

SUPPLEMENTARY INFORMATION:

Background

Section 1621(a) of the Small Business Job Protection Act of 1996, Public Law 104-188, 110 Stat. 1755 (August 20, 1996), amends the Internal Revenue Code (Code) by adding new part V (sections 860H-860L) to subchapter M of chapter 1. These provisions authorize a new statutory vehicle, called a Financial Asset Securitization Investment Trust (FASIT), that will facilitate the securitization of debt obligations, including credit card receivables and automobile loans. In general, a FASIT will use such obligations to issue new, debt-like securities, referred to as regular interests. No Federal income tax is imposed on a FASIT, even if the underlying arrangement is otherwise regarded for tax purposes as a corporation, trust, partnership, or segregated pool of assets.

A FASIT must have a single ownership interest, which has to be held entirely by a non-exempt domestic C corporation other than a corporation that qualifies as a RIC, REIT, REMIC, or subchapter T cooperative. Because a FASIT is not subject to income tax, the holder of the ownership interest generally includes in its taxable income all of the FASIT's items of income, gain, deduction and loss. In addition, the holder recognizes gain (but not loss) when (1) the FASIT acquires property from the holder or an unrelated third party, or (2) the holder uses property to support a regular interest issued by the FASIT.

A FASIT may issue one or more classes of regular interests. Regular interests are treated as debt for all purposes of the Code. Ordinarily, a regular interest may be held by any person, unless the interest is a high-yield interest, in which case it may be held only by another FASIT or a corporation that is allowed to hold an ownership interest.

The FASIT provisions become effective on September 1, 1997. Special transitional rules apply to a securitization arrangement existing on August 31, 1997, that elects FASIT treatment (a pre-effective date FASIT).

In addition to the general authority under section 7805 to prescribe regulations, the Treasury and IRS have specific authority under section 860L(h) to issue regulations that carry out the purposes of the FASIT provisions, includ-

Financial Asset Securitization Investment Trusts (FASITs)

Announcement 96-121

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Solicitation for comments.

SUMMARY: The Treasury Department and the IRS are soliciting comments on issues to be considered in developing guidance under the newly enacted FASIT provisions of the Internal Revenue Code.

DATES: Comments are requested on or before December 31, 1996.

ADDRESSES: Send written comments to: Internal Revenue Service, Attn: CC:DOM:CORP:R (FASIT solicitation), room 5226, POB 7604, Ben Franklin Station, Washington, DC 20044. Alternatively, taxpayers may submit comments in writing, by hand delivery to CC:DOM:CORP:R (FASIT solicitation), Courier's Desk, Internal Revenue Service, 1111 Constitution Ave., NW., Washington, D.C., or, electronically, via the IRS Internet site at: http://www.irs.ustreas.gov/prod/tax_regs/comments.html.

FOR FURTHER INFORMATION CONTACT: David L. Meyer at 202-622-3960 (not a toll-free number).

ing rules to prevent the abuse of the purposes of the FASIT provisions through transactions that are not primarily related to securitization of debt instruments by a FASIT.

Comments

To develop needed guidance timely, the Treasury Department and the IRS invite interested persons to submit comments (in the manner described under the **ADDRESSES** caption) on issues arising under the FASIT provisions. Treasury and the IRS encourage respondents to give particular attention to the following: rules that would allow more than one member of an affiliated group to hold ownership interests in the same FASIT; transitional rules for pre-effective date FASITs; and any other rules that should be in place before September 1, 1997.

If a respondent is submitting written comments, a signed original and eight

(8) copies are requested. All comments will be available for public inspection and copying in their entirety.

JUDITH C. DUNN,
Associate Chief Counsel (Domestic).

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