

SCHEDULE B—PIECE RATE SCHEDULE FOR THE HANDKERCHIEF, SQUARE SCARF, AND ART LINEN INDUSTRY IN PUERTO RICO 1—Continued

No.	Operation	Dollies			Napkins			Table scarves			Squares			Table cloths		
		8" x 16"	10" x 14"	12" x 18"	12" x 12"	15" x 15"	18" x 18"	17" x 36"	17" x 45"	17" x 54"	36" x 36"	45" x 45"	54" x 54"	54" x 72"	72" x 72"	72" x 90"
179	Half roll, cambric and crash, at 3.06 cents per dozen inches.....	1.47	1.47	1.84	1.47	1.84	2.20	3.24	3.79	4.35	4.41	5.51	6.61	7.71	8.81	9.91
180	Hand or French rolling, 10 stitches or less per inch, cambric, and crash at 1.98 cents per dozen inches.....	.95	.95	1.19	.95	1.19	1.33	2.10	2.46	2.81	2.85	3.56	4.28	4.90	5.70	6.42
	Hemming stitch over pasada, measuring all around edge:															
181	Cambric at 1.88 cents per dozen inches.....	.90	.90	1.13	.90	1.13	1.35	1.90	2.33	2.67	2.71	3.38	4.06	4.74	5.41	6.09
182	Crash, at 1.75 cents per dozen inches.....	.84	.84	1.05	.84	1.05	1.26	1.86	2.17	2.48	2.52	3.15	3.78	4.41	5.04	5.67
	Second seams, for separate borders, measuring all around edge:															
183	Cambric, at 1.88 cents per dozen inches.....	.90	.90	1.13	.90	1.13	1.35	1.99	2.33	2.67	2.71	3.38	4.06	4.74	5.41	6.09
184	Crash, at 1.75 cents per dozen inches.....	.84	.84	1.05	.84	1.05	1.26	1.86	2.17	2.48	2.52	3.15	3.78	4.41	5.04	5.67
	Second seams, for separate borders, with French corners, measuring all around edge:															
185	Cambric, at 2.09 cents per dozen inches.....	1.00	1.00	1.25	1.00	1.25	1.50	2.22	2.59	2.97	3.01	3.76	4.51	5.27	6.02	6.77
186	Crash, at 1.88 cents per dozen inches.....	.90	.90	1.13	.90	1.13	1.35	1.99	2.33	2.67	2.71	3.38	4.06	4.74	5.41	6.09

¹ See current wage order for this industry for definition of the industry and of the classification of "hand-sewing" and "other operations," and for applicable minimum hourly wage rates.

² Piece rate not applicable when operation is performed on articles which are otherwise wholly machine-sewn.

SCHEDULE B.—PIECE RATE SCHEDULE FOR THE HANDKERCHIEF, SQUARE SCARF, AND ART LINEN INDUSTRY IN PUERTO RICO 1—Concluded

No.	Operation	Cents	Unit of payment
	<i>Scalloped cutting</i>		
	Hand-cutting machine-embroidered, shallow, curved scallops on handkerchiefs or square scarves:		
187.4	Small, measuring from $\frac{1}{4}$ " up to but not including $\frac{5}{8}$ ", along outside edge.	28.57	Per dozen scallops.
187.5	Medium, measuring from $\frac{5}{8}$ " up to but not including $\frac{7}{8}$ ", along outside edge.	35.98	Do.
187.6	Large, measuring from $\frac{7}{8}$ " to and inclusive of $1\frac{1}{4}$ ", along outside edge.	53.96	Do.
	<i>Needlepoint operations</i> ^{6,7}		
200	Compact florals, figures and landscapes.....	29.12	Per 1,000 stitches.
201	Scattered florals.....	31.36	Do.
202	Scattered florals consisting of borders or garlands only.....	33.60	Do.
203	Combinations of compact center and scattered borders in which the compact portion totals 45 percent or more of the total design.	31.36	Do.
204	Combinations of compact center and scattered borders in which the compact portion totals less than 45 percent of the entire design.	33.60	Do.
205	2.20 cents must be added to the above piece rates to cover thumb-tack mounting on frame for each piece of canvas. Employers using other methods must set individual rates for mounting and removing canvas in accordance with Section 545.10.		

⁶ *Exceptions.* These piece rates do not apply to the following types of needlepoint. For these and all other varieties of needlepoint not covered by the schedule and definitions, piece rates must be set by employers in accordance with Regulation 545.10.

1. Florals having more than 10,000 stitches.
2. Florals having more than 36 color tones.
3. Figures and landscapes having more than 3,000 stitches.
4. Figures and landscapes having more than 25 color tones.
5. Petit point.
6. Stamped grospoint.

⁷ *Definitions.* (1) A scattered design is one in which 50 percent or more of the component parts, when finished, are separated by spaces of unsewn canvas.

(2) A compact design is one in which 50 percent or more of the finished piece contains no spaces of unsewn canvas.

[F.R. Doc. 60-9846; Filed, Oct. 19, 1960; 8:51 a.m.]

McDowell "Famous American" stamp, issued December 3, 1959. It contains an illustration of each stamp and gives detailed information on each stamp as well as miscellaneous historical information on stamps. (\$1 a copy.) (No general distribution made to post offices.)

NOTE: The corresponding Postal Manual section is 114.2 (g) and (h).

(R.S. 161, as amended, sec. 501, Pub. Law 86-682 (74 Stat. 580); 5 U.S.C. 22, 39 U.S. Code 501)

II. In Part 33—Meter Stamps, make the following changes:

A. In § 33.1 *Postage meters*, paragraph (d) is amended to reflect changes in the corporate names of the manufacturers in subparagraphs (1) and (2); and by adding a subparagraph (5) to show a newly authorized postage meter manufacturer. As so amended, paragraph (d) reads as follows:

§ 33.1 Postage meters.

(d) *Meter manufacturers.* Postage meters may be leased from authorized manufacturers who are held responsible by the Post Office Department for the control, operation, maintenance and replacement, when necessary, of meters manufactured by them. The following manufacturers are presently authorized to lease meters to mailers:

- (1) Commercial Controls Corp., Division of Friden, Inc., Rochester, N.Y.
- (2) International Postal Supply Co., Division of Friden, Inc., Lewistown, Pa.
- (3) National Cash Register Co., Dayton, Ohio.
- (4) Pitney-Bowes, Inc., Stamford, Conn.
- (5) Postalia Division, Tele-Norm Corp., New York, N.Y. (authorization limited to only New York City and Westchester County, N.Y.).

NOTE: The corresponding Postal Manual section is 143.14

B. Section 33.2 *Meter license* is amended to show the current designation of the postage meter application and license form and to clarify the procedures

Title 39—POSTAL SERVICE

Chapter I—Post Office Department

PART 4—INFORMATION ON POSTAL MATTERS

PART 33—METER STAMPS

PART 46—RURAL SERVICE

Miscellaneous Amendments

The regulations of the Post Office Department are amended as follows:

I. In § 4.2 *General postal publications*, as amended by Federal Register Document 60-1647, 25 F.R. 1616, paragraphs (h) and (i) are amended to show the

current content of "Postal Laws" and "Postage Stamps of the United States" respectively. As so amended, paragraphs (h) and (i) read as follows:

§ 4.2 General postal publications.

(h) "Postal Laws" is a compilation of the laws affecting the Post Office Department. It contains all of title 39 of the U.S. Code, as well as pertinent parts of titles 3, 5, 6, 16, 18, 28, 31, 38, 41, and 46. (\$2.75) (No general distribution made to post offices.)

(i) "Postage Stamps of the United States, 1847-1959," lists all issues of stamps from the first adhesive stamp, issued in 1847, through the Dr. Ephraim

on revocation of a license. As so amended, § 33.2 reads as follows:

§ 33.2 Meter license.

(a) *Application.* A patron may obtain a "License To Use a Postage Meter", Form 3601-A, by submitting an application on Form 3601-A (or a form supplied by the manufacturer) to the post office where his metered mail will be deposited. No fee is charged. The application must specify the make and model of the meter. A specimen meter stamp must be submitted with the application. On approval, the postmaster will issue a license.

(b) *Revocation.* (1) The license may be revoked if used in operating any scheme or enterprise of an unlawful character, for nonuse during any consecutive 12 months, or for any failure to comply with the regulations governing the use of postage meters.

(2) The meter license holder will be notified by the postmaster that the license is to be canceled, and the reasons for cancellation. If no written statement of objections is filed by the license holder within 10 days, the postmaster will cancel the license. If a written statement is filed, the Bureau of Operations, Postal Services Division, will decide whether or not the license shall be continued in effect and will notify the license holder through the postmaster.

NOTE: The corresponding Postal Manual section is 143.2.

§ 33.4 [Amendment]

C. In § 33.4 *Meter stamps*, paragraph (a) is amended by adding an illustration of the meter stamp that will be used by a newly authorized meter manufacturer. As so added, the new illustration is as follows:



NOTE: The corresponding Postal Manual section is 143.4.

(R.S. 161, as amended, secs. 501, 4052, 4053, Pub. Law 86-682 (74 Stat. 580, 656, 657); 5 U.S.C. 22, 39 U.S.C. 501, 4052, 4053)

III. In Part 46—Rural Service, make the following changes:

A. In § 46.3 *Carrier service* paragraph (b) is amended to show that rural carriers will deliver unnumbered insured mail the same as ordinary mail; and paragraph (c) is amended by inserting "ordinary" immediately preceding "parcel-post" in the first sentence therein. As so amended, paragraphs (b) and (c) read as follows:

§ 46.3 Carrier service.

(b) *To residence.* Rural carriers will deliver registered, certified, numbered insured, COD, and special delivery mail to the patron's residence if it is not more than one-half mile from the route and if there is a passable road leading to it. Unnumbered insured mail will be delivered the same as ordinary mail.

(c) *Parcel delivery.* Rural carriers will deliver outside of boxes ordinary parcel-post packages that are too large to go in the boxes, provided the addressee has filed with the postmaster a written order for delivery in this manner. The written order must provide that the Post Office Department and the carriers are relieved of all responsibility in case of loss or depredation. Where a patron lives within hailing distance of a route, the carrier will, before making delivery in this manner, make a reasonable effort to hail the patron so that he may come to the mail box to receive the parcel.

NOTE: The corresponding Postal Manual sections are 156.32 and 156.33.

§ 46.5 [Amendment]

B. In § 46.5 *Rural boxes*, subparagraph (4) of paragraph (a), as amended by Federal Register document 60-5283, 25 F.R. 5184, is amended by changing the address of "Akron Metal Sales Co.", where it appears in the list of approved manufacturers of rural mail boxes, to read "Akron Metal Sales Co., 1079 E & J Street, Barberton, Ohio."

NOTE: The corresponding Postal Manual section is 156.514.

(R.S. 161, as amended, secs. 501, 6005, Pub. Law 86-682 (74 Stat. 580, 686); 5 U.S.C. 22, 39 U.S.C. 501, 6005)

[SEAL] HERBERT B. WARBURTON,
General Counsel.

[F.R. Doc. 60-9775; Filed, Oct. 19, 1960; 8:45 a.m.]

Title 26—INTERNAL REVENUE, 1954

Chapter I—Internal Revenue Service, Department of the Treasury

SUBCHAPTER A—INCOME TAX

[T. D. 6497]

PART 1—INCOME TAX; TAXABLE YEARS BEGINNING AFTER DE- CEMBER 31, 1953

Distributions or Payments Under Certain Employee Plans

On February 4, 1960, notice of proposed rule making regarding the amendment of the Income Tax Regulations (26 CFR Part 1) in order to clarify the tax treatment of distributions or payments under certain employee plans was published in the FEDERAL REGISTER (25 F.R. 963). After consideration of all such relevant matter as was presented by interested persons regarding the rules proposed, the following amendments to the regulations are hereby adopted:

PARAGRAPH 1. Paragraph (a) of § 1.72-2 is amended (A) by revising subparagraph (1) and (B) by adding a new

subparagraph (3) at the end thereof. These amended and added provisions read as follows:

§ 1.72-2 Applicability of section.

(a) *Contracts.* (1) The contracts under which amounts paid will be subject to the provisions of section 72 include contracts which are considered to be life insurance, endowment, and annuity contracts in accordance with the customary practice of life insurance companies. For the purposes of section 72, however, it is immaterial whether such contracts are entered into with an insurance company. The term "endowment contract" also includes the "face-amount certificates" described in section 72(1).

(3) (i) Sections 402 and 403 provide that certain distributions by employees' trusts and certain payments under employee plans are taxable under section 72, except that section 72(e)(3) does not apply to such distributions or payments. For purposes of applying section 72 to such distributions and payments (other than those described in subdivision (iii) of this subparagraph), each separate program of the employer consisting of interrelated contributions and benefits shall be considered a single contract. Therefore, all distributions or payments (other than those described in subdivision (iii) of this subparagraph) which are attributable to a separate program of interrelated contributions and benefits are considered as received under a single contract. A separate program of interrelated contributions and benefits may be financed by the purchase from an insurance company of one or more group contracts or one or more individual contracts, or may be financed partly by the purchase of contracts from an insurance company and partly through an investment fund, or may be financed completely through an investment fund. A program may be considered separate for purposes of section 72 although it is only a part of a plan which qualifies under section 401. There may be several trusts under one separate program, or several separate programs may make use of a single trust. See, however, subdivision (iii) of this subparagraph for rules relating to what constitutes a "contract" for purposes of applying section 72 to distributions commencing before October 20, 1960.

(ii) The following types of benefits, and the contributions used to provide them, are examples of separate programs of interrelated contributions and benefits:

- (a) Definitely determinable retirement benefits.
- (b) Definitely determinable benefits payable prior to retirement in case of disability.
- (c) Life insurance.
- (d) Accident and health insurance.

However, retirement benefits and life insurance will be considered part of a single separate program of interrelated contributions and benefits to the extent they are provided under retirement income, endowment, or other contracts providing life insurance protection. See

examples (6), (7), and (8) contained in subdivision (iv) of this subparagraph for illustrations of the principles of this subdivision. See, also, § 1.72-15 for rules relating to the taxation of amounts received under an employee plan which provides both retirement benefits and accident and health benefits.

(iii) If any amount which is taxable under section 72 by reason of section 402 or 403 is actually distributed or made available to any person under an employees' trust or plan (other than the Civil Service Retirement Act) before October 20, 1960, section 72 shall, notwithstanding any other provisions in this subparagraph, be applied to all the distributions with respect to such person (or his beneficiaries) under such trust or plan (whether received before or after October 20, 1960) as though such distributions were provided under a single contract. For purposes of applying section 72 to distributions to which this subdivision applies, therefore, the term "contract" shall be considered to include the entire interest of an employee in each trust or plan described in sections 402 and 403 to the extent that distributions thereunder are subject to the provisions of section 72. Section 72 shall be applied to distributions received under the Civil Service Retirement Act in the manner prescribed in subdivision (i) of this subparagraph (see example (4) in subdivision (iv) of this subparagraph).

(iv) The application of this subparagraph may be illustrated by the following examples:

Example (1). On January 1, 1961, X Corporation established a noncontributory profit-sharing plan for its employees providing that the amount standing to the account of each participant will be paid to him at the time of his retirement and also established a contributory pension plan for its employees providing for the payment to each participant of a lifetime pension after retirement. The profit-sharing plan is designed to enable the employees to participate in the profits of X Corporation; the amount of the contributions to it are determined by reference to the profits of X Corporation; and the amount of any distribution is determined by reference to the amount of contributions made on behalf of any participant and the earnings thereon. On the other hand, the pension plan is designed to provide a lifetime pension for a retired employee; the amount of the pension is to be determined by a formula set forth in the plan; and the amount of contributions to the plan is the amount necessary to provide such pensions. In view of the fact that each of these plans constitutes a separate program of interrelated contributions and benefits, the distributions from each shall be treated as received under a separate contract. If these plans had been established before October 20, 1960, then, in the case of an employee who receives a distribution under the plans before October 20, 1960, the determination as to whether that distribution and all subsequent distributions to such employee are received under a single contract or under more than one contract shall be made by applying the rules in subdivision (iii) of this subparagraph. On the other hand, in the case of an employee who does not receive any distribution under these plans before October 20, 1960, the determination as to whether distributions to him are received under a single contract or under more than one contract shall be made in

accordance with the rules illustrated by this example.

Example (2). On January 1, 1961, Z Corporation established a profit-sharing plan for its employees providing that any employee may make contributions, not in excess of 6 percent of his compensation, to a trust and that the employer would make matching contributions out of profits. Under the plan, a participant may receive a periodic distribution of the amount standing in his account during any period that he is absent from work due to a personal injury or sickness. On separation from service, the participant is entitled to receive a distribution of the balance standing in his account in accordance with one of several options. One option provides for the immediate distribution of one-half of the account and for the periodic distribution of the remaining one-half of the account. In addition, any participant may, after the completion of five years of participation, withdraw any part of his account, but in the case of such a withdrawal, the participant forfeits his rights to participate in the plan for a period of two years. Thus, a participant may receive distributions before separation from service; he may receive a distribution of a lump sum upon separation from service; he may also receive periodic distributions upon separation from service. However, since it is the total amount received under all the options that is interrelated with the contributions to the plan and not the amount received under any one option, this profit-sharing plan consists of only one separate program of interrelated contributions and benefits and all distributions under the plan (regardless of the option under which received) are treated as received under one contract. However, if, instead of providing that the amount standing in an employee's account would be paid to him during any period that he is absent from work due to a personal injury or sickness, the plan provided that a portion of the amount in the employee's account would be used to purchase incidental accident and health insurance, this plan would consist of two separate programs of interrelated contributions and benefits. The accident and health insurance, and the contributions used to purchase it, would be considered as one separate program of interrelated contributions and benefits and, therefore, a separate contract; whereas, the remaining contributions and benefits would be considered another separate program of interrelated contributions and benefits and, consequently, another separate contract.

Example (3). On January 1, 1961, N Corporation established a profit-sharing plan for its employees providing that the employees may make contributions, not in excess of 6 percent of their compensation, to a trust and that N Corporation would make matching contributions out of its profits. Under the plan, the employee may elect each year to have his and the employer's contributions for such year placed in either a savings arrangement or a retirement arrangement. Such an election is irrevocable. Under the savings arrangement, contributions to such arrangement for any one year and the earnings thereon will be distributed five years later. The retirement arrangement provides that all contributions thereto and the earnings thereon will be distributed when the employee is separated from the service of N Corporation. Since the distributions under the retirement arrangement are attributable solely to the contributions made to such arrangement and are not affected in any manner by contributions or distributions under the savings arrangement or any other plan, such distributions are treated as received under a separate program of interrelated contributions and benefits. Similarly, since distributions during any year under the savings arrangement are attributable

only to contributions to such arrangement made during the fifth preceding year and are not affected in any manner by any other contributions to or distributions from such arrangement or any other plan, the savings arrangement constitutes a series of separate programs of interrelated contributions and benefits. The contributions to the savings arrangement for any year and the distribution in a subsequent year based thereon constitute a separate contract for purposes of section 72.

Example (4). The Civil Service Retirement Act, which provides retirement benefits for participating employees, consists of a compulsory program and a voluntary program. Under the compulsory program, all participating employees are required to make certain contributions and, upon retirement, are provided retirement benefits computed on the basis of compensation and length of service. Under the voluntary program, such participating employees are permitted to make contributions in addition to those required under the compulsory program and, upon retirement, are provided additional retirement benefits computed on the basis of their voluntary contributions. Distributions received under the Act constitute distributions from two separate contracts for purposes of section 72. Distributions received under the compulsory program are considered as received under a separate program of interrelated contributions and benefits since they are computed solely under the compulsory program and are not affected by any contributions or distributions under the voluntary program or under any other plan. For similar reasons, distributions which are attributable to the voluntary contributions are considered as received under a separate program of interrelated contributions and benefits.

Example (5). On January 1, 1961, M Corporation established a contributory pension plan for its employees and created a trust to which it makes contributions to fund such plan. The plan provides that each participant will receive after age 65 a pension of 1½ percent of his compensation for each year of service performed subsequent to the establishment of such plan. In order to fund part of the benefits under the plan, the trustee purchased a group annuity contract. The remaining part of the benefits are to be paid out of a separate investment fund. This pension plan constitutes a single program of interrelated contributions and benefits and, therefore, all distributions received by an employee under the plan are considered as received under a single contract for purposes of section 72.

Example (6). On January 1, 1961, Y Corporation established a noncontributory pension plan (including incidental death benefits) for its employees and created a trust to which it makes contributions to fund such plan. The plan provides that each participant will receive after age 65 a pension of 1½ percent of his compensation for each year of service performed subsequent to the establishment of such plan. In addition, such plan provides for the payment of a death benefit if the employee dies before age 65. The trustee funded the death benefits through the purchase of a group term insurance policy and funded the retirement benefits through the purchase of a group annuity contract. Because of a subsequent change in funding from the deferred annuity method to the deposit administration method, the trustee purchased a second group annuity contract to provide the retirement benefits under the plan accruing after the effective date of the change in method of funding. Thus, retirement benefits distributed to an employee whose service with Y Corporation commenced before the effective date of the change in method of funding will be attributable to both group annuity contracts. This pension

plan includes two separate programs of interrelated contributions and benefits. The death benefits, and the contributions required to provide them, are considered as one separate program of interrelated contributions and benefits; whereas, the retirement benefits, and the contributions required to provide them, are considered as another separate program of interrelated contributions and benefits. Therefore, any retirement benefits received by an employee, whether attributable to one or both of the group annuity contracts, shall be considered as received under a single contract for purposes of section 72. In determining the tax treatment of any such retirement benefits under section 72, no amount of the premiums used to purchase the group term insurance policy shall be taken into account, since such premiums, and the death benefits which they purchased, constitute a separate program of interrelated contributions and benefits.

Example (7). Assume the same facts as in example (6) except that, in lieu of funding the benefits in the manner described in that example, the trustee purchased individual retirement income contracts from an insurance company. Additional individual retirement income contracts are purchased in order to fund any increase in benefits resulting from increases in salary. Therefore, distributions to a particular employee may be attributable to a single retirement income contract or to more than one such contract. All distributions received by an employee under the pension plan, whether attributable to one or more retirement income contracts and whether made directly from the insurance company to the employee or made through the trustee, are considered as received under a single contract for purposes of section 72. For rules relating to the tax treatment of contributions and distributions under retirement income, endowment, or other life insurance contracts purchased by a trust described in section 401(a) and exempt under section 501(a), see paragraph (a) (2), (3), and (4) of § 1.402(a)-1.

Example (8). Assume the same facts as in example (6) except that, in lieu of funding the benefits in the manner described in that example, the trustee funded the death benefits and part of the retirement benefits by purchasing individual retirement income contracts from an insurance company. The remaining part of the retirement benefits (such as any increase in benefits resulting from increases in salary) are to be paid out of a separate investment fund. This pension plan includes, with respect to each participant, two separate contracts for purposes of section 72. The retirement income contract purchased by the trust for each participant is a separate program of interrelated contributions and benefits and all distributions attributable to such contract (whether made directly from the insurance company to the employee or made through the trustee) are considered as received under a single contract. For rules relating to the tax treatment of contributions and distributions under retirement income, endowment, or other life insurance contracts purchased by a trust described in section 401(a) and exempt under section 501(a), see paragraph (a) (2), (3), and (4) of § 1.402(a)-1. The remaining distributions under the plan are considered as received under another separate program of interrelated contributions and benefits.

PAR. 2. Paragraph (a) (3) of § 1.72-13 is amended to read as follows:

§ 1.72-13 Special rule for employee contributions recoverable in three years.

(a) Amounts received as an annuity.

(3) The aggregate of the amounts receivable as an annuity within the prescribed 3-year period shall be the total of all annuity payments anticipatable by an employee (or a beneficiary or beneficiaries of an employee, if the employee died before any amount was received as an annuity) under the contract as a whole as defined in paragraph (a) of § 1.72-2. See paragraph (a) (3) of § 1.72-2 for rules for determining what constitutes "the contract" in the case of distributions from an employee's trust or plan.

PAR. 3. Paragraph (a) (3) (i) of § 1.402(a)-1 is amended to read as follows:

§ 1.402(a)-1 Taxability of beneficiary under a trust which meets the requirements of section 401(a).

(a) In general. * * *

(3) (i) If a trust described in section 401(a) and exempt under section 501(a) purchases under the plan retirement income, endowment, or other contracts providing life insurance protection, payable upon the death of the employee participants, and either:

(a) The proceeds of such life insurance are payable to a beneficiary of the employee participant, other than the trust, or

(b) In case such proceeds are payable to the trust, by the terms of the plan the trustee is required to pay over all of such proceeds to a beneficiary of the employee participant;

then, the portion of the premiums paid for the life insurance protection provided under such contracts from either the contributions of the employer or earnings of the trust will constitute income to the employee for the year or years in which the contributions or earnings are applied toward the purchase of such life insurance. If the amount payable upon death at any time during the year exceeds the cash value of the insurance policy at the end of the year, the entire amount of such excess will be considered current life insurance protection. The cost of such insurance will be considered to be a reasonable net premium cost, as determined by the Commissioner, for such amount for the appropriate period. The amount thus to be included in the gross income of the employee under this subdivision shall be considered as premiums or other consideration paid or contributed by the employee only with respect to any benefits attributable to the contract (within the meaning of paragraph (a) (3) of § 1.72-2) providing the life insurance protection.

(Sec. 7805, Internal Revenue Code of 1954, 68A Stat. 917; 26 U.S.C. 7805)

[SEAL] DANA LATHAM,
Commissioner of Internal Revenue.

Approved: October 14, 1960.

FRED C. SRIENER, Jr.,
Acting Secretary of the Treasury.

[F.R. Doc. 60-9849; Filed, Oct. 19, 1960; 8:51 a.m.]

Title 32—NATIONAL DEFENSE

Chapter I—Office of the Secretary of Defense

SUBCHAPTER A—ARMED SERVICES PROCUREMENT REGULATIONS

PART 1—GENERAL PROVISIONS

PART 2—PROCUREMENT BY FORMAL ADVERTISING

PART 3—PROCUREMENT BY NEGOTIATION

PART 6—FOREIGN PURCHASES

PART 7—CONTRACT CLAUSES

PART 8—TERMINATION OF CONTRACTS

PART 10—BONDS AND INSURANCE

PART 12—LABOR

PART 13—GOVERNMENT PROPERTY

PART 16—PROCUREMENT FORMS

PART 30—APPENDIXES TO ARMED SERVICES PROCUREMENT REGULATIONS

Miscellaneous Amendments

The following amendments to this subchapter are issued by direction of the Assistant Secretary of Defense (Supply and Logistics) pursuant to the authority contained in Department of Defense Directive No. 4105.30, dated March 11, 1959 (24 F.R. 2260) and 10 U.S.C. 2202, and have the concurrence of the military departments.

1. Add §§ 1.300, 1.300-1, 1.300-2 and 1.300-3, revise § 1.301 and add §§ 1.302-5 and 1.314, as follows:

§ 1.300 Methods of procurement.

§ 1.300-1 Competition.

All procurements, whether by formal advertising or by negotiation, shall be made on a competitive basis to the maximum practicable extent.

§ 1.300-2 Formal advertising.

Purchases and contracts for supplies and services shall be made by formal advertising in all cases in which the use of such method is feasible and practicable under the existing conditions and circumstances. Procurement by formal advertising shall be in accordance with detailed requirements and procedures set forth in Part 2 of this subchapter.

§ 1.300-3 Negotiation.

If the use of formal advertising is not feasible and practicable, purchases and contracts for supplies and services may be negotiated in accordance with the detailed requirements and procedures set forth in Part 3 of this subchapter.

§ 1.301 Interdepartmental and coordinated procurement.

Supplies and services may be obtained in appropriate circumstances as provided in Part 5 of this subchapter by such means as interdepartmental and coordinated procurement.