

[4830-01- p]

DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

[REG-135071-11]

RIN 1545-BK63

Application for Recognition as a 501(c)(29) Organization

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Notice of proposed rulemaking by cross-reference to temporary regulations.

SUMMARY: In the Rules and Regulations section of this issue of the **Federal Register** are temporary regulations authorizing the IRS to prescribe the procedures by which a qualified nonprofit health insurance issuer participating in the Consumer Operated and Oriented Plan program, established by the Centers for Medicare and Medicaid Services, may apply for recognition as a tax-exempt organization under the Internal Revenue Code. The text of those regulations also serves as the text of these proposed regulations.

DATES: Written or electronic comments and requests for a public hearing must be received by **[INSERT DATE THAT IS 60 DAYS AFTER PUBLICATION OF THIS DOCUMENT IN THE FEDERAL REGISTER]**.

ADDRESSES: Send submissions to: CC:PA:LPD:PR (REG-135071-11), Room 5203, Internal Revenue Service, P.O. Box 7604, Ben Franklin Station, Washington, DC 20044. Submissions may be hand-delivered Monday through Friday between the hours of 8 a.m. and 4 p.m. to CC:PA:LPD:PR (REG-135071-11), Courier's Desk, Internal

Revenue Service, 1111 Constitution Avenue, NW, Washington, DC, or sent electronically via the Federal eRulemaking Portal at www.regulations.gov (IRS REG-135071-11).

FOR FURTHER INFORMATION CONTACT: Concerning the proposed regulations, Amy Franklin or Martin Schäffer at (202) 622-6070; concerning submission of comments and request for hearing, Oluwafunmilayo Taylor at (202) 622-7180 (not toll-free numbers).

SUPPLEMENTARY INFORMATION:

Background and Explanation of Provisions

The temporary regulations in the Rules and Regulations section of this issue of the **Federal Register** make additions to the Income Tax Regulations (26 CFR part 1) relating to section 501(c)(29) of the Internal Revenue Code (Code). The temporary regulations provide that the Commissioner has the authority to prescribe the procedures under which a qualified nonprofit health insurance issuer (within the meaning of section 1322(c) of the Patient Protection and Affordable Care Act, Public Law 111-148 (March 23, 2010)) which has received a loan or grant from the Centers for Medicare and Medicaid Services under the Consumer Operated and Oriented Plan program may request to be recognized as tax-exempt under section 501(a) as an organization described in section 501(c)(29). The temporary regulations expressly authorize the Commissioner to recognize a qualified nonprofit health insurance issuer as exempt effective as of a date prior to the date of its application, provided that the application is submitted in the manner and within the time prescribed by the Commissioner and the organization's prior purposes and activities were consistent with the requirements for

exempt status under section 501(c)(29). The text of the temporary regulations also serves as the text of these proposed regulations. The preamble to the temporary regulations explains the additions.

Special Analyses

It has been determined that this notice of proposed rulemaking is not a significant regulatory action as defined in Executive Order 12866, as supplemented by Executive Order 13563. 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) does not apply, and because no collection of information is imposed on small entities, the provisions of the Regulatory Flexibility Act (5 U.S.C. chapter 6) do not apply. Pursuant to section 7805(f) of the Code, the proposed regulation has been submitted to the Chief Counsel for Advocacy of the Small Business Administration for comments on its impact on small businesses.

Comments and Requests for a Public Hearing

Before these proposed regulations are adopted as final regulations, consideration will be given to any comments that are submitted timely to the IRS as prescribed in this preamble under the “Addresses” heading. The IRS and the Treasury Department request comments on the proposed regulations, including how they might be made easier to understand. All comments will be available at www.regulations.gov or upon request. A public hearing will be scheduled if requested in writing by any person that timely submits written comments. If a public hearing is scheduled, notice of the date, time, and place for the public hearing will be published in the **Federal Register**.

Drafting Information

The principal authors of these regulations are Amy Franklin and Martin Schäffer of the Office of Division Counsel/Associate Chief Counsel (Tax Exempt and Government Entities), although other persons in the IRS and the Treasury Department participated in their development.

List of Subjects in 26 CFR Part 1

Income taxes, Reporting and recordkeeping requirements.

Proposed Amendment to the Regulations

Accordingly, 26 CFR part 1 is proposed to be amended as follows:

PART 1--INCOME TAXES

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

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

Section 1.501(c)(29)-1 also issued under 26 U.S.C. 501(c)(29)(B)(i). * * *

Par. 2. Section 1.501(c)(29)-1 is added to read as follows:

§1.501(c)(29)-1 CO-OP Health Insurance Issuers.

[The text of proposed amendment to §1.501(c)(29)-1 is the same as the text for §1.501(c)(29)-1T(a) through (c) published elsewhere in this issue of the **Federal Register**].

Steven T. Miller
Deputy Commissioner for Services and Enforcement.

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