

regulatory action as defined in EO 12866. Therefore, a regulatory assessment is not required. It also has been determined that section 553(b) of the Administrative Procedure Act (5 U.S.C. chapter 5) and the Regulatory Flexibility Act (5 U.S.C. chapter 6) do not apply to these regulations, and, therefore, a Regulatory Flexibility Analysis is not required. Pursuant to section 7805(f) of the Internal Revenue Code, the notice of proposed rulemaking preceding these regulations was submitted to the Small Business Administration on its impact on small business.

#### Drafting Information

The principal author of these final regulations is Brenda M. Stewart, Office of Assistant Chief Counsel (Passthroughs and Special Industries), IRS. However, other personnel from the IRS and Treasury Department participated in their development.

#### List of Subjects

##### 26 CFR Part 1

Income taxes, Reporting and recordkeeping requirements.

##### 26 CFR Part 602

Reporting and recordkeeping requirements.

#### Adoption of Amendments to the Regulations

Accordingly, 26 CFR parts 1 and 602 are amended as follows:

#### PART 1—INCOME TAXES

**Paragraph 1.** The authority citation for part 1 is amended by adding entries in numerical order to read as follows:

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

Section 1.1254-1 also issued under 26 U.S.C. 1254(b).

Section 1.1254-2 also issued under 26 U.S.C. 1254(b).

Section 1.1254-3 also issued under 26 U.S.C. 1254(b).

Section 1.1254-4 also issued under 26 U.S.C. 1254(b).

Section 1.1254-5 also issued under 26 U.S.C. 1254(b).

Section 1.1254-6 also issued under 26 U.S.C. 1254(b). \* \* \*

##### § 1.301-1 [Amended]

**Par. 2.** Section 1.301-1 is amended as follows:

1. Paragraph (d)(1)(iii) is amended by removing the language “or 1252(a)” and adding “1252(a), or 1254(a)” in its place.

2. Paragraph (h)(2)(ii)(b) is amended by removing the language “or section 1252(a) (relating to gain from disposition of farm land)” and adding

“section 1252(a) (relating to gain from disposition of farm land), or section 1254(a) (relating to gain from disposition of interest in natural resource recapture property)” in its place.

3. Paragraph (j)(1) is amended by removing the language “or 1252(a)” and adding “1252(a), or 1254(a)” in its place.

##### § 1.312-3 [Amended]

**Par. 3.** Section 1.312-3 is amended by removing “or 1252(a)” and adding “1252(a), or 1254(a)” in its place.

##### § 1.341-6 [Amended]

**Par. 4.** Section 1.341-6 is amended as follows:

1. In paragraph (b)(1), the last sentence is amended by removing the language “and 1252 (relating to gain from disposition of farm land)” and adding “1252 (relating to gain from disposition of farm land), and 1254 (relating to gain from disposition of interest in natural resource recapture property)” in its place.

2. In paragraph (b)(2)(i), the first sentence is amended by removing “or 1252)” and adding “1252, or 1254)” in its place.

3. In paragraph (b)(2)(iii), the second sentence is amended by removing “or 1252)” and adding “1252, or 1254)” in its place.

4. In paragraph (b)(3), the first sentence is amended by removing “or 1252)” and adding “1252, or 1254)” in its place.

5. In paragraph (h)(4), the first sentence is amended by removing “or 1252)” and adding “1252, or 1254)” in its place.

6. Paragraph (n) is amended by:  
a. Removing the language “and 1252” from the paragraph heading and adding “1252, and 1254” in its place.

b. Removing from the text the language “and 1252(a) (relating to gain from disposition of farm land)” and adding “1252(a) (relating to gain from disposition of farm land), and 1254(a) (relating to gain from disposition of interest in natural resource recapture property)” in its place.

##### § 1.453-9 [Amended]

**Par. 5.** Section 1.453-9, paragraph (c)(1)(ii) is amended by:

1. Removing from the second sentence the language “or 1252(a)(1)” and adding “1252(a)(1), or 1254(a)(1)” in its place.

2. Removing from the third sentence the language “and paragraph (d)(3) of § 1.1252-1” and adding in its place “paragraph (d)(3) of § 1.1252-1, and paragraph (d) of § 1.1254-1”.

**Par. 6.** Section 1.751-1, paragraphs (c)(4), (c)(5), and (c)(6) are revised to read as follows:

##### § 1.751-1 Unrealized receivables and inventory items.

\* \* \* \* \*

(c) \* \* \*

(4)(i) With respect to any taxable year of a partnership ending after September 12, 1966 (but only in respect of expenditures paid or incurred after that date), the term *unrealized receivables*, for purposes of this section and sections 731, 736, 741, and 751, also includes potential gain from mining property defined in section 617(f)(2). With respect to each item of partnership mining property so defined, the potential gain is the amount that would be treated as gain to which section 617(d)(1) would apply if (at the time of the transaction described in section 731, 736, 741, or 751, as the case may be) the item were sold by the partnership at its fair market value.

(ii) With respect to sales, exchanges, or other dispositions after December 31, 1975, in any taxable year of a partnership ending after that date, the term *unrealized receivables*, for purposes of this section and sections 731, 736, 741, and 751, also includes potential gain from stock in a DISC as described in section 992(a). With respect to stock in such a DISC, the potential gain is the amount that would be treated as gain to which section 995(c) would apply if (at the time of the transaction described in section 731, 736, 741, or 751, as the case may be) the stock were sold by the partnership at its fair market value.

(iii) With respect to any taxable year of a partnership beginning after December 31, 1962, the term *unrealized receivables*, for purposes of this section and sections 731, 736, 741, and 751, also includes potential gain from section 1245 property. With respect to each item of partnership section 1245 property (as defined in section 1245(a)(3)), potential gain from section 1245 property is the amount that would be treated as gain to which section 1245(a)(1) would apply if (at the time of the transaction described in section 731, 736, 741, or 751, as the case may be) the item of section 1245 property were sold by the partnership at its fair market value. See § 1.1245-1(e)(1). For example, if a partnership would recognize under section 1245(a)(1) gain of \$600 upon a sale of one item of section 1245 property and gain of \$300 upon a sale of its only other item of such property, the potential section 1245 income of the partnership would be \$900.