

addition, if the Department's supplemental standards of ethical conduct regulation takes effect before the expiration of the grandfather period on August 7, 1996, the Department will, upon the effective date of those regulations, amend 24 CFR part 0 by removing the grandfathered sections regarding "Outside employment and other activities" and "Financial interests."

Accordingly, FR Doc. 96-8380, a final rule published in the Federal Register on April 5, 1996 (61 FR 15350), is amended by adding the following provisions in title 24 of the Code of Federal Regulations:

#### **PART 0—STANDARDS OF CONDUCT**

1. The authority citation for part 0 continues to read as follows:

Authority: 5 U.S.C. 7301; 42 U.S.C. 3535(d).

#### **§ 0.735-203 [Redesignated as § 0.2]**

2. Section 0.735-203 is redesignated as § 0.2.

#### **§ 0.735-204 [Redesignated as § 0.3]**

3. Section 0.735-204 is redesignated as § 0.3.

Dated: April 25, 1996.

Camille E. Acevedo,

*Assistant General Counsel for Regulations.*

[FR Doc. 96-10690 Filed 4-30-96; 8:45 am]

BILLING CODE 4210-32-P

#### **24 CFR Part 290**

[Docket No. FR-3715-C-03]

RIN 2502-AG30

#### **Office of the Assistant Secretary for Housing-Federal Housing Commissioner; Disposition of Multifamily Projects and Sale of HUD-Held Multifamily Mortgages; Final Rule; Correction**

**AGENCY:** Office of the Assistant Secretary for Housing-Federal Housing Commissioner, HUD.

**ACTION:** Final rule; Correction.

**SUMMARY:** On March 21, 1996 (61 FR 11684), the Department published a final rule that implemented the regulatory requirements under the Multifamily Housing Property Disposition Reform Act of 1994 that affected the management and disposition of HUD-owned properties and properties with HUD-held mortgages, and the sale of HUD-held multifamily mortgages. The purpose of this correction is to remove duplicate information contained in § 290.39(c).

**EFFECTIVE DATE:** April 22, 1996.

**FOR FURTHER INFORMATION CONTACT:** Barbara D. Hunter, Director, Program Management Division, Office of Multifamily Asset Management and Disposition, Department of Housing and Urban Development, Room 6182, 451 7th Street, SW., Washington, DC 20410. Telephone (202) 708-3944; TTY (202) 708-4594. (These are not toll-free numbers.)

#### **SUPPLEMENTARY INFORMATION:**

Accordingly, FR Doc. 96-6791, a final rule on Part 290, Multifamily Projects and Sale of HUD-Held Multifamily Mortgages, published in the Federal Register on March 21, 1996 at 61 FR 11684, is corrected as follows:

On page 11690, in the third column, in § 290.39, paragraph (c) is corrected by removing the second paragraph (c)(2) that begins with "(2) A subsidized project \* \* \*", and by also removing the undesignated paragraph in the second paragraph (c)(2) that begins with "This requirement shall continue \* \* \*".

Dated: April 25, 1996.

Camille E. Acevedo,

*Assistant General Counsel for Regulations.*

[FR Doc. 96-10794 Filed 4-30-96; 8:45 am]

BILLING CODE 4210-27-P

#### **DEPARTMENT OF THE TREASURY**

#### **Internal Revenue Service**

#### **26 CFR Part 1**

[TD 8665]

RIN 1545-AT55

#### **Treatment of Underwriters in Section 351 and Section 721 Transactions**

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

**ACTION:** Final regulations.

**SUMMARY:** This document contains final regulations concerning transfers of cash to a corporation or a partnership. The final regulations will affect taxpayers in transactions under section 351 or section 721 when there is an offering of stock or partnership interests through an underwriter.

**EFFECTIVE DATE:** May 1, 1996.

**FOR FURTHER INFORMATION CONTACT:** Concerning the regulation under section 351(a), Susan T. Edlavitch, (202) 622-7750; concerning the regulation under section 721(a), James A. Quinn, (202) 622-3060 (not toll-free numbers).

#### **SUPPLEMENTARY INFORMATION:**

#### **Background**

This document contains final regulations under section 351 and section 721. The final regulations provide for the treatment of transfers of cash to a corporation or a partnership pursuant to an offering of stock or partnership interests through an underwriter.

Section 351(a) provides that no gain or loss is recognized if property is transferred to a corporation by one or more persons solely in exchange for stock in the corporation and immediately after the exchange the person or persons are in control (as defined in section 368(c)) of the corporation.

Section 721(a) provides that no gain or loss is recognized to a partnership or to any of its partners in the case of a contribution of property to the partnership in exchange for an interest in the partnership.

On August 10, 1995, the IRS published in the Federal Register a notice of proposed rulemaking (CO-26-95), adding regulations under section 351 and section 721 of the Internal Revenue Code relating to transfers of cash to a corporation or a partnership (60 FR 40792). The proposed rules were based on the conclusion that Situation 2 of Rev. Rul. 78-294 (1978-2 C.B. 141) does not reflect current underwriting practices. The proposed rules were also based on the conclusion that underwritings of partnership interests should be treated similarly to underwritings of stock. The rules, under certain circumstances, disregard underwriters of stock and partnership interests for purposes of section 351 and section 721.

#### **Public Comments and the Final Regulations**

The IRS received few comments from the public on the proposed regulations. The comments received were generally supportive of the proposed regulations but sought guidance beyond the intended scope of the rules. No public hearing was requested and none was held. After consideration of all the comments, the regulations proposed by CO-26-95 are adopted by this Treasury decision.

In the notice of proposed rulemaking, the IRS and Treasury invited public comment with respect to three issues: (a) Whether the proposed rules should apply for all tax purposes; (b) whether the proposed rules should be limited to underwriters; and (c) whether the proposed rules should be limited to cash transactions. After consideration of