amended declaration of estimated tax, or to pay any amount or additional amount of estimated tax, by reason of the amendments made by this Act, such amount or additional amount shall be paid ratably on or before each of the remaining installment dates for the taxable year beginning with the first installment date on or after the 30th day after such date of enactment. With respect to any declaration or payment of estimated tax before such first installment date, sections 6015, 6154, 6654, and 6655 of the Internal Revenue Code of 1954 shall be applied without regard to the amendments made by this Act. For purposes of this subsection, the term ''installment date'' means any date on which, under section 6153 or 6154 of such Code (whichever is applicable), an installment payment of estimated tax is required to be made by the taxpayer.

[T.D. 7088, 36 FR 3052, Feb. 17, 1971]

§ 1.9006–1 Interest and penalties in case of certain taxable years.

(a) *Interest on underpayment.* The Internal Revenue Code of 1954 was amended in many important respects by the Tax Reform Act of 1969. Certain of these amendments affect taxable years ending prior to December 30, 1969 (the date of enactment of the Act) and thereby may cause underpayments of tax by a number of taxpayers for those years. Under section 6601(a) of the Code, interest at the rate of 6 percent per annum is imposed upon the amount of any such underpayment. The effect of section 946(a) of the Act is to prevent the assessment or collection of interest on an underpayment of tax for any taxable year ending before December 30, 1969, if such underpayment is attributable to any amendment made by such Act, for the period from the due date for payment until March 30, 1970. Thus, the taxpayer is afforded an interest-free period of 90 days from the date of enactment of such Act within which to account for the changes in the law affecting him and to remit the amount of such underpayment. If, on or after March 30, 1970, the amount of any underpayment (or portion thereof) attributable to an amendment made by the Act remains unpaid, then, as of such date, such underpayment (or portion thereof) shall be subject to interest as provided by section 6601 of the Code, to be computed from such date. However, if a corporation or farmers' cooperative elects to pay its final tax in two installments under section 6152 of the Code and if the second installment is due after March 30, 1970, then, in order to escape the imposition of interest under section 6601, such corporation or cooperative need pay only one-half of the additional tax arising from an amendment made by the Act before March 30, 1970, with the remaining one-half payable as part of the second installment on the regular due date for that installment. In the case of an underpayment of tax which is only partly attributable to an amendment made by the Act, section 946(a) of such Act shall apply only to the extent that such underpayment is so attributable.

(b) *Declarations and payments of estimated tax.* (1) In the case of a taxable year beginning before December 30, 1969, section 946(b) of the Tax Reform Act of 1969 provides transitional rules with respect to the payment of estimated tax and, in the case of an individual, the filing of a declaration of estimated tax. Under such section 946(b) in the case of such a year, if any taxpayer is required to make a declaration or amended declaration of estimated tax, or to pay any amount or additional amount of estimated tax, by reason of the amendments made by the Act, such amount or additional amount shall be paid ratably on or before each of the remaining installment dates for the taxable year beginning with the first installment date on or after February 15, 1970. For purposes of section 946(b) of such Act and this section, the term ''installment date'' means any date on which, under section 6153 or 6154 of the Code (whichever is applicable), an installment payment of estimated tax is required to be made by the taxpayer.

(2) With respect to any declaration or payment of estimated tax before February 15, 1970, sections 6015, 6153, 6154, 6654, and 6655 of the Code shall be applied without regard to the amendments made by such Act. Therefore,

any underpayment which occurs solely by reason of the amendments made by such Act shall not be treated as an underpayment in the case of installment dates before February 15, 1970. Similarly, in the case of a taxpayer all of whose installment dates occur prior to February 15, 1970, no payment of estimated tax need be made to reflect the amendments made by such Act.

(3) The following example illustrates the application of the provisions of subparagraphs (1) and (2) of this paragraph:

Example. A, a fiscal year taxpayer with a taxable year from July 1, 1969, through June 30, 1970, had, without regard to the enactment of the Tax Reform Act of 1969, a total tax liability, which would have been shown on his return, of $500. A is not a farmer or fisherman described in section 6037(b). A's tax liability is increased by $20 to $520, attributable to an amendment made by such Act. A makes an installment payment of estimated tax of $90 on each of the following four installment dates: October 15, 1969; December 15, 1969; March 15, 1970; and July 15, 1970. Assume that A is unaffected by the exceptions provided in section 6654(d). Therefore, A is underpaid by $10 on both October 15 and December 15, and by $18 on both March 15 and July 15. Such underpayments are computed as follows:

(a) October 15 and December 15 installment dates:	
(1) Tax without regard to Tax Reform Act of 1969	$500
(2) 80% of item (1)	400
(3) Minimum payment to avoid underpayment, determined without regard to Act:	
October 15, 1969 (25% of item (2))	100
December 15, 1969 (25% of item (2))	100
(4) Actual payment:	
October 15, 1969	90
December 15, 1969	90
(5) Amount of underpayment:	
October 15, 1969 ($100 − $90)	10
December 15, 1969 ($100 − $90)	10
(b) March 15 and July 15 installment dates:	
(1) Tax with regard to Act	520
(2) 80% of item (1)	416
(3) Less total of minimum payments to avoid underpayment, determined without regard to Act for October 15, 1969 and December 15, 1969 ($100+$100)	200
(4) Difference of items (2) and (3)	216
(5) Minimum payment to avoid underpayment, determined with regard to Act:	
March 15 (50% of $216)	108
July 15 (50% of $216)	108
(6) Actual payment:	
March 15	90
July 15	90
(7) Amount of underpayment:	
March 15 ($108 − $90)	18
July 15 ($108 − $90)	18

(c) *Cross references.* (1) Taxpayers affected by the following sections, among others, of the Tax Reform Act of 1969 may be subject to the provisions of section 946 (a) or (b) (whichever is applicable) of such Act:

(i) Act section 201(a), which adds section 170(f)(2) to the Code and which applies to gifts made after July 31, 1969.

(ii) Act section 201(c), which repeals section 673(b) of the Code and which applies to transfers in trust made after April 22, 1969.

(iii) Act section 212(c), which amends section 1031 of the Code and which applies to taxable years to which the 1954 Code applies.

(iv) Act section 332, which amends section 677 of the Code and which applies to property transferred in trust after October 9, 1969.

(v) Act section 411(a), which adds section 279 to the Code and which applies to interest paid or incurred on an indebtedness incurred after October 9, 1969.

(vi) Act sections 412 (a) and (b), which adds section 453(b)(3) to the Code and which apply to sales or other dispositions occurring after May 27, 1969, which are not made pursuant to a contract entered into on or before that date.

(vii) Act section 413, which amends sections 1232(a), 1232(b)(2), and 6049 of the Code and which applies to bonds and other evidences of indebtedness issued after May 27, 1969.

(viii) Act section 414, which adds section 249 to the Code and which applies to convertible bonds or other convertible evidences of indebtedness repurchased after April 22, 1969.

(ix) Act section 421(a), which amends section 305 of the Code and which applies to distributions made after January 10, 1969.

(x) Act sections 516 (a) and (d), which add section 1001(e) to the Code and which apply to sales of life estates made after October 9, 1969.

(xi) Act section 601, which amends section 103 of the Code and which applies to obligations issued after October 9, 1969.

(xii) Act section 703 which amends sections 46(b) and 47(a) of the Code and which applies to section 38 property built or acquired after April 18, 1969.

(xiii) Act section 905, which adds section 311(d) to the Code and which applies to distributions made after November 30, 1969.

(2) In addition to the references in subparagraph (1) of this paragraph, section 946(b) of the Tax Reform Act of 1969 may apply to taxpayers affected by the following sections, among others, of such Act:

(i) Act section 201(a), which adds section 170(e) to the Code and which applies to contributions paid after December 31, 1969.

(ii) Act sections 501 (a) and (b), which amend section 613 of the Code and which apply to taxable years beginning after October 9, 1969.

(iii) Act sections 516 (c) and (d) which add section 1253 to the Code and which apply to transfers after December 31, 1969.

(iv) Act section 701(a), which amends section 51 of the Code and which applies to taxable years ending after December 31, 1969, and beginning before July 1, 1970.

[T.D. 7088, 36 FR 3053, Feb. 17, 1971]

MISCELLANEOUS PROVISIONS

§ 1.9101–1 Permission to submit information required by certain returns and statements on magnetic tape.

In any case where the use of a Form 1087 or 1099 is required by the regulations under this part for the purpose of making a return or reporting information, such requirement may be satisfied by submitting the information required by such form on magnetic tape or by other media, provided that the prior consent of the Commissioner or other authorized officer or employee of the Internal Revenue Service has been obtained. Applications for such consent must be filed in accordance with procedures established by the Internal Revenue Service. In any case where the use of Form W-2 is required for the purpose of making a return or reporting information, such requirement may be satisfied by submitting the information required by such form on magnetic tape or other approved media, provided that the prior consent of the Commissioner of Social Security (or other authorized officer or employee thereof) has been obtained.

[T.D. 6883, 31 FR 6589, May 3, 1966, as amended by T.D. 7580, 43 FR 60159, Dec. 26, 1978]

§ 1.9200–1 Deduction for motor carrier operating authority.

(a) *In general.* Section 266 of the Economic Recovery Tax Act of 1981 (Pub. L. 97–34, 95 Stat. 265) provides that, for purposes of chapter 1 of the Internal Revenue Code of 1954, an ordinary deduction shall be allowed in computing the taxable income of all taxpayers who either held one or more motor carrier operating authorities on July 1, 1980, or later acquired a motor carrier operating authority pursuant to a binding contract in effect on July 1, 1980. The deduction for each motor carrier operating authority is to be allowed ratably over a 60-month period and is equal to the adjusted basis of the motor carrier operating authority on July 1, 1980. Except as provided in this section, no deduction is allowable for any diminution in value of any motor carrier operating authority caused by administrative or legislative actions to decrease restrictions on entry into the interstate motor carrier business.

(b) *Person entitled to claim deduction.* In general, the deduction provided by this section for a particular motor carrier operating authority may be claimed only by the taxpayer which held the authority on July 1, 1980. However, if another person acquired the motor carrier operating authority after July 1, 1980, pursuant to a binding contract in effect on that date, the deduction for such authority may be claimed only by the acquirer and may not be claimed by the taxpayer which held the authority on July 1, 1980. A taxpayer, otherwise entitled to claim a deduction under this section, who sells a motor carrier operating authority after July 1, 1980 may not claim an amortization deduction for such authority for any month which begins after the date of such sale. In addition, acquisition of a motor carrier operating authority after July 1, 1980, if not pursuant to a binding contract in effect on July 1, 1980, will not entitle the acquirer to a deduction under this section, unless the operating authority is acquired pursuant

to a transaction to which section 381 applies.

(c) *Allowance of deduction*—(1) *Determination of period for deduction*—(i) *General rule.* Except as provided in paragraph (c)(1)(ii) of this section, the 60-month period for taking the deduction provided by this section for a particular motor carrier operating authority begins with the month of July 1980, or, if later, the month in which the motor carrier operating authority was acquired pursuant to a binding contract in effect on July 1, 1980.

(ii) *Election.* In lieu of beginning the 60-month period as provided in paragraph (c)(1)(i) of this section, the taxpayer may elect to begin the 60-month period with the first month of the taxpayer's first taxable year beginning after July 1, 1980. This election, if made, shall apply to the deduction for all motor carrier operating authorities either held by the taxpayer on July 1, 1980, or later acquired by the taxpayer by the end of the first month of the first taxable year beginning after July 1, 1980, pursuant to a binding contract in effect on July 1, 1980. Any such election will not apply to the determination of the period for amortizing the bases of authorities acquired by the taxpayer after the end of the first month of the first taxable year beginning after July 1, 1980.

(2) *Amount of monthly deduction.* In the case of each motor carrier operating authority for which the taxpayer is entitled (under paragraph (b) of this section) to claim a deduction, the deduction for each month during the 60-month period relating to the motor carrier operating authority is equal to the adjusted basis (determined under paragraph (e) of this section) of the motor carrier operating authority divided by 60.

(d) *Definition of motor carrier-operating authority.* For purposes of §1.9200–2 and this section, the term ''motor carrier operating authority'' means a certificate or permit held by a motor common carrier or motor contract carrier of property and issued pursuant to the Revised Interstate Commerce Act, 49 U.S.C. 10921–10933 (Supp. III 1979). The terms ''motor common carrier'' and ''motor contract carrier'' shall be defined as in 49 U.S.C. 10102 (Supp. III 1979) and do not include persons meeting the definition of freight forwarder contained in 49 U.S.C. 10102 (Supp. III 1979).

(e) *Adjusted basis of motor carrier operating authority*—(1) *In general.* Except as provided in paragraph (e)(2) of this section, the adjusted basis of a motor carrier operating authority for which a deduction is allowed under this section is the adjusted basis of the motor carrier operating authority as determined under sections 1012 and 1016 in the hands of the taxpayer who is entitled to claim the deduction under paragraph (b) of this section.

(2) *Special rule in case of certain stock acquisitions*—(i) *Election by holder.* A corporation entitled to claim a deduction under paragraph (b) of this section for a motor carrier operating authority may elect to allocate a portion of the cost basis of a qualified acquiring party in the stock of an acquired corporation, to the basis of the authority. A qualified acquiring party is a corporation (or a noncorporate person or group of noncorporate persons described in paragraph (e)(2)(ii) of this section) that after June 21, 1952, and on or before July 1, 1980 (or after July 1, 1980 under a binding contract in effect on such date) acquired by purchase, within the meaning of section 334(b)(3) and during a period of not more than 12 months, 80 percent or more of the stock (as described in section 334(b)(2)(B)) of a corporation (the acquired corporation) which held the authority directly or indirectly on the date which is the end of the period of 12 months or less within which such 80 percent of the acquired corporation's stock was purchased. The election to allocate basis in an acquired corporation's stock to the basis in an authority may be made only if 80 percent of all classes of the acquired corporation's stock (other than nonvoting stock which is limited and preferred as to dividends) was acquired by purchase (within the meaning of section 334(b)(3)) during a period of not more than 12 months, as described in section 334(b)(2)(B). If the qualified acquiring party is a corporation, the taxpayer holding the authority on July 1, 1980, may elect the basis allocation of this paragraph only if it is a member of

the affiliated group (as defined in section 1504(a)) of which the qualified acquiring party is a member. If there is more than one acquisition of stock that might permit an election to allocate basis under this paragraph (e)(2)(i), the taxpayer may elect to allocate to the authority only the basis in the acquired corporation's stock held by the qualified acquiring party which became a qualified acquiring party as a result of the last of such acquisitions.

(ii) *Certain noncorporate persons treated as qualified parties.* For purposes of paragraphs (e)(2) (i) through (vi) of this section, the term ''qualified acquiring party'' shall include a noncorporate person or group of noncorporate persons which, after June 21, 1952 and on or before July 1, 1980, acquired in one purchase, stock in a corporation (the acquired corporation) which at the time of acquisition held, directly or indirectly, a motor carrier operating authority. In order to be treated as a qualified acquiring party under this paragraph, a noncorporate person or group of noncorporate persons must have held stock constituting control (within the meaning of section 368(c)) of the acquired corporation on July 1, 1980. A group of noncorporate persons consists of two or more noncorporate persons who, acting together on the same date, made the required purchase of stock in the acquired corporation.

(iii) *Portion of stock basis allocable to basis of authority when stock of direct holder of authority is acquired.* If the qualified acquiring party acquired the stock of a corporation directly holding the authority, the portion of the stock basis allocable to the basis of the authority is the amount that would have been properly allocable under section 334(b)(2) if the qualified acquiring party were a corporation that had received the authority in a distribution of all the acquired corporation's assets in a complete liquidation of the acquired corporation immediately after the acquisition of the acquired corporation's stock. If the acquired corporation's stock was acquired on more than one date, the date on which the liquidation is deemed to have occurred shall be the date which is the date of the last acquisition by purchase of stock of the acquired corporation within the 12-month period described in section 334(b)(2)(B).

(iv) *Portion of stock basis allocable to basis of authority when stock of indirect holder of authority is acquired.* If the qualified acquiring party acquired the stock of a corporation indirectly holding the authority (such as by owning all of the stock of a subsidiary that directly holds the authority), a portion of the qualified acquiring party's cost basis in the stock of the acquired corporation may be allocated to the basis in the operating authority. The portion allocable is the amount that would have been properly allocable under section 334(b)(2) if, immediately before the liquidation of the acquired corporation on the date of the last acquisition by purchase of stock of the acquired corporation within the 12-month period described in section 334(b)(2)(B), the authority had been transferred in such a way (such as by liquidating the subsidiary that directly holds the authority) that the qualified acquiring party would have received direct ownership of the authority upon the liquidation of the acquired corporation immediately after the acquisition.

(v) *Other assets to be accounted for.* For purposes of paragraphs (e)(2) (iii) or (iv) of this section, in determining the portion of stock basis properly allocable to the operating authority under section 334(b)(2), the portion of the qualified acquiring party's basis in the acquired corporation's stock that would have been allocable following the liquidation to other assets of the acquired corporation, including intangible assets such as goodwill and going concern value, must be taken into account.

(vi) *Adjustments to basis in acquired corporation's stock and other assets.* If a taxpayer makes the election provided by paragraph (e)(2)(i) of this section, the qualified acquiring party's basis in the stock of the acquired corporation shall be decreased, effective as of July 1, 1980, by the amount determined by the following formula:

$$\frac{\text{Basis in acquired corporation's stock}}{\text{Basis in acquired corporation's stock plus un-secured liabilities of acquired corporartion}} \times \text{Amount allocated to basis in authority under section 334(b)(2) minus acquired corporation's basis in authority.}$$

In addition, if the aggregate basis of the assets of the acquired corporation other than the authority as of July 1, 1980 (reduced by the liabilities secured by such assets) exceeds the qualified acquiring party's basis in the stock of the acquired corporation remaining after application of the preceding sentence, then the bases of such assets shall be reduced proportionately so that their aggregate basis as of such date (minus secured liabilities) is equal to such remaining stock basis. If the acquired corporation held the authority indirectly, appropriate basis reductions shall be made to reflect the transfers deemed to have occurred under paragraph (e)(iv) of this section.

(vii) *Pre-TEFRA law applies.* References made in this section to section 334 of the Code relate to such section as it existed before amendment by the Tax Equity and Fiscal Responsibility Act of 1982.

(f) *Adjustment to basis of motor carrier operating authority.* A taxpayer's basis in a motor carrier operating authority must be reduced by the amount of any amortization deductions allowable to the taxpayer under this section.

(g) *Examples.* The principles of this section may be illustrated by the following examples:

Example 1. (i) Corporation X acquired all the stock of corporation Y for $130,000 in 1970. Y's assets at the time of acquisition consisted of a motor carrier operating authority valued at $180,000 in which it has a basis of $60,000, trucks with a fair market value of $70,000 and an aggregate basis of $30,000, and goodwill valued at $30,000. Y has $50,000 of liabilities secured by the trucks and $100,000 of unsecured liabilities. Both X and Y use a June 30 fiscal year for tax purposes.

(ii) Y is the only taxpayer eligible to claim a deduction under §1.9200–1(b). If X sold its Y stock to Z in October 1980 (other than pursuant to a binding contract in effect on July 1, 1980), Y would continue to be the only taxpayer eligible to claim the deduction. However, if Y sold the operating authority to W in February 1981, neither Y nor W would be eligible to claim the monthly deduction for the remainder of the 60-month period. Also, Y would realize gain or loss on the sale after reducing its basis in the authority by any amortization claimed for the period prior to the sale.

(iii) Y must begin the 60-month period in July 1980 unless it elects under paragraph (c)(1)(ii) of this section to begin the 60-month period with the first month of the first taxable year beginning after July 1, 1980, which in Y's case would be July 1981.

(iv) Y's allowable monthly deduction is equal to its adjusted basis in the operating authority of $60,000, divided by 60, or $1,000. However, Y may elect under §1.9200–1(e)(2) to allocate to its basis in the authority a portion of X's basis in Y stock, since X is a qualified acquiring party under paragraph (e)(2)(i) of this section and Y is a member of an affiliated group of which X is a member. Assuming Y makes the election, Y may allocate to the basis of the authority the amount of X's basis in Y stock that would have been allocable under section 334(b)(2) if X had received the authority in a distribution of all of Y's assets in a complete liquidation of Y immediately after X acquired Y's stock.

Therefore, for purposes of the allocation, X's $130,000 cost basis in Y stock is deemed to be increased by Y's $100,000 of unsecured liabilities to $230,000. Of the $230,000 deemed basis, $180,000 is allocated to the authority, $30,000 to goodwill, and $20,000 to the trucks. Y's allowable monthly amortization deduction would be $180,000 divided by 60, or $3,000. X's $130,000 cost basis in its Y stock must be decreased to $62,174 as provided in paragraph (e)(2)(vi) of this section. Y's $30,000 aggregate basis in its trucks remains unchanged.

Example 2. Assume the same facts as in Example (1), except that Y's aggregate basis in the trucks is $120,000. If Y makes the election under §1.9200–1(e)(2), the same allocation as in Example (1) would occur. However, in addition to the decrease in X's basis in its Y stock to $62,174, the $120,000 aggregate basis in the trucks must be reduced to $112,174 (so that the $112,174 basis minus secured liabilities of $50,000 is equal to X's $62,174 remaining stock basis).

Example 3. Assume the same facts as in Example (1), except that X pays a negotiated purchase price of $120,000 for the Y stock, in order to take into account an anticipated

tax liability of $10,000, relating to potential section 1245 recapture. If Y makes the election under §1.9200–1(e)(2), then for purposes of allocating X's basis in Y stock, X's cost basis is deemed to be increased by Y's $100,000 of unsecured liabilities as well as the $10,000 of potential tax liability resulting from section 1245 recapture, to $230,000. The $10,000 of potential recapture tax is treated as a general liability and the deemed basis is allocated among Y's assets as in Example (1). In order to take into account the potential recapture tax liability, such amount must be based on the same fair market values that are used to determine the amount of the stock basis allocable to the operating authority.

(Sec. 266, Economic Recovery Tax Act of 1981 (Pub. L. 97–34; 95 Stat. 265); sec. 517, Highway Revenue Act of 1982 (Pub. L. 97–424; 96 Stat. 2097); and sec. 7805, Internal Revenue Code of 1954 (68A Stat. 917; 26 U.S.C. 7805)

[T.D. 7947, 49 FR 8247, Mar. 6, 1984; 49 FR 12244, Mar. 29, 1984]

§ 1.9200–2 Manner of taking deduction.

(a) *In general.* The deduction provided by §1.9200–1 shall be taken by multiplying the amount of the monthly deduction determined under §1.9200–1(c)(2) for each motor carrier operating authority by the number of months in the taxable year for which the deduction is allowable, and entering the resulting amount at the appropriate place on the taxpayer's return for each year in which the deduction is properly claimed. Additionally, any taxpayer who has claimed the deduction provided by §1.9200–1 must (unless it has already filed a statement containing the required information) attach a statement to the next income tax return of the taxpayer which has a filing due date on or after June 4, 1984. The statement shall provide, in addition to the taxpayer's name, address, and taxpayer identification number, the following information for each motor carrier operating authority for which a deduction was claimed:

(1) The taxable year of the taxpayer for which the deduction was first claimed;

(2) Whether the taxpayer's deduction was determined using the adjusted basis of the authority under section 1012 or an allocated stock basis under §1.9200–1(e)(2); and

(3) If an allocation of stock basis has been made under §1.9200–1(e)(2), the calculations made in determining the amount of basis to be allocated to the authority.

(b) *Filing and amendment of returns.* A taxpayer who has filed its return for the taxable year that includes July 1, 1980, claiming the deduction allowed under §1.9200–1, may amend its return for such year in order to elect under §1.9200–1(c)(1)(ii) to begin the 60-month period in the subsequent taxable year. A taxpayer eligible to take the deduction under §1.9200–1 who has filed its returns for both the taxable year that includes July 1, 1980, and the following taxable year without claiming the deduction, may claim the deduction by filing amended returns or claims for refund for the taxable year in which the taxpayer elects to begin the 60-month period, and for subsequent taxable years. If a taxpayer first claims the deduction on an amended return under the preceding sentence, the statement required by paragraph (a) of this section must be attached to such amended return.

(c) *Deduction taken for operating authority other than under §1.9200–1.* If a deduction other than the deduction allowed under §1.9200–1 was taken in any taxable year for the reduction in value of a motor carrier operating authority caused by administrative or legislative actions to decrease restrictions on entry into the interstate motor carrier business, the taxpayer should file an amended return for such taxable year which computes taxable income without regard to such deduction.

(Approved by the Office of Management and Budget under control number 1545–0767)

(Sec. 266, Economic Recovery Tax Act of 1981 (Pub. L. 97–34; 95 Stat. 265); sec. 517, Highway Revenue Act of 1982 (Pub. L. 97–424; 96 Stat. 2097); and sec. 7805, Internal Revenue Code of 1954 (68A Stat. 917; 26 U.S.C. 7805)

[T.D. 7947, 49 FR 8249, Mar. 6, 1984]

§ 1.9300–1 Reduction in taxable income for housing displaced individuals.

(a) *In general.* For a taxable year beginning in the applicable taxable year (as defined in paragraph (f)(1) of this section), a taxpayer who is a natural person may reduce taxable income by $500 for each displaced individual (as defined in paragraph (f)(2) of this section) to whom the taxpayer provides

housing free of charge in, or on the site of, the taxpayer's principal residence for a period of at least 60 consecutive days. A taxpayer may claim the reduction in taxable income for any applicable taxable year in which a consecutive 60-day period ends. A taxpayer may not claim the reduction in taxable income unless the taxpayer includes the taxpayer identification number of the displaced individual on the taxpayer's income tax return.

(b) *Provision of housing*—(1) *Principal residence.* For purposes of this section, the term principal residence has the same meaning as in section 121 and the associated regulations. *See* §1.121–1(b)(1) and (b)(2).

(2) *Legal interest required.* A taxpayer is treated as providing housing for purposes of this section only if the taxpayer is an owner or lessee (including a co-owner or co-lessee) of the principal residence.

(3) *Compensation for providing housing.* No reduction in taxable income is allowed under this section to a taxpayer who receives rent or any reimbursement or compensation (whether in cash, services, or property) from any source for providing housing to the displaced individual. For this purpose, lodging, utilities, and other similar items are treated as housing, but telephone calls, food, clothing, transportation, and other similar items are not treated as housing.

(c) *Limitations*—(1) *Dollar limitation*—(i) *In general.* The reduction in taxable income under paragraph (a) of this section may not exceed the maximum dollar limitation, and must be reduced by the total amount of all reductions under this section for all prior taxable years (except as provided in paragraph (c)(5) of this section). The maximum dollar limitation is—

(A) $2,000 in the case of an unmarried individual; or

(B) $2,000 in the case of a husband and wife, whether the husband and wife file a joint income tax return or separate income tax returns; married taxpayers filing separate income tax returns may allocate this amount in $500 increments between their respective returns, provided that each spouse is otherwise eligible to claim that reduction in taxable income.

(ii) *Married individuals with separate principal residences.* The limitation in paragraph (c)(1)(i)(B) of this section applies whether or not the married individuals occupy the same principal residence. A person is treated as married for purposes of this section if the individual is treated as married under section 7703.

(2) *Spouse or dependent of the taxpayer.* No reduction of taxable income is allowed for a displaced individual who is the spouse or a dependent of the taxpayer.

(3) *One reduction per displaced individual.* Except as provided in paragraph (c)(5) of this section, a taxpayer may not reduce taxable income under paragraph (a) of this section for a displaced individual for whom the taxpayer or any taxpayer residing in the same principal residence has reduced taxable income under this section for any prior taxable year.

(4) *Taxpayers occupying the same principal residence.* Except as provided in paragraph (c)(5) of this section, for all taxable years, only one taxpayer occupying the same principal residence may reduce taxable income for a particular displaced individual.

(5) *Limitations applied separately to each disaster.* The limitations of this paragraph (c) apply separately to each disaster area. Thus, a taxpayer may reduce taxable income by $2,000 for providing housing to Midwestern disaster displaced individuals even though the taxpayer reduced taxable income for providing housing to one or more Hurricane Katrina displaced individuals. For this purpose, all areas within the Midwestern disaster area are treated as one disaster area.

(d) *Substantiation.* A taxpayer claiming a reduction of taxable income under this section must maintain records sufficient to show entitlement to the reduction as provided in forms, instructions, publications or other guidance published by the IRS.

(e) The Commissioner may apply this section in additional guidance of general applicability, see §601.601(d)(2) of this chapter, to other disaster areas to which Congress extends relief under section 302 of the Katrina Emergency Tax Relief Act of 2005.

(f) *In general.* The following definitions apply for all purposes of this section.

(1) *Applicable taxable year.* The term *applicable taxable year* means—

(i) A taxable year beginning in 2005 or 2006, in the case of housing provided to a Hurricane Katrina displaced individual (as defined in paragraph (f)(2)(ii) of this section); and

(ii) A taxable year beginning in 2008 or 2009, in the case of housing provided to a Midwestern disaster displaced individual (as defined in paragraph (f)(2)(iii) of this section).

(2) *Displaced individual*—(i) *Scope.* The term *displaced individual* means a Hurricane Katrina displaced individual as defined in paragraph (f)(2)(ii) of this section and a Midwestern disaster displaced individual as defined in paragraph (f)(2)(iii) of this section.

(ii) *Hurricane Katrina displaced individual.* The term *Hurricane Katrina displaced individual* means any natural person (other than the spouse or a dependent of the taxpayer) if the following requirements are met—

(A) The person's principal place of abode on August 28, 2005, was in the Hurricane Katrina disaster area (as defined in paragraph (f)(4)(ii) of this section);

(B) The person was displaced from that abode; and

(C) If the abode was located outside the Hurricane Katrina core disaster area (as defined in paragraph (f)(5)(ii) of this section)—

(*1*) The abode was damaged by Hurricane Katrina; or

(*2*) The person was evacuated from that abode by reason of Hurricane Katrina.

(iii) *Midwestern disaster displaced individual.* The term *Midwestern disaster displaced individual* means any natural person (other than the spouse or a dependent of the taxpayer) if the following requirements are met—

(A) The person's principal place of abode on the Midwestern disaster date (as defined in paragraph (f)(3) of this section), was in any Midwestern disaster area (as defined in paragraph (f)(4)(iii) of this section);

(B) The person was displaced from that abode; and

(C) If the abode was located outside the Midwestern core disaster area (as defined in paragraph (f)(5)(iii) of this section)—

(*1*) The abode was damaged by any Midwestern disaster; or

(*2*) The person was evacuated from that abode by reason of any Midwestern disaster.

(3) *Midwestern disaster date.* The term *Midwestern disaster date* means—

(i) In Arkansas, May 2 through May 12, 2008;

(ii) In Illinois, June 1 through July 22, 2008;

(iii) In Indiana, May 30 through June 27, 2008;

(iv) In Iowa, May 25 through August 13, 2008;

(v) In Kansas, May 22 through June 16, 2008;

(vi) In Michigan, June 6 through June 13, 2008;

(vii) In Minnesota, June 6 through June 12, 2008;

(viii) In Missouri, May 10 through May 11, 2008, and June 1 through August 13, 2008;

(ix) In Nebraska, April 23 through April 26, 2008, May 22 through June 24, 2008, and June 27, 2008; or

(x) In Wisconsin, June 5 through July 25, 2008.

(4) *Disaster area*—(i) *Scope.* The term *disaster area* means the Hurricane Katrina disaster area as defined in paragraph (f)(4)(ii) of this section and the Midwestern disaster area as defined in paragraph (f)(4)(iii) of this section.

(ii) *Hurricane Katrina disaster area.* The term *Hurricane Katrina disaster area* means the states of Alabama, Florida, Louisiana, and Mississippi.

(iii) *Midwestern disaster area.* The term *Midwestern disaster area* means an area for which the President declared a major disaster on or after May 20, 2008, and before August 1, 2008, under section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5170) (Stafford Act) by reason of severe storms, tornados, or flooding occurring in any of the states of Arkansas, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, and Wisconsin.

(5) *Core disaster area*—(i) *Scope.* The term *core disaster area* means the Hurricane Katrina core disaster area as defined in paragraph (f)(5)(ii) of this section and the Midwestern core disaster area as defined in paragraph (f)(5)(iii) of this section.

(ii) *Hurricane Katrina core disaster area.* The term *Hurricane Katrina core disaster area* means the portion of the Hurricane Katrina disaster area designated by the President to warrant individual or individual and public assistance from the federal government under the Stafford Act.

(iii) *Midwestern core disaster area.* The term *Midwestern core disaster area* means the portion of the Midwestern disaster area designated by the President to warrant individual or individual and public assistance from the federal government under the Stafford Act for damages attributable to the severe storms, tornados, or flooding in the Midwestern disaster area.

(g) *Examples.* The provisions of this section are illustrated by the following examples. In each example, a taxpayer provides housing within the meaning of paragraph (b) of this section in, or on the site of, the taxpayer's principal residence for a period of at least 60 consecutive days (the 60th day being in the applicable taxable year) for each displaced individual, none of whom is a spouse or dependent of the taxpayer. The examples are as follows:

Example 1. Taxpayer A provides housing to N, a Hurricane Katrina displaced individual, from September 1, 2005, until March 10, 2006. Under paragraphs (a) and (c)(3) of this section, A may reduce A's taxable income by $500 on A's income tax return for calendar year 2005 or 2006 (but not both) for providing housing to N.

Example 2. The facts are the same as in *Example 1,* except that A and A's unmarried roommate B are co-lessees of their principal residence. Both A and B provide housing to N. Under paragraphs (a) and (c)(4) of this section, either A or B, but not both, may reduce taxable income by $500 for 2005 or 2006 for providing housing to N. If A or B reduces taxable income for 2005 for providing housing to N, neither A nor B may reduce taxable income for 2006 for providing housing to N.

Example 3. The facts are the same as in *Example 2,* except that in 2009 A and B provide housing to N, who in 2009 is a Midwestern disaster displaced individual. Under paragraph (c)(5) of this section, the limitation of paragraph (c)(4) of this section applies separately to each disaster. Therefore, either A or B may reduce taxable income by $500 for 2009 for providing housing to N.

Example 4. During 2008, unmarried roommates and co-lessees C and D provide housing to eight Midwestern disaster displaced individuals. Under paragraphs (a) and (c)(1)(i)(A) of this section, C may reduce taxable income by $2,000 on C's 2008 income tax return for providing housing to any four of these displaced individuals and D may reduce taxable income by $2,000 on D's 2008 income tax return for providing housing to the other four displaced individuals.

Example 5. (i) In 2008, a married couple, H and W, provide housing to a Midwestern disaster displaced individual, O. H and W file their 2008 income tax return as married filing jointly. Under paragraphs (a) and (c)(4) of this section, H and W may reduce taxable income by $500 on their 2008 income tax return for providing housing to O.

(ii) In 2009, H and W provide housing to O and to another Midwestern disaster displaced individual, P. H and W file their 2009 income tax returns as married filing separately. Because H and W reduced their 2008 taxable income for providing housing to O, under paragraph (c)(3) of this section, neither H nor W may reduce taxable income on their 2009 income tax returns for providing housing to O. Under paragraphs (a) and (c)(4) of this section, either H or W but not both, may reduce taxable income by $500 on his or her 2009 income tax return for providing housing to P.

Example 6. The facts are the same as in *Example 5,* except that in 2009 H and W provide housing to five Midwestern disaster displaced individuals in addition to O. H and W together may reduce taxable income on their 2009 income tax returns by a total of $2,000 for the Midwestern disaster displaced individuals (other than O). Under paragraph (c)(1)(i)(B) of this section, H and W may allocate the $2,000 in increments of $500 between their separate returns. For example, either one may reduce taxable income by $500 and the other may reduce taxable income by $1,500, or H and W each may reduce taxable income by $1,000.

(h) *Effective/applicability date.* This section applies for taxable years ending after December 11, 2006.

[T.D. 9474, 74 FR 66049, Dec. 14, 2009]