

was not reviewed by OMB. The Office of Information and Regulatory Affairs (OIRA) has designated this rule not as a major rule under the Congressional Review Act (5 U.S.C. 801 *et seq.*).

#### *Paperwork Reduction Act*

In accordance with the requirements of the Paperwork Reduction Act (PRA), an agency may not conduct or sponsor, and a respondent is not required to respond to, an information collection unless it displays a currently valid Office of Management and Budget (OMB) control number. The information collection requirements contained in this final rule have been approved by the OMB under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501–3520) and assigned OMB control number 2502–0253.

#### *Unfunded Mandates Reform Act*

Title II of the Unfunded Mandates Reform Act of 1995 (2 U.S.C. 1531–1538) establishes requirements for Federal agencies to assess the effects of their regulatory actions on state, local, and tribal governments, and the private sector. This rule will not impose any Federal mandates on any state, local, or tribal government or the private sector within the meaning of the Unfunded Mandates Reform Act of 1995.

#### *Environmental Review*

A Finding of No Significant Impact with respect to the environment was made prior to publication of the proposed rule, in accordance with HUD regulations at 24 CFR part 50, which implement section 102(2)(C) of the National Environmental Policy Act of 1969 (42 U.S.C. 4332(2)(C)). The Finding of No Significant Impact remains applicable, and is available for public inspection between the hours of 8 a.m. and 5 p.m. weekdays in the Regulations Division, Office of General Counsel, Room 10276, Department of Housing and Urban Development, 451 Seventh Street SW, Washington, DC 20410–0500. The Finding of No Significant Impact will also be available for review in the docket for this rule on [Regulations.gov](https://www.regulations.gov).

#### *Regulatory Flexibility Act*

The Regulatory Flexibility Act (RFA) (5 U.S.C. 601 *et seq.*) generally requires an agency to conduct a regulatory flexibility analysis of any rule subject to notice and comment rulemaking requirements, unless the agency certifies that the rule will not have a significant economic impact on a substantial number of small entities. HUD has determined that this final rule imposes no additional requirements, and does

not have a significant economic impact, on a substantial number of small entities. Of the 222 firms primarily engaged in manufacturing manufactured homes, under the NAICS definition (NAICS 32991), approximately 35 produce manufactured homes subject to HUD's Manufactured Home Construction and Safety Standards. Of these firms, 31 are considered to be small businesses based on the U.S. Small Business Administration's threshold of 1,250 employees or less. The final rule applies to all the manufacturers and thus would affect a substantial number of small entities. However, this final rule provides all manufacturers, including small manufacturers, more time to implement revisions to the Construction and Safety Standards contained in HUD's January 12, 2021 final rule, but does not itself update or amend the Standards. As a result, this rule does not place any additional costs on any manufactured home manufacturers subject to the January 12, 2021, final rule. Accordingly, the undersigned certifies that this rule would not have a significant economic impact on a substantial number of small entities.

#### *Executive Order 13132, Federalism*

Executive Order 13132 (entitled “Federalism”) prohibits, to the extent practicable and permitted by law, an agency from promulgating a regulation that has federalism implications and either imposes substantial direct compliance costs on state and local governments and is not required by statute, or preempts state law, unless the relevant requirements of section 6 of the Executive order are met. This rule does not have federalism implications and does not impose substantial direct compliance costs on state and local governments or preempt state law within the meaning of the Executive order.

**Authority:** 15 U.S.C. 2697, 28 U.S.C. 2461 note, 42 U.S.C. 3535(d), 5403, 5404, 5424.

**Susan A. Betts,**

*Deputy Assistant Secretary for Finance and Budget, Office of Housing—Federal Housing Administration.*

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## DEPARTMENT OF THE TREASURY

### Internal Revenue Service

#### 26 CFR Part 1

[TD 9936]

RIN 1545–BO59

#### Guidance on Passive Foreign Investment Companies; Correction

**AGENCY:** Internal Revenue Service (IRS), Treasury.

**ACTION:** Correcting amendments.

**SUMMARY:** This document contains corrections to the final regulations Treasury Decision 9936, that were published in the **Federal Register** on Friday, January 15, 2021. The final regulations regarding the determination of whether a foreign corporation is treated as a passive foreign investment company (“PFIC”) for purposes of the Internal Revenue Code (“Code”), and the application and scope of certain rules that determine whether a United States person that indirectly holds stock in a PFIC is treated as a shareholder of the PFIC.

**DATES:** These corrections are effective on March 10, 2021 and applicable on or after January 15, 2021.

**FOR FURTHER INFORMATION CONTACT:** Concerning the regulations §§ 1.1291–0 and 1.1291–1, 1.1297–0 through 1.1297–2, 1.1298–0, 1.1298–2, and 1.1298–4, Christina G. Daniels at (202) 317–6934; concerning the regulations §§ 1.1297–4 and 1.1297–6, Josephine Firehock at (202) 317–4932 (not toll-free numbers).

#### **SUPPLEMENTARY INFORMATION:**

##### **Background**

The final regulations (TD 9936) that are the subject of this correction are issued under sections 1297 and 1298 of the Internal Revenue Code.

##### **Need for Correction**

As published on January 15, 2021 (86 FR 4516), the final regulations (TD 9936) contain errors that need to be corrected.

##### **List of Subjects in 26 CFR Part 1**

Income taxes, Reporting and recordkeeping requirements.

##### **Correction of Publication**

Accordingly, 26 CFR part 1 is corrected by making the following correcting amendments:

#### **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 1.1297–0 is amended by revising the entry for § 1.1297–2(g)(12) to read as follows:

**§ 1.1297–0 Table of contents.**

\* \* \* \* \*

**§ 1.1297–2 Special rules regarding look-through subsidiaries and look-through partnerships.**

\* \* \* \* \*

(g) \* \* \*  
(12) TFC obligation.

\* \* \* \* \*

■ **Par. 3.** Section 1.1297–1 is amended by:

■ a. Removing “§ 1.1297–2(b)(2)(i)” in the first sentence of paragraph (d)(1)(v)(C)(1) and adding in its place “§ 1.1297–2(b)(2)(i)”.

■ b. Revising paragraph (f)(8).

The revision reads as follows:

**§ 1.1297–1 Definition of passive foreign investment company.**

\* \* \* \* \*

(f) \* \* \*

(8) *Related person.* For purposes of applying the rules of this section and § 1.1297–2 with respect to section 1297(b)(2)(C), the term means a *related person* within the meaning of section 954(d)(3).

\* \* \* \* \*

■ **Par. 4.** Section 1.1297–2 is amended by:

■ a. Removing “of this section))” in the first sentence of paragraph (b)(3)(i) and adding in its place “of this section”.

■ b. Revising the first sentence of paragraph (c)(4)(iii)(B).

■ c. Removing “PFIC.” at the end of paragraph (e)(3)(i)(B)(1) and adding in its place “PFIC.”

■ d. Revising the first sentence of paragraph (g)(4)(iv)(A)(2)(iii).

The revisions read as follows:

**§ 1.1297–2 Special rules regarding look-through subsidiaries and look-through partnerships.**

\* \* \* \* \*

(c) \* \* \*  
(4) \* \* \*  
(iii) \* \* \*

(B) \* \* \* The results are the same as in paragraph (c)(4)(ii)(B) of this section (the results in *Example 2*), except that TFC’s assets also do not include the stock of LTS2.

\* \* \* \* \*

(g) \* \* \*  
(4) \* \* \*  
(iv) \* \* \*  
(A) \* \* \*  
(2) \* \* \*

(iii) \* \* \* For purposes of paragraph (b)(3) of this section, FPS qualifies as a

look-through partnership because TFC satisfies the active partner tests of both paragraphs (g)(4)(ii)(A) and (B) of this section. \* \* \*

\* \* \* \* \*

■ **Par. 5.** Section 1.1297–4 is amended by:

■ a. Revising paragraph (d)(6).

■ b. Removing “written by a” in paragraph (f)(5) and adding in its place “written by, a”.

The revision reads as follows:

**§ 1.1297–4 Qualifying insurance corporation.**

\* \* \* \* \*

(d) \* \* \*

(6) *Stock ownership.* For purposes of this section, ownership of stock in a foreign corporation means either direct ownership of such stock or indirect ownership determined using the rules specified in § 1.1291–1(b)(8) (but without regard to the 50 percent ownership requirement of § 1.1291–1(b)(8)(ii)(A)).

\* \* \* \* \*

■ **Par. 6.** Section 1.1298–2 is amended by revising the second sentence of paragraph (c)(3), the second sentence of paragraph (f)(1)(i)(B), and the first sentence of paragraph (f)(2)(ii) to read as follows:

**§ 1.1298–2 Rules for certain corporations changing businesses.**

\* \* \* \* \*

(c) \* \* \*

(3) \* \* \* However, if activities performed by the officers and employees of a look-through subsidiary of a corporation or of a look-through partnership (including a look-through subsidiary or a look-through partnership with respect to which paragraph (d) of this section applies) would be taken into account by the corporation pursuant to § 1.1297–2(e) if it applied, such activities are taken into account for purposes of the determination of the existence of an active trade or business and the determination of whether assets are used in an active trade or business.

\* \* \* \* \*

(f) \* \* \*

(1) \* \* \*

(i) \* \* \*

(B) \* \* \* The residual gain computed under § 1.1297–2(f)(2) on the sale of the FS stock is \$10x. \* \* \*

\* \* \* \* \*

(2) \* \* \*

(ii) \* \* \* The results are the same as in paragraph (f)(1)(ii) of this section (the results in *Example 1*), except that under paragraph (c)(1) of this section, the passive income considered attributable to proceeds from a disposition of one or

more active trades or businesses is \$4x (from investment of disposition proceeds). \* \* \*

\* \* \* \* \*

**§ 1.1298–4 [Amended]**

■ **Par. 7.** Section 1.1298–4(f) is amended by removing “January” and adding in its place “January”.

**Crystal Pemberton,**

*Senior Federal Register Liaison, Legal Processing Division, Associate Chief Counsel (Procedure and Administration).*

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**DEPARTMENT OF THE TREASURY**

**Internal Revenue Service**

**26 CFR Part 1**

**[TD 9936]**

**RIN 1545–BO59**

**Guidance on Passive Foreign Investment Companies; Correction**

**AGENCY:** Internal Revenue Service (IRS), Treasury.

**ACTION:** Final regulations; correction.

**SUMMARY:** This document contains corrections to the final regulations (Treasury Decision 9936), that were published in the **Federal Register** on Friday, January 15, 2021. The final regulations regarding the determination of whether a foreign corporation is treated as a passive foreign investment company (“PFIC”) for purposes of the Internal Revenue Code (“Code”), and the application and scope of certain rules that determine whether a United States person that indirectly holds stock in a PFIC is treated as a shareholder of the PFIC.

**DATES:** These corrections are effective on March 10, 2021 and applicable on or after January 15, 2021.

**FOR FURTHER INFORMATION CONTACT:**

Concerning the regulations §§ 1.1291–0 and 1.1291–1, 1.1297–0 through 1.1297–2, 1.1298–0, 1.1298–2, and 1.1298–4, Christina G. Daniels at (202) 317–6934; concerning the regulations §§ 1.1297–4 and 1.1297–6, Josephine Firehock at (202) 317–4932 (not toll-free numbers).

**SUPPLEMENTARY INFORMATION:**

**Background**

The final regulations (TD 9936) that are the subject of this correction are issued under sections 1297 and 1298 of the Internal Revenue Code.