(j)(1)(i)(A) through (D) of this supplement:

(A) The party requesting relief entered into a contract or other written agreement for the production and shipment of such steel article before August 28, 2020;

(B) Such agreement specifies the quantity of such steel article that is to be produced and shipped to the United States prior to December 31, 2020;

(C) Such steel article is to be used in production activities in the United States and such steel article cannot be procured from another supplier to meet the delivery schedule and specifications contained in such agreement; and

(D) Lack of relief from the quantitative limitation on such steel article would significantly disrupt the production activity in the United States for which the steel article specified in such agreement is intended;

(ii) The party requesting relief will accurately report to U.S. Customs and Border Protection (CBP), in the manner that CBP prescribes, the quantity of steel articles entered for consumption, or withdrawn from warehouse for consumption, pursuant to any grant of relief; and

(iii) The quantity of steel articles entered pursuant to a grant of relief will not exceed the quantity for which the Secretary has granted relief.

(2) *Where to submit requests for grants of relief?* All exclusion requests for grants of relief pursuant to this paragraph (j) must be in electronic form and submitted to BIS by email: *steel232-exp@bis.doc.gov.* In order to submit a request for a grant of relief, you must submit your request for a grant of relief as an attachment to the email sent to *steel232-exp@bis.doc.gov.* The only documentation required for a request for a grant of relief is the sworn statement required under paragraph (j)(1) of this supplement. There are no objection, rebuttal, or surrebuttal submissions or review periods, and no provisions of the exclusion request process specified in this supplement apply except those provided in this paragraph (j).

(3) *Disposition of requests for grants of relief.* The U.S. Department of Commerce will grant requests for relief that meet the criteria specified in paragraphs (j)(1) and (2) of this supplement until such time as the maximum quantity under this relief program is met, and will post granted requests publicly on the BIS website as described below. In Proclamation 10064 under clause 2, President Trump specified that the volume of imports for which the Secretary grants relief under this clause shall not exceed 60,000,000 kilograms in the aggregate and this paragraph (j)(3) imposes this same limitation. The Department will use a ''first submitted, first approved'' process until such time as the maximum aggregate limit has been approved and will not accept submissions after this limit is reached. The Secretary will notify CBP of any grant of relief made pursuant to this proclamation.

Note to paragraph (j)(3): Denials will occur if the sworn statement does not meet all of the requirements specified in paragraphs (j)(1) and (2) of this supplement, or will be denied to the extent the amount of imports for which the Secretary has granted relief under this paragraph (j)(3) would exceed 60,000,000 kilograms in the aggregate. Once the aggregate amount of approved grants for relief reaches 60,000,000 kilograms, the U.S. Department of Commerce will post a statement on the BIS website under *www.bis.doc.gov/232-steel-Brazil* to alert other requesters that the aggregate limit has been reached, and no more requests will be approved.

(4) *Administration and use of granted requests of relief.* Any relief granted under paragraph (j)(3) of this supplement will only be valid if the subject steel article is entered for consumption, or withdrawn from warehouse for consumption, on or before December 31, 2020. Where a party has received relief under the provisions of this paragraph (j), they are not eligible for further relief under clause 1 of Proclamation 9777 prior to January 1, 2021, for the same steel article pursuant to an exclusion request submitted under paragraph (c) of this supplement.

(5) *Revocation of grants of relief.* The Secretary of Commerce will revoke any grant of relief under paragraph (j)(3) of this supplement if the Secretary determines at any time after such grant that the criteria for relief to which the party must attest under paragraphs (j)(1)(i) through (iii) of this supplement have not been met and may, if the Secretary deems it appropriate, notify the Attorney General of the facts that led to such revocation.

Matthew S. Borman,

Deputy Assistant Secretary for Export Administration.

[FR Doc. 2020–22608 Filed 10–8–20; 11:15 am]

BILLING CODE 3510–33–P

DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

[TD 9913]

RIN 1545–BP52

Dependent Defined

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Final regulations.

SUMMARY: This document contains final regulations that clarify the definition of a ''qualifying relative'' for purposes of various provisions of the Internal Revenue Code (Code) for taxable years 2018 through 2025. These regulations generally affect taxpayers who claim Federal income tax benefits that require a taxpayer to have a qualifying relative.

DATES:

Effective Date: These regulations are effective on October 13, 2020.

Applicability Date: Sections 1.24–1 and 1.152–2(b) of these regulations apply to taxable years beginning on or after October 13, 2020. Section 1.152–2(e) of these regulations applies to taxable years ending after August 28, 2018, the date the Department of the Treasury (Treasury Department) and the IRS issued Notice 2018–70, 2018–38 I.R.B. 441.

FOR FURTHER INFORMATION CONTACT: Victoria J. Driscoll at (202) 317–4718 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

This document contains amendments to the Income Tax Regulations (26 CFR part 1) under sections 24 and 152 of the Code relating to statutory amendments enacted in Public Law 115–97, 131 Stat. 2054 (2017), commonly referred to as the Tax Cuts and Jobs Act (TCJA).

Section 152(a) generally defines a ''dependent'' as a ''qualifying child'' or a ''qualifying relative.'' The definition of a qualifying relative in section 152(d)(1) includes the requirement that the individual have gross income for the calendar year that is less than the ''exemption amount'' as defined in section 151(d) (exemption amount). Such an individual also must satisfy the requirement of section 152(d)(1)(C) that the individual receive more than one-half of his or her support from the taxpayer claiming the individual as a qualifying relative (support test). As described in parts I through IV of this Background, these final regulations provide that, in determining whether an individual is a qualifying relative for

purposes of various provisions of the Code that refer to section 152 in years in which the exemption amount is zero, the section 151(d) exemption amount will be the inflation-adjusted section 152(d)(1)(B) exemption amount in the annual revenue procedure setting forth inflation-adjusted items that is published in the Internal Revenue Bulletin.

I. Exemption Amount

Generally, section 151 allows a taxpayer to claim a deduction equal to the exemption amount for each of the taxpayer and his or her spouse, and for any dependents. Prior to the TCJA, section 151(d) provided for an exemption amount of $2,000 that was adjusted annually for inflation beginning with calendar year 1990. Before the enactment of the TCJA, the IRS had determined that the exemption amount for taxable year 2018 was $4,150. Rev. Proc. 2017–58, 2017–45 I.R.B. 489, modified and superseded by Rev. Proc. 2018–18, 2018–10 I.R.B. 392.

Section 11041(a)(2) of the TCJA added section 151(d)(5) to provide special rules for taxable years 2018 through 2025 regarding the exemption amount. Section 151(d)(5)(A) provides that, for a taxable year beginning after December 31, 2017, and before January 1, 2026, the exemption amount is zero, thereby suspending the deductions for personal exemptions and the dependency exemption. H.R. Rep. No. 115–466, at 202–204 (2017) (Conference Report). However, section 151(d)(5)(B) provides that the reduction of the exemption amount to zero is not taken into account in determining whether a deduction under section 151 is allowed or allowable to a taxpayer, or whether a taxpayer is entitled to a deduction under section 151, for purposes of any other provision of the Code. The Conference Report states that this provision clarifies that the reduction of the personal exemption to zero ''should not alter the operation of those provisions of the Code which refer to a taxpayer allowed a deduction . . . under section 151,'' including the child tax credit in section 24(a). *Id.* at 203 n.16. For example, the definition of head of household in section 2(b)(1)(A) includes the requirement that the taxpayer maintain as his or her home a household for a qualifying individual for a specified period of time. A qualifying individual under section 2(b)(1)(A)(ii) includes a person who is a qualifying relative under section 152(d) if the taxpayer is entitled to a deduction under section 151 for the person for the taxable year.

II. Support Test

The section 152(d)(1)(C) support test requires that an individual receive more than one-half of his or her support from the taxpayer to be claimed as a qualifying relative of that taxpayer. Prior to the TCJA, payments of alimony or separate maintenance paid to a spouse or former spouse were not treated as support of a dependent provided by the payor spouse. Additionally, alimony and separate maintenance payments were deductible by the payor spouse and includible in income by the recipient spouse under sections 61(a)(8), 71(a), and 215(a) of the Code. Under section 71(c), child support payments were not treated as alimony includible in income.

Section 11051 of the TCJA repealed sections 61(a)(8), 71 and 215, and, in a conforming change, also repealed section 682 of the Code for any divorce or separation instrument executed after 2018, and for any instrument executed before 2019 and later modified to apply the provisions of the TCJA. Consistent with prior law, the TCJA provides that payments of alimony or separate maintenance paid to a spouse or former spouse are not treated as support of a dependent provided by the payor spouse. To conform with the repeal of sections 71 and 682 by the TCJA, section 11051(b)(3)(B) of the TCJA amended section 152(d)(5) of the Code regarding the source of a qualifying relative's support by revising the language of section 152(d)(5) to eliminate references to former sections 71 and 682.

III. Credit for Other Dependents

Section 11022(a) of the TCJA amended section 24 of the Code to create a $500 credit for certain dependents of a taxpayer other than a qualifying child described in section 24(c) for whom the child tax credit is allowed. The $500 credit applies to two categories of dependents: (1) Qualifying children for whom a child tax credit is not allowed, and (2) qualifying relatives as defined in section 152(d). Section 24(h)(4)(A) and (C). Like the amendment to section 151(d) reducing the exemption amount to zero, this new credit applies for taxable years 2018 through 2025. The Conference Report explains that ''[t]he credit is further modified to temporarily provide for a $500 nonrefundable credit for qualifying dependents other than qualifying children. The provision generally retains the present-law definition of dependent.'' H.R. Rep. No. 115–466, at 227.

IV. Administrative Action

On August 28, 2018, the Treasury Department and the IRS issued Notice 2018–70. This notice announced the intent to issue proposed regulations providing that the reduction of the exemption amount to zero under section 151(d)(5)(A) for taxable years 2018 through 2025 will not be taken into account in determining whether an individual meets the requirement of section 152(d)(1)(B) to be a qualifying relative. Notice 2018–70 also stated that, before the issuance of the proposed regulations described in the notice, a taxpayer may rely on the rules described in the notice.

On June 9, 2020, the Treasury Department and the IRS published a notice of proposed rulemaking (REG–118997–19) in the **Federal Register** (85 FR 35233) proposing regulations under sections 24 and 152 (proposed regulations). Consistent with Notice 2018–70, the proposed regulations provide that, in determining whether an individual is a qualifying relative for purposes of various provisions of the Code that refer to section 152 in taxable years in which the exemption amount is zero, the section 151(d) exemption amount will be the inflation-adjusted section 152(d)(1)(B) exemption amount in the annual revenue procedure setting forth inflation-adjusted items that is published in the Internal Revenue Bulletin. Thus, the exemption amount to be used for this purpose is $4,150 for taxable year 2018 (section 3.24 of Rev. Proc. 2017–58, 2017–45 I.R.B. 489, modified and superseded by Rev. Proc. 2018–18, 2018–10 I.R.B. 392); $4,200 for taxable year 2019 (section 3.25 of Rev. Proc. 2018–57, 2018–49 I.R.B. 827); and $4,300 for taxable year 2020 (section 3.25 of Rev. Proc. 2019–44, 2019–47 I.R.B. 1093).

Section 1.152–3(c)(3) and (d)(2) of the proposed regulations were proposed as changes to an earlier notice of proposed rulemaking (REG–137604–07) also providing rules regarding the definition of a dependent under section 152, which was published in the **Federal Register** (82 FR 6370) on January 19, 2017 (January 2017 Proposed Regulations). Section 1.152–3(d)(2) of the January 2017 Proposed Regulations, which have not yet been finalized, originally included references to sections 71 and 682. Accordingly, the proposed regulations withdrew § 1.152–3(d)(2) of the January 2017 Proposed Regulations and replaced it with a proposed rule to reflect the amendments to section 152(d)(5) discussed in part II of this Background.

Summary of Comments and Explanation of Provisions

The Treasury Department and the IRS received three comments in response to the proposed regulations through the Federal eRulemaking Portal. As no request for a public hearing was received, no hearing was held.

Although two of the comments received did not relate to the proposed regulations, the third comment generally asked for additional clarity regarding the definition of a qualifying relative. As described in the Background, these regulations implement specific changes to the law enacted in the TCJA, which did not modify the definition of qualifying relative in section 152(d) other than to make conforming changes to section 152(d)(5) to account for the repeal of sections 71 and 682. When the January 2017 Proposed Regulations are finalized, they will provide additional clarity to the regulations under section 152 and related provisions.

The third comment also suggested that, because the final regulations would not be published earlier than 2020, it was not necessary to reference the exemption amount for purposes of section 152 for taxable years 2018 and 2019. Although these final regulations are being published in 2020, § 1.152–2(e) of these final regulations applies to taxable years ending after August 28, 2018, the date the Treasury Department and the IRS issued Notice 2018–70, pursuant to section 7805(b)(1)(C). Further, the Treasury Department and the IRS determined it appropriate to clarify that, in defining qualifying relative for purposes other than determining the amount allowable as a deduction under section 151(a), the exemption amount is not zero, but is the inflation-adjusted section 152(d)(1)(B) exemption amount in the annual revenue procedure setting forth inflation-adjusted items that is published in the Internal Revenue Bulletin.

This document adopts the proposed regulations as final regulations with no substantive change. However, because § 1.152–3(c)(3) and 1.152–3(d)(2) of the proposed regulations originally were proposed as changes to provisions of the January 2017 Proposed Regulations, which have not yet been finalized, the proposed regulations have been redesignated in the final regulations to coordinate with the existing regulations. Specifically, proposed § 1.152–3(c)(3)(i) and (ii) is finalized as new § 1.152–2(e)(1) and (2) and proposed § 1.152–3(d)(2) is finalized as § 1.152–2(b). When the January 2017 Proposed Regulations are finalized, the provisions again will be appropriately redesignated.

Therefore, the provisions of the proposed regulations are adopted without substantive change to: (1) Provide that the exemption amount, for purposes other than a deduction for a personal or dependency exemption under section 151, is $4,150 for taxable year 2018, and for taxable years 2019 through 2025, the exemption amount, as adjusted for inflation, is the section 152(d)(1)(B) exemption amount, as set forth in guidance published in the Internal Revenue Bulletin; and (2) describe certain payments to a payee spouse for purposes of the support test without references to repealed sections 71 and 682.

Finally, these regulations clarify an issue raised regarding a statutory cross reference in section 24(h)(4) to ''a qualifying child described in subsection (c).'' As was proposed in the proposed regulations, these regulations clarify in § 1.24–1 that the statutory cross reference is a reference to section 24(c), rather than to section 152(c).

Applicability Date

Section 7805(b)(1) of the Code generally provides that no temporary, proposed, or final regulation relating to the internal revenue laws may apply to any taxable period ending before the earliest of (A) the date on which the regulation is filed with the **Federal Register**, or (B) in the case of a final regulation, the date on which a proposed or temporary regulation to which the final regulation relates was filed with the **Federal Register**. However, section 7805(b)(1)(C) provides that a regulation may apply to a taxable period ending after the date on which any notice substantially describing the expected contents of a regulation is issued to the public.

Accordingly, §§ 1.24–1 and 1.152–2(b) of these regulations apply to taxable years beginning on or after October 13, 2020. Section 1.152–2(e) of these regulations applies to taxable years ending after August 28, 2018, the date the Treasury Department and the IRS issued Notice 2018–70.

Special Analyses

These regulations are not subject to review under section 6(b) of Executive Order 12866, pursuant to the Memorandum of Agreement (April 11, 2018) between the Treasury Department and the Office of Management and Budget, regarding the review of tax regulations.

Pursuant to the Regulatory Flexibility Act (5 U.S.C. chapter 6), it is certified that these regulations will not have a significant economic impact on a substantial number of small entities. These regulations primarily affect individuals and therefore will not have a significant economic impact on a substantial number of small entities. Accordingly, the Secretary of the Treasury's delegate certifies that the rule will not have a significant economic impact on a substantial number of small entities.

Pursuant to section 7805(f), the proposed regulations preceding these regulations were submitted to the Office of the Chief Counsel for the Office of Advocacy of the Small Business Administration for comment on its impact on small business, and no comments were received.

Drafting Information

The principal author of the final regulations is Victoria Driscoll of the Office of Associate Chief Counsel (Income Tax and Accounting). However, other personnel from the Treasury Department and the IRS participated in their development.

Statement of Availability of IRS Documents

IRS notices and other guidance cited in this preamble are published in the Internal Revenue Bulletin (or Cumulative Bulletin) and are available from the Superintendent of Documents, U.S. Government Publishing Office, Washington, DC 20402, or by visiting the IRS website at *http://www.irs.gov.*

List of Subjects in 26 CFR Part 1

Income taxes, Reporting and recordkeeping requirements.

Adoption of Amendments to the Regulations

Accordingly, 26 CFR part 1 is amended as follows:

PART 1—INCOME TAXES

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

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

* * * * *

■ **Par. 2.** Section 1.24–1 is added to read as follows:

§ 1.24–1 Partial credit allowed for certain other dependents.

(a) *In general.* For purposes of section 24(h)(4)(A), a taxpayer may be eligible to increase the credit determined under section 24(a) by $500 for a dependent of the taxpayer, as defined in section 152, other than a qualifying child described in section 24(c).

(b) *Applicability date.* This section applies to taxable years beginning on or after October 13, 2020.

■ **Par. 3.** Section 1.152–2, is amended by:

■ 1. Revising paragraph (b); and

■ 2. Adding paragraph (e).

The revision and addition read as follows:

§ 1.152–2 Rules relating to general definition of dependent.

* * * * *

(b)(1) A payment to a spouse (payee spouse) of alimony or separate maintenance is not treated as a payment by the payor spouse for the support of any dependent. Similarly, the distribution of income of an estate or trust to a divorced or legally separated payee spouse is not treated as a payment by the payor spouse for the support of any dependent. The preceding sentence will not apply, however, to the extent that such a distribution is in satisfaction of the amount or portion of income that, by the terms of a divorce decree, a written separation agreement, or the trust instrument is fixed as payable for the support of the minor children of the payor spouse.

(2) Paragraph (b)(1) of this section applies to taxable years beginning on or after October 13, 2020.

* * * * *

(e)(1) In defining a qualifying relative for taxable year 2018, the exemption amount in section 152(d)(1)(B) is $4,150. For taxable years 2019 through 2025, the exemption amount, as adjusted for inflation, is set forth in annual guidance published in the Internal Revenue Bulletin. *See* § 601.601(d)(2) of this chapter.

(2) Paragraph (e)(1) of this section applies to taxable years ending after August 28, 2018.

Sunita Lough,

Deputy Commissioner for Services and Enforcement.

Approved: September 8, 2020.

David J. Kautter,

Assistant Secretary of the Treasury (Tax Policy).

[FR Doc. 2020–20746 Filed 10–9–20; 8:45 am]

BILLING CODE 4830–01–P

DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Parts 1 and 301

[TD 9911]

RIN 1545–BO13

Computation and Reporting of Reserves for Life Insurance Companies

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Final regulations.

SUMMARY: This document contains final regulations that provide guidance on the computation of life insurance reserves and the change in basis of computing certain reserves of insurance companies. These final regulations implement recent legislative changes to the Internal Revenue Code. This document affects entities taxable as insurance companies.

DATES:

Effective date: These regulations are effective *October 13, 2020.*

Applicability dates: For dates of applicability, see §§ 1.338–11(d)(7)(iii), 1.807–1(c), 1.807–3(b), 1.807–4(e), 1.816–1(b), 1.817A–1(c), and 1.6012–2(l).

FOR FURTHER INFORMATION CONTACT: Ian Follansbee at (202) 317–4453 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

This document contains amendments to 26 CFR part 1 under sections 807 and 816 of the Internal Revenue Code (Code). Sections 807 and 816 were added to the Code by section 211(a) of the Deficit Reduction Act of 1984, Public Law 98–369, 98 Stat. 494. Section 807 was amended by sections 13513 and 13517 of Public Law 115–97, 131 Stat. 2054, 2143, 2144 (2017), commonly referred to as the Tax Cuts and Jobs Act (TCJA). These amendments by the TCJA apply to taxable years beginning after December 31, 2017.

This document also amends or removes the following regulations in 26 CFR: §§ 1.338–11, 1.381(c)(22)–1, 1.801–2, 1.801–5, 1.801–7, 1.801–8, 1.806–4, 1.807–1, 1.809–2, 1.809–5, 1.810–3, 1.817A–0, 1.817A–1, 1.818–2, 1.818–4, 1.848–1, 1.6012–2, and 301.9100–6T. These changes are conforming changes to regulations that (i) relate to repealed or amended law, (ii) reference regulations that are being removed, (iii) have no future application, or (iv) relate to other regulations made final by this document.

The Department of the Treasury (Treasury Department) and the IRS published proposed regulations (REG–132529–17) in the **Federal Register** (85 FR 18496) on April 2, 2020 (proposed regulations). A correction to the proposed regulations was published in the **Federal Register** (85 FR 21129) on April 16, 2020. The Treasury Department and the IRS received six public comments on the proposed regulations. Copies of the comments received are available for public inspection at *https://www.regulations.gov* or upon request. No public hearing was requested, and none was held.

After consideration of all of the comments received on the proposed regulations, the proposed regulations are adopted as amended by this Treasury decision (final regulations).

Summary of Comments and Explanation of Revisions

This section discusses the public comments received on the proposed regulations, explains the revisions adopted in the final regulations in response to those comments, and describes guidance the Treasury Department and the IRS are providing contemporaneously with publication of the final regulations in the **Federal Register**.

1. Comments and Changes Relating to § 1.807–1 of the Proposed Regulations

Section 807(d) of the Code provides the method of computing life insurance reserves for purposes of determining the income of an insurance company subject to Federal income tax under subchapter L of chapter 1 of the Code (subchapter L). Section 807(d)(1)(A) provides generally that the amount of life insurance reserves for a life insurance contract (other than a variable contract subject to section 807(d)(1)(B)) is the greater of (i) the net surrender value of such contract, or (ii) 92.81 percent of the reserve determined under the tax-reserve method applicable to the contract under section 807(d)(3).

Section 1.807–1(a) of the proposed regulations (proposed § 1.807–1(a)) provides that no asset adequacy reserve may be included in the amount of life insurance reserves under section 807(d). Proposed § 1.807–1(a) describes an asset adequacy reserve as ''includ[ing] any reserve that is established as an additional reserve based upon an analysis of the adequacy of reserves that would otherwise be established or any reserve that is not held with respect to a particular contract.'' Further, proposed § 1.807–1(a) provides that an asset adequacy reserve is ''any reserve or