amendment should apply to as many shipments of carrots as possible during the remainder of the 1963–64 season, (3) regulations have been issued under the order since 1960, so compliance with this amendment will not require any special preparation on the part of handlers, (4) information regarding the committee's recommendation has been disseminated to producers and handlers in the production area, and (5) this amendment relieves restrictions on the handling of carrots.

Order, as amended. In § 970.304 (28 F.R. 11666, 12358; 29 F.R. 601, 2672), amend paragraph (b)(1) to read as follows:

§ 970.304 **Limitation of shipments.**

* * * * *

(b) *Sizing requirements.* * * *

(1) *Medium-to-large:* ¾ inch minimum diameter to 1½ inches maximum diameter, 5½ inches minimum length, with an average of 30 percent by count 1 inch minimum diameter or larger and no sample with less than 15 percent by count 1 inch or larger in diameter.

* * * * *

(Secs. 1–19, 48 Stat. 31, as amended; 7 U.S.C 601 et seq.)

Dated: March 18, 1964, to become effective March 27, 1964.

PAUL A. NICHOLSON,
Deputy Director,
Fruit and Vegetable Division.

[F.R. Doc. 64–2788; Filed, Mar. 23, 1964; 8:47 a.m.]

Title 14—AERONAUTICS AND SPACE

Chapter I—Federal Aviation Agency

SUBCHAPTER E—AIRSPACE [NEW]

[Airspace Docket No. 63–CE–41]

PART 71—DESIGNATION OF FEDERAL AIRWAYS, CONTROLLED AIRSPACE, AND REPORTING POINTS [NEW]

Designation of Control Zone and Transition Area

On June 13, 1963, a notice of proposed rule making was published in the FEDERAL REGISTER (28 F.R. 6017) stating that the Federal Aviation Agency (FAA) proposed to designate a control zone and transition area at Worthington, Minn.

Interested persons were afforded an opportunity to participate in the rule making through submission of comments.

In response to the notice, the Air Transport Association of America (ATA) registered the request that the Worthington control zone be designated with a 5-mile radius rather than the 3-mile radius proposed in the notice. The basis for this request was that plans were underway to lengthen a runway at the Worthington Municipal Airport from 4,000 to 5,000 feet, and, that this increase will permit larger and faster aircraft to utilize the airport.

The ATA also stated that the action proposed in the notice did not give recognition to the special use instrument approach procedures used at Worthington by North Central Airlines. The ATA commented that supplementary information they had received in conjunction with the action proposed in the notice indicated the FAA had recommended the cancellation of the North Central Airlines' special use ADF Procedure No. 1 and that the North Central Airlines' special use ADF Procedure No. 2 was not given consideration in developing the controlled airspace requirements in the Worthington terminal area.

The FAA has reviewed the ATA's comments and finds that the construction involved in the proposed lengthening of the runway at Worthington could not be accomplished with any degree of assurance before late 1964. Additionally, the fact that the runway may be lengthened does not in itself dictate that a larger than 3-mile radius control zone be designated. The more dominant factor is the operational characteristics of the aircraft that are actually using the airport. When it is firm that larger and faster aircraft are scheduled to begin serving the Worthington area, the FAA will give immediate consideration to increasing the radius of the control zone.

The ATA's comments with respect to the use and intended disposition of North Central Airlines' special use ADF instrument approach procedures by the FAA in developing the Worthington terminal area structure requirements are partially correct. However, neither of the special use procedures referred to by ATA will be cancelled without coordination with the ATA. The ATA's request that additional control zone and transition areas be designated at Worthington for the protection of special use procedures, goes beyond the scope of the proposal and requires consideration of matters not covered in the notice. Under such circumstances, the FAA has determined that such substantive changes in the provisions of the notice should not be made without further study and an opportunity for comment by all interested persons. Accordingly, the matter of providing controlled airspace to protect special use instrument approach procedures as recommended by the ATA will be given further consideration by the FAA and if such a change is deemed appropriate, it will be the subject of further rule making action.

The action herein adopts the changes proposed in the notice except for a reduction in the effective hours of the Worthington control zone. The ATA has advised that the hours North Central Airlines personnel will be able to conduct weather reporting service at Worthington must be limited to the normal North Central Airlines workday schedule, which is currently from 1000 to 1900 hours, local time, daily. Therefore, the action taken herein designates the Worthington control zone as being effective coincident with the hours during which weather reporting service will be available.

The substance of the proposed amendments having been published, and for the reasons stated herein and in the notice, the following actions are taken:

1. Section 71.171 (29 F.R. 1101) is amended by adding the following control zone:

Worthington, Minn.

Within a 3-mile radius of the Worthington Municipal Airport (latitude 43°39'10" N., longitude 95°34'50" W.), and within 2 miles each side of the 358° bearing from Worthington Municipal Airport, extending from the 3-mile radius zone to 7 miles N of the airport, from 1000 to 1900 hours, local time, daily.

2. Section 71.181 (29 F.R. 1160) is amended by adding the following transition area:

Worthington, Minn.

That airspace extending upward from 700 feet above the surface within a 5-mile radius of Worthington Municipal Airport (latitude 43°39'10" N., longitude 95°34' 50" W.), and within 8 miles W and 5 miles E of the 358° bearing from Worthington Municipal Airport, extending from the airport to 13 miles N of the airport; and that airspace extending upward from 1,200 feet above the surface within 8 miles W and 5 miles E of the 178° bearing from Worthington Municipal Airport, extending from the airport to the S boundary of V–120.

These amendments shall become effective 0001 e.s.t., May 28, 1964.

(Sec. 307(a), 72 Stat. 749; 49 U.S.C. 1348)

Issued in Washington, D.C., on March 16, 1964.

D. E. BARROW,
Acting Chief, Airspace Regulations and Procedures Division.

[F.R. Doc. 64–2768; Filed, Mar. 23, 1964; 8:45 a.m.]

[Airspace Docket No. 63–SO–67]

PART 71—DESIGNATION OF FEDERAL AIRWAYS, CONTROLLED AIRSPACE, AND REPORTING POINTS [NEW]

Alteration and Designation of Transition Area

On December 18, 1963, a notice of proposed rule making was published in the FEDERAL REGISTER (28 F.R. 13789) stating that the Federal Aviation Agency (FAA) proposed to designate a transition area at Dublin, Ga.

Interested persons were afforded an opportunity to participate in the rule making through submission of comments. All comments received were favorable.

Subsequent to the publication of the notice, a change in the proposed missed approach procedure eliminated the requirement for the portion of the proposed Dublin transition area extending upward from 1,200 feet. Therefore, the FAA has withdrawn such portion from the proposed designation of the Dublin transition area. It was also determined in the further study of the Dublin terminal area that the designation of the Macon, Ga., transition area (28 F.R. 4610, 9250) resulted in the minimum en route altitude on V–154 being raised from 2,000 feet to 3,300 on the segment between Oconee Intersection and the Dublin VOR. This action was not intended nor necessary. Therefore, action is taken herein to alter the Macon tran-

sition area by eliminating a small triangular area south of the Dublin Municipal Airport.

The substance of the proposed amendments having been published and for the reasons stated herein and in the notice, § 71.181 (29 F.R. 1160) is amended as follows:

1. The following transition area is added:

Dublin, Ga.

That airspace extending upward from 700 feet above the surface within a 5-mile radius of Dublin Municipal Airport (latitude 32°-33'55" N., longitude 82°59'10" W.); within 2 miles each side of the Dublin VOR 071° radial, extending from the 5-mile radius area to the VOR.

2. The Macon, Ga., transition area is amended as follows:

In the text "within the area E of Macon extending from the 35-mile radius area bounded on the N by V-56, on the E by longitude 82°30'00" W., on the S by V-70, and on the W by V-267;" is deleted and "within the area E of Macon bounded on the N by V-56, on the E by longitude 82°30'00" W., on the SE by V-70, on the S by V-154 and on the W by the 35-mile radius area;" is substituted therefor.

These amendments shall become effective 0001 e.s.t., May 28, 1964.

(Sec. 307(a), 72 Stat. 749; 49 U.S.C. 1348)

Issued in Washington, D.C., on March 16, 1964.

H. B. HELSTROM,
Acting Chief, Airspace Regulations and Procedures Division.

[F.R. Doc. 64-2769; Filed, Mar. 23, 1964; 8:45 a.m.]

Title 21—FOOD AND DRUGS

Chapter I—Food and Drug Administration, Department of Health, Education, and Welfare

SUBCHAPTER C—DRUGS

PART 146a—CERTIFICATION OF PENICILLIN AND PENICILLIN-CONTAINING DRUGS

Buffered Crystalline Penicillin

Under the authority vested in the Secretary of Health, Education, and Welfare by the Federal Food, Drug, and Cosmetic Act (sec. 507, 59 Stat. 463 as amended; 21 U.S.C. 357) and delegated to the Commissioner of Food and Drugs by the Secretary (21 CFR 2.90; 29 F.R. 471), the regulations for the certification of antibiotic and antibiotic-containing drugs (21 CFR 146a.37) are amended as follows:

Section 146a.37 is amended by changing paragraph (a) to provide for the optional use of citric acid in the buffering system of buffered crystalline penicillin. As amended, paragraph (a) reads as follows:

§ 146a.37 Buffered crystalline penicillin.

* * * * *

(a) It contains the buffer sodium citrate in a quantity not less than 4.0 percent and not more than 5.0 percent by weight of its total solids. Citric acid may be substituted for not more than 0.15 percent of the sodium citrate. Such sodium citrate and citric acid conform to the standards prescribed therefor by the U.S.P.;

* * * * *

Notice and public procedure are not necessary prerequisites to the promulgation of this order, and I so find, since the amendment merely provides for the optional use of an inactive ingredient in buffered crystalline penicillin and the finished product is safe and efficacious for use.

This order shall become effective 30 days from the date of its publication in the FEDERAL REGISTER.

(Sec. 507, 59 Stat. 463 as amended; 21 U.S.C. 357)

Dated: March 18, 1964.

GEO. P. LARRICK,
Commissioner of Food and Drugs.

[F.R. Doc. 64-2795; Filed, Mar. 23, 1964; 8:48 a.m.]

Title 26—INTERNAL REVENUE

Chapter I—Internal Revenue Service, Department of the Treasury

SUBCHAPTER A—INCOME TAX

[T.D. 6712]

PART 1—INCOME TAX; TAXABLE YEARS BEGINNING AFTER DECEMBER 31, 1953

Miscellaneous Amendments

On December 3, 1963, notice of proposed rule making with respect to the amendments of the Income Tax Regulations (26 CFR Part 1) under sections 165, 167, 179, 611, 642, 652, and 1014 of the Internal Revenue Code of 1954 to reflect the changes made by section 13 (c) and (g) of the Revenue Act of 1962 (76 Stat. 1034) was published in the FEDERAL REGISTER (28 F.R. 12824). No objection to the rules proposed having been received during the 30-day period prescribed in the notice, the regulations as proposed are hereby adopted.

[SEAL] MORTIMER M. CAPLIN,
Commissioner of Internal Revenue.

Approved: March 14, 1964.

STANLEY S. SURREY,
Assistant Secretary of the Treasury.

The Income Tax Regulations (26 CFR Part 1) under sections 165, 167, 179, 611, 642, 652, and 1014 of the Internal Revenue Code of 1954 are hereby amended to reflect the amendments made to such Code by section 13 (c) and (g) of the Revenue Act of 1962 (76 Stat. 1034). Such regulations are amended as follows:

PARAGRAPH 1. Paragraph (a)(5) of § 1.165-7 is amended to read as follows:

§ 1.165-7 Casualty losses.

(a) *In general.* * * *

(5) *Property converted from personal use.* In the case of property which originally was not used in the trade or business or for income-producing purposes and which is thereafter converted to either of such uses, the fair market value of the property on the date of conversion, if less than the adjusted basis of the property at such time, shall be used, after making proper adjustments in respect of basis, as the basis for determining the amount of loss under paragraph (b)(1) of this section. See paragraph (b) of § 1.165-9, and § 1.167(g)-1.

* * * * *

PAR. 2. Paragraphs (b)(3) and (c) of § 1.165-9 are amended to read as follows:

§ 1.165-9 Sale of residential property.

* * * * *

(b) *Property converted from personal use.* * * *

(3) For rules relating to casualty losses of property converted from personal use, see paragraph (a)(5) of § 1.165-7. To determine the basis for depreciation in the case of such property, see § 1.167(g)-1. For limitations on the loss from the sale of a capital asset, see paragraph (c)(3) of § 1.165-1.

(c) *Examples.* The application of paragraph (b) of this section may be illustrated by the following examples:

Example (1). Residential property is purchased by the taxpayer in 1943 for use as his personal residence at a cost of $25,000, of which $15,000 is allocable to the building. The taxpayer uses the property as his personal residence until January 1, 1952, at which time its fair market value is $22,000, of which $12,000 is allocable to the building. The taxpayer rents the property from January 1, 1952, until January 1, 1955, at which time it is sold for $16,000. On January 1, 1952, the building has an estimated useful life of 20 years. It is assumed that the building has no estimated salvage value and that there are no adjustments in respect of basis other than depreciation, which is computed on the straight-line method. The loss to be taken into account for purposes of section 165(a) for the taxable year 1955 is $4,200, computed as follows:

Basis of property at time of conversion for purposes of this section (that is, the lesser of $25,000 cost or $22,000 fair market value)	$22,000
Less: Depreciation allowable from January 1, 1952, to January 1, 1955 (3 years at 5 percent based on $12,000, the value of the building at time of conversion, as prescribed by § 1.167(g)-1)	1,800
Adjusted basis prescribed in § 1.1011-1 for determining loss on sale of the property	20,200
Less: Amount realized on sale	16,000
Loss to be taken into account for purposes of section 165(a)	4,200

In this example the value of the building at the time of conversion is used as the basis for computing depreciation. See example (2) of this paragraph wherein the adjusted basis of the building is required to be used for such purpose.

Example (2). Residential property is purchased by the taxpayer in 1940 for use as his personal residence at a cost of $23,000, of which $10,000 is allocable to the building. The taxpayer uses the property as his personal residence until January 1, 1953, at which time its fair market value is $20,000, of which $12,000 is allocable to the building. The taxpayer rents the property from January 1, 1953, until January 1, 1957, at which

time it is sold for $17,000. On January 1, 1953, the building has an estimated useful life of 20 years. It is assumed that the building has no estimated salvage value and that there are no adjustments in respect of basis other than depreciation, which is computed on the straight-line method. The loss to be taken into account for purposes of section 165 a) for the taxable year 1957 is $1,000, computed as follows:

Basis of property at time of conversion for purposes of this section (that is, the lesser of $23,000 cost or $20,000 fair market value)	$20,000
Less: Depreciation allowable from January 1, 1953, to January 1, 1957 (4 years at 5 percent based on $10,000, the cost of the building, as prescribed by § 1.167(g)–1)	2,000
Adjusted basis prescribed in § 1.1011–1 for determining loss on sale of the property	18,000
Less: Amount realized on sale	17,000
Loss to be taken into account for purposes of section 165(a)	1,000

PAR. 3. Paragraphs (a) and (c) of § 1.167(a)–1 are amended to read as follows:

§ 1.167(a)–1 Depreciation in general.

(a) *Reasonable allowance.* Section 167(a) provides that a reasonable allowance for the exhaustion, wear and tear, and obsolescence of property used in the trade or business or of property held by the taxpayer for the production of income shall be allowed as a depreciation deduction. The allowance is that amount which should be set aside for the taxable year in accordance with a reasonably consistent plan (not necessarily at a uniform rate), so that the aggregate of the amounts set aside, plus the salvage value, will, at the end of the estimated useful life of the depreciable property, equal the cost or other basis of the property as provided in section 167(g) and § 1.167(g)–1. An asset shall not be depreciated below a reasonable salvage value under any method of computing depreciation. However, see section 167(f) and § 1.167(f)–1 for rules which permit a reduction in the amount of salvage value to be taken into acount for certain personal property acquired after October 16, 1962. See also paragraph (c) of this section for definition of salvage. The allowance shall not reflect amounts representing a mere reduction in market value. See section 179 and § 1.179–1 for a further description of the term "reasonable allowance."

* * * * *

(c) *Salvage.* (1) Salvage value is the amount (determined at the time of acquisition) which is estimated will be realizable upon sale or other disposition of an asset when it is no longer useful in the taxpayer's trade or business or in the production of his income and is to be retired from service by the taxpayer. Salvage value shall not be changed at any time after the determination made at the time of acquisition merely because of changes in price levels. However, if there is a redetermination of useful life under the rules of paragraph (b) of this section, salvage value may be redetermined based upon facts known at the time of such redetermination of useful life. Salvage, when reduced by the cost of removal, is referred to as net salvage. The time at which an asset is retired from service may vary according to the policy of the taxpayer. If the taxpayer's policy is to dispose of assets which are still in good operating condition, the salvage value may represent a relatively large proportion of the original basis of the asset. However, if the taxpayer customarily uses an asset until its inherent useful life has been substantially exhausted, salvage value may represent no more than junk value. Salvage value must be taken into account in determining the depreciation deduction either by a reduction of the amount subject to depreciation or by a reduction in the rate of depreciation, but in no event shall an asset (or an account) be depreciated below a reasonable salvage value. See, however, paragraph (a) of § 1.167(b)–2 for the treatment of salvage under the declining balance method, and § 1.179–1 for the treatment of salvage in computing the additional first-year depreciation allowance. The taxpayer may use either salvage or net salvage in determining depreciation allowances but such practice must be consistently followed and the treatment of the costs of removal must be consistent with the practice adopted. For specific treatment of salvage value, see §§ 1.167(b)–1, 1.167(b)–2, and 1.167(b)–3. When an asset is retired or disposed of, appropriate adjustments shall be made in the asset and depreciation reserve accounts. For example, the amount of the salvage adjusted for the costs of removal may be credited to the depreciation reserve.

(2) For taxable years beginning after December 31, 1961, and ending after October 16, 1962, see section 167(f) and § 1.167(f)–1 for rules applicable to the reduction of salvage value taken into account for certain personal property acquired after October 16, 1962.

PAR. 4. Paragraph (a) of § 1.167(b)–2 is amended to read as follows:

§ 1.167(b)–2 Declining balance method.

(a) *Application of method.* Under the declining balance method a uniform rate is applied each year to the unrecovered cost or other basis of the property. The unrecovered cost or other basis is the basis provided by section 167(g), adjusted for depreciation previously allowed or allowable, and for all other adjustments provided by section 1016 and other applicable provisions of law. The declining balance rate may be determined without resort to formula. Such rate determined under section 167(b)(2) shall not exceed twice the appropriate straight line rate computed without adjustment for salvage. While salvage is not taken into account in determining the annual allowances under this method, in no event shall an asset (or an account) be depreciated below a reasonable salvage value. However, see section 167(f) and § 1.167(f)–1 for rules which permit a reduction in the amount of salvage value to be taken into account for certain personal property acquired after October 16, 1962. Also, see section 167(c) and § 1.167(c)–1 for restrictions on the use of the declining balance method.

PAR. 5. Section 1.167(f) is redesignated as § 1.167(g) and a historical note is added at the end thereof. The section reads as follows:

§ 1.167(g) Statutory provisions; depreciation; basis for depreciation.

Sec. 167. *Depreciation.* * * *

(g) *Basis for depreciation.* The basis on which exhaustion, wear and tear, and obsolescence are to be allowed in respect of any property shall be the adjusted basis provided in section 1011 for the purpose of determining the gain on the sale or other disposition of such property.

[Sec. 167(g) as relettered by sec. 13(c), Rev. Act 1962 (76 Stat. 1034)]

PAR. 6. Section 1.167(f)–1 is redesignated as § 1.167(g)–1. The section headnote reads as follows:

§ 1.167(g)–1 Basis for depreciation.

PAR. 7. Section 1.167(g) is redesignated as § 1.167(h), and a historical note is added at the end thereof. The section reads as follows:

§ 1.167(h) Statutory provisions; depreciation; life tenants and beneficiaries of trusts and estates.

Sec. 167. *Depreciation.* * * *

(h) *Life tenants and beneficiaries of trusts and estates.* In the case of property held by one person for life with remainder to another person, the deduction shall be computed as if the life tenant were the absolute owner of the property and shall be allowed to the life tenant. In the case of property held in trust, the allowable deduction shall be apportioned between the income beneficiaries and the trustee in accordance with the pertinent provisions of the instrument creating the trust, or, in the absence of such provisions, on the basis of the trust income allocable to each. In the case of an estate, the allowable deduction shall be apportioned between the estate and the heirs, legatees and devisees on the basis of the income of the estate allocable to each.

[Sec. 167(h) as relettered by sec. 13(c), Rev. Act 1962 (76 Stat. 1034)]

PAR. 8. Section 1.167(g)–1 is redesignated as § 1.167(h)–1. The section headnote reads as follows:

§ 1.167(h)–1 Life tenants and beneficiaries of trusts and estates.

PAR. 9. Section 1.167(h) is redesignated as § 1.167(i) and a historical note is added at the end thereof. The section reads as follows:

§ 1.167(i) Statutory provisions; depreciation; depreciation of improvements in the case of mines, etc.

Sec. 167. *Depreciation.* * * *

(i) *Depreciation of improvements in the case of mines, etc.* For additional rule applicable to depreciation of improvements in the case of mines, oil and gas wells, other natural deposits, and timber, see section 611.

[Sec. 167(i) as relettered by sec. 13(c), Rev. Act 1962 (76 Stat. 1034)]

PAR. 10. Section 1.167(h)–1 is redesignated as § 1.167(i)–1. The section headnote reads as follows:

§ 1.167(i)–1 Depreciation of improvements in the case of mines, etc.

PAR. 11. There are inserted immediately after § 1.167(e)–1 the following new sections:

§ 1.167(f) Statutory provisions; depreciation; salvage value.

Sec. 167. *Depreciation.* * * *

(f) *Salvage value*—(1) *General rule.* Under regulations prescribed by the Secretary or his delegate, a taxpayer may, for purposes of computing the allowance under subsection (a) with respect to personal property, reduce the amount taken into account as salvage value by an amount which does not exceed 10 percent of the basis of such property (as determined under subsection (g) as of the time as of which such salvage value is required to be determined).

(2) *Personal property defined.* For purposes of this subsection, the term "personal property" means depreciable personal property (other than livestock) with a useful life of 3 years or more acquired after the date of the enactment of the Revenue Act of 1962.

[Sec. 167(f) as added by sec. 13(c), Rev. Act 1962 (76 Stat. 1034)]

§ 1.167(f)–1 Reduction of salvage value taken into account for certain personal property.

(a) *In general.* For taxable years beginning after December 31, 1961, and ending after October 16, 1962, a taxpayer may reduce the amount taken into account as salvage value in computing the allowance for depreciation under section 167(a) with respect to "personal property" as defined in section 167(f)(2) and paragraph (b) of this section. The reduction may be made in an amount which does not exceed 10 percent of the basis of the property for determining depreciation, as of the time as of which salvage value is required to be determined (or when salvage value is redetermined), taking into account all adjustments under section 1016 other than (1) the adjustment under section 1016(a)(2) for depreciation allowed or allowable to the taxpayer, and (2) the adjustment under section 1016(a)(19) for a credit earned by the taxpayer under section 38, to the extent such adjustment is reflected in the basis for depreciation. See paragraph (c) of § 1.167(a)–1 for the definition of salvage value, the time for making the determination, the redetermination of salvage value, and the general rules with respect to the treatment of salvage value. See also section 167(g) and § 1.167(g)–1 for basis for depreciation. A reduction of the amount taken into account as salvage value with respect to any property shall not be binding with respect to other property. In no event shall an asset (or an account) be depreciated below a reasonable salvage value after taking into account the reduction in salvage value permitted by section 167(f) and this section.

(b) *Definitions and special rules.* The following definitions and special rules apply for purposes of section 167(f) and this section.

(1) *Personal property.* The term "personal property" shall include only depreciable—

(i) Tangible personal property (as defined in section 48 and the regulations thereunder) and

(ii) Intangible personal property

which has an estimated useful life (determined at the time of acquisition) of 3 years or more and which is acquired after October 16, 1962. Such term shall not include livestock. The term "livestock" includes horses, cattle, hogs, sheep, goats, and mink and other fur-bearing animals, irrespective of the use to which they are put or the purpose for which they are held. The original use of the property need not commence with the taxpayer so long as he acquired it after October 16, 1962; thus, the property may be new or used. For purposes of determining the estimated useful life, the provisions of paragraph (b) of § 1.167(a)–1 shall be applied. For rules determining when property is acquired, see subparagraph (2) of this paragraph. For purposes of determining the types of intangible personal property which are subject to the allowance for depreciation, see § 1.167(a)–3.

(2) *Acquired.* In determining whether property is acquired after October 16, 1962, property shall be deemed to be acquired when reduced to physical possession, or control. Property which has not been used in the taxpayer's trade or business or held for the production of income and which is thereafter converted by the taxpayer to such use shall be deemed to be acquired on the date of such conversion. In addition, property shall be deemed to be acquired if constructed, reconstructed, or erected by the taxpayer. If construction, reconstruction, or erection by the taxpayer began before October 17, 1962, and was completed after October 16, 1962, section 167(f) and this section apply only to that portion of the basis of the property which is properly attributable to such construction, reconstruction, or erection after October 16, 1962. Property is considered as constructed, reconstructed, or erected by the taxpayer if the work is done for him in accordance with his specifications. The portion of the basis of such property attributable to construction, reconstruction, or erection after October 16, 1962, consists of all costs of the property allocable to the period after October 16, 1962, including the cost or other basis of materials entering into such work. It is not necessary that such materials be acquired after October 16, 1962, or that they be new in use. If construction or erection by the taxpayer began after October 16, 1962, the entire cost or other basis of such construction or erection qualifies for the reduction provided for by section 167(f) and this section. In the case of reconstruction of property, section 167(f) and this section do not apply to any part of the adjusted basis of such property on October 16, 1962. For purposes of this section, construction, reconstruction, or erection by the taxpayer begins when physical work is started on such construction, reconstruction, or erection.

(c) *Illustrations.* The provisions of paragraphs (a) and (b) of this section may be illustrated by the following examples:

Example (1). Taxpayer A purchases a new asset for use in his business on January 1, 1963, for $10,000. The asset qualifies for the investment credit under section 38 and for the additional first-year depreciation allowance under section 179. A is entitled to an investment credit of $700 (7% × $10,000) and elects to take an additional first-year depreciation allowance of $2,000 (20% × $10,000). The basis for depreciation (determined in accordance with the provisions of section 167(g) and § 1.167(g)–1) is computed as follows:

Purchase price		$10,000
Less:		
Adjustment required under section 1016(a)(19) for the investment credit	$700	
Adjustment required under section 1016(a)(2) for the additional first-year depreciation allowance	2,000	
		2,700
Basis for depreciation		7,300

However, the basis of the property for determining depreciation as of the time as of which salvage value is required to be determined is $10,000, the purchase price of the property. A files his income tax returns on a calendar year basis and uses the straight line method of depreciation. A estimates that he will use the asset in his business for 10 years after which it will have a salvage value of $500, which is less than $1,000 (10% × $10,000, the basis of the property for determining depreciation as of the time as of which salvage value is required to be determined). Thus, in computing his depreciation allowance on the asset, A may reduce the amount taken into account as salvage value to zero and may deduct $730 ($7,300 ÷ 10) for each year of the useful life of the property. Accordingly, A may claim depreciation deductions (including the additional first-year depreciation allowance) totaling $9,300, i.e., the purchase price of the property ($10,000) less the adjustment for the investment credit ($700).

Example (2). Assume the same facts as in example (1) except that A in a subsequent taxable year redetermines the estimate of the useful life of the asset and at the same time also redetermines the estimate of salvage value. Assume also that at such time there are no adjustments to basis other than for depreciation allowed or allowable and for the investment credit under section 38. Accordingly, the reduction under section 167(f) and this section will be computed with regard to the purchase price and not the unrecovered basis for depreciation at the time of the redetermination.

Example (3). Assume the same facts as in example (1) except that A estimates that the asset will have a salvage value of $1,200 at the end of its useful life. In computing his depreciation for the asset, A may reduce the amount taken into account as salvage value to $200 ($1,200 − $1,000) and may deduct $710 ($7,300 − $200 ÷ 10) for each year of the useful life of the property. Accordingly, A may claim depreciation deductions (including the additional first-year depreciation allowance) totaling $9,100, i.e., the purchase price of the property ($10,000) less the adjustment for the investment credit ($700) and the amount taken into account as salvage value ($200).

Example (4). Assume the same facts as in example (1) except that the taxpayer had taken into account salvage value of only $200 but that the estimated salvage value had actually been $700. The amount of salvage value taken into account by the taxpayer is permissible since the reduction of salvage value by $500 ($700 − $200) would be within the limit provided for in section 167(f), i.e., $1,000 (10% × $10,000).

Example (5). On January 1, 1963, taxpayer B, a taxicab operator, traded his old taxicab plus cash for a new one, which had an estimated useful life of three years, in a transaction qualifying as a nontaxable exchange. The old taxicab had an adjusted basis of $2,500. B was allowed $3,000 for his old taxicab and paid $1,000 in cash. The basis of the new taxicab for determining depreciation (as determined under section 167(g) and § 1.167(g)–1) is the adjusted basis of the old taxicab at the time of trade-in

($2,500) plus the additional cash paid out ($1,000), or $3,500. In computing his depreciation allowance on the new taxicab, B may reduce the amount taken into account as salvage value by $350 (10% of $3,500).

Example (6). Taxpayer C purchases a new asset for use in his business on January 1, 1963, for $10,000. At the time of purchase, the asset has an estimated useful life of 10 years and an estimated salvage value of $1,500. C elects to compute his depreciation allowance for the asset by the declining balance method of depreciation, using a rate of 20% which is twice the normal straight line rate of 10% (without adjustment for salvage value). C files his income tax returns on a calendar year basis. In computing his depreciation allowance for the year 1966, C changes his method of determining the depreciation allowance for the asset from the declining balance method to the straight line method (in which salvage value is accounted for in determining the annual depreciation allowances) in accordance with the provisions of section 167(e) and paragraph (b) of § 1.167(e)–1. He also wishes to reduce the amount of salvage value taken into account in accordance with the provisions of section 167(f) and this section. At the close of the year 1966, the only adjustments which had been made to the basis of the asset were for depreciation allowances and for the investment credit under section 38. Thus, C may reduce the amount of salvage value taken into account by $1,000 (10% of $10,000, the basis of the asset when it was acquired), and, therefore, will account for salvage value of only $500 in computing his depreciation allowance for the asset in 1966 and subsequent years.

Example (7). Taxpayer D purchases a station wagon for his personal use on January 1, 1962, for $4,500. On January 1, 1963, D converts the use of the station wagon to his business, and at that time it has an estimated useful life of 4 years, an estimated salvage value of $500, and a basis of $3,000 (as determined under section 167 (g) and § 1.167(g)–1). Thus, for purposes of section 167(f) and this section, D is deemed to have acquired the station wagon on January 1, 1963. D elects the straight line method of depreciation in computing the depreciation allowance for the station wagon and also wishes to reduce the amount of salvage value taken into account in accordance with the provisions of section 167(f) and this section. Accordingly, D may reduce the amount of salvage value taken into account by $300 (10% of $3,000). D files his income tax returns on a calendar year basis. His depreciation allowance for the year 1963 would be computed as follows:

Basis for depreciation		$3,000
Less:		
Salvage value	$500	
Reduction permitted by section 167(f)	300	
		200
Amount to be depreciated over the useful life		2,800

D's depreciation allowance on the station wagon for the year 1963 would be $700 ($2,800 divided by 4, the remaining useful life).

PAR. 12. Section 1.179 is amended by revising section 179(d) (5) and (8) and by revising the historical note. These amended provisions read as follows:

§ 1.179 Statutory provisions; additional first-year depreciation allowance.

Sec. 179. *Additional first-year depreciation allowance for small business.* * * *

(d) *Definitions and special rules.* * * *

(5) *Estates.* In the case of an estate, any amount apportioned to an heir, legatee, or devisee under section 167(h) shall not be taken into account in applying subsection (b) of this section to section 179 property of such heir, legatee, or devisee not held by such estate.

* * * * *

(8) *Adjustment to basis; when made.* In applying section 167(g), the adjustment under section 1016(a)(2) resulting by reason of an election made under this section with respect to any section 179 property shall be made before any other deduction allowed by section 167(a) is computed.

* * * * *

[Sec. 179 as added by sec. 204, Small Business Tax Revision Act 1958 (72 Stat. 1679); as amended by sec. 13(c), Rev. Act 1962 (76 Stat. 1034)]

PAR. 13. Paragraph (d) of § 1.179–1 is amended to read as follows:

§ 1.179–1 Additional first-year depreciation allowance.

* * * * *

(d) *Salvage.* The allowance under section 179 is computed without regard to any salvage value which is estimated will be realizable upon the sale or other disposition of the section 179 property when it is no longer useful in the taxpayer's trade or business or in the production of his income and is to be retired from service by the taxpayer. But see paragraphs (a) and (c) of § 1.167(a)–1 and § 1.167(f)–1 for rules relating to salvage in computing the depreciation allowance under section 167 on the unrecovered cost of the section 179 property after the allowance of the deduction under section 179.

* * * * *

PAR. 14. Paragraph (b)(1) of § 1.611–5 is amended to read as follows:

§ 1.611–5 Depreciation of improvements.

* * * * *

(b) *Special rules for mines, oil and gas wells, other natural deposits and timber.* (1) For principles governing the apportioning of depreciation allowances under sections 611 and 167 in the case of property held by one person for life with remainder to another or in the case of property held in trust or by an estate, see § 1.167(h)–1.

* * * * *

PAR. 15. Section 1.642(e) is amended and a historical note is added at the end thereof. These amended and added provisions read as follows:

§ 1.642(e) Statutory provisions; estates and trusts; special rules for credits and deductions; deduction for depreciation and depletion.

Sec. 642. *Special rules for credits and deductions.* * * *

(e) *Deduction for depreciation and depletion.* An estate or trust shall be allowed the deduction for depreciation and depletion only to the extent not allowable to beneficiaries under sections 167(h) and 611(b).

[Sec. 642 (e) as amended by sec. 13(c), Rev. Act 1962 (76 Stat. 1034)]

PAR. 16. Section 1.642(e)–1 is amended to read as follows:

§ 1.642(e)–1 Depreciation and depletion.

An estate or trust is allowed the deductions for depreciation and depletion, but only to the extent the deductions are not apportioned to beneficiaries under sections 167(h) and 611(b). For purposes of sections 167(h) and 611(b), the term "beneficiaries" includes charitable beneficiaries. See the regulations under those sections.

PAR. 17. Section 1.642(f)–1 is amended to read as follows:

§ 1.642(f)–1 Amortization of emergency or grain storage facilities.

An estate or trust is allowed amortization deductions with respect to an emergency facility as defined in section 168(d) and with respect to a grain storage facility as defined in section 169(d) in the same manner and to the same extent as in the case of an individual. However, the principles governing the apportionment of the deductions for depreciation and depletion between the fiduciaries and the beneficiaries of an estate or trust (see sections 167(h) and 611(b) and the regulations thereunder) shall be applicable with respect to such amortization deductions.

PAR. 18. Paragraph (c) of the example in § 1.652(c)–4 is amended to read as follows:

§ 1.652(c)–4 Illustration of the provisions of sections 651 and 652.

* * * * *

(c) The distributable net income of the trust computed under section 643(a) is $91,100, determined as follows (cents are disregarded in the computation):

Rents		$25,000
Dividends		50,000
Tax-exempt interest	$25,000	
Less: Expenses allocable thereto (25,000/100,000 × $3,900)	975	
		24,025
Total		99,025
Deductions:		
Expenses directly attributable to rental income	$5,000	
Trustee's commissions ($3,900 less $975 allocable to tax-exempt interest)	2,925	
		7,925
Distributable net income		91,100

In computing the distributable net income of $91,100, the taxable income of the trust was computed with the following modifications: No deductions were allowed for distributions to the beneficiaries and for personal exemption of the trust (section 643(a) (1) and (2)); capital gains were excluded and no deduction under section 1202 (relating to the 50-percent deduction for long-term capital gains) was taken into account (section 643(a)(3)); the tax-exempt interest (as adjusted for expenses) and the dividend exclusion of $50 were included (section 643(a) (5) and (7)). Since all of the income of the trust is required to be currently distributed, no deduction is allowable for depreciation in the absence of specific provisions in the governing instrument providing for the keeping of the trust corpus intact. See section 167(h) and the regulations thereunder.

* * * * *

PAR. 19. Paragraph (b)(3)(iii)(*a*) of § 1.1014–6 is amended to read as follows:

§ 1.1014–6 Special rule for adjustments to basis where property is acquired from a decedent prior to his death.

* * * * *

(b) *Multiple interests in property described in section 1014(b)(9) and acquired from a decedent prior to his death.* * * *

(3) * * *

(iii) * * *

(*a*) In cases where the value of the life interest is not included in the decedent's gross estate, the amount of such allowance to the life tenant under section 167(h) (or section 611(b)) shall not exceed (or be less than) the amount which would have been allowable to the life tenant if no portion of the basis of the property was determined under section 1014(a). Proper adjustment shall be made for the amount allowable to the life tenant, as required by section 1016. Thus, an appropriate adjustment shall be made to the uniform basis of the property in the hands of the trustee, to the basis of the life interest in the hands of the life tenant, and to the basis of the remainder in the hands of the remainderman.

* * * * *

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

[F.R. Doc. 64–2792; Filed, Mar. 23, 1964; 8:48 a.m.]

SUBCHAPTER B—ESTATE TAX

[T.D. 6711]

PART 20—ESTATE TAX; ESTATES OF DECEDENTS DYING AFTER AUGUST 16, 1954

Extension of Time for Filing Return

In order to permit district directors in certain cases to grant extensions of time for filing estate tax returns applied for after the due date of the return, paragraph (b) of § 20.6081–1 of the Estate Tax Regulations (26 CFR Part 20) is amended to read as follows:

§ 20.6081–1 Extension of time for filing the return.

* * * * *

(b) The application for an extension of time for filing the return shall be addressed to the district director for the district in which the return is to be filed, and must contain a full recital of the causes for the delay. It should be made before the expiration of the time within which the return otherwise must be filed and failure to do so may indicate negligence and constitute sufficient cause for denial. It should, where possible, be made sufficiently early to permit the district director to consider the matter and reply before what otherwise would be the due date of the return.

Because the above amendment is favorable to taxpayers, it is hereby found that it is unnecessary to issue this amendment with notice and public procedure thereon under section 4(a) of the Administrative Procedure Act, approved June 11, 1946, or subject to the effective date limitation of section 4(c) of that Act.

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

[SEAL] MORTIMER M. CAPLIN,
Commissioner of Internal Revenue.

Approved: March 14, 1964.

STANLEY S. SURREY,
Assistant Secretary of the Treasury.

[F.R. Doc. 64–2791; Filed, Mar. 23, 1964; 8:48 a.m.]

SUBCHAPTER E—ALCOHOL, TOBACCO, AND OTHER EXCISE TAXES

[T.D. 6715]

PART 211—DISTRIBUTION AND USE OF DENATURED ALCOHOL AND RUM

PART 212—FORMULAS FOR DENATURED ALCOHOL AND RUM

Miscellaneous Amendments

On December 27, 1963, a notice of proposed rule making to amend 26 CFR Parts 211 and 212 was published in the FEDERAL REGISTER (28 F.R. 14325). As stated in the notice, the purposes of the proposed amendments were to (1) liberalize the requirements of regulations regarding the manufacture and shipment or sale of special industrial solvents, printing inks, and reagent alcohol, the reporting of changes in officers and stockholders, the procurement of specially denatured alcohol, the filing of notices of bond termination, the storage of denatured alcohol and articles in tank cars and tank trucks, the labeling of articles, the use of optional ingredients in certain articles, the preparation of sales records, and the use of substitute records, (2) clarify the provisions of regulations regarding the distinction between proprietary solvents and special industrial solvents, the filing of certain consents of surety, the submission of summary reports on Form 1482, the procurement of samples of specially denatured spirits, and the labeling of substances which are subject to labeling requirements under other laws and regulations, (3) require that samples of perfume oils be submitted with Forms 1479–A, (4) explain the responsibilities and liabilities of carriers, (5) require the maintenance of sales records by subsidiary or affiliated sales companies, (6) include the provisions of certain revenue rulings and procedures, (7) redesignate "rubbing alcohol compound" as "rubbing alcohol," (8) revise the provisions with respect to the authorized use of sodium ethylate, anhydrous, and (9) make nonsubstantive editorial changes. In accordance with the notice, interested persons were afforded an opportunity to submit written comments or suggestions or to request a public hearing pertaining thereto. No request for a public hearing was received; however, one letter of comment was received within the 30-day period prescribed in the notice. After consideration of all relevant matter as was presented regarding the rules proposed, the amendments as published in the FEDERAL REGISTER are hereby adopted, subject to the following clarifying changes:

1. Paragraph A, item 21, is changed by revising the first sentence of § 211.181 to read, "Special industrial solvents may be sold by producers to any person for use in manufacturing or as a solvent, and to wholesale distributors and other producers of such solvents for resale."

2. Paragraph A, item 24, is changed by revising the third sentence of § 211.183a to read, "All containers of special industrial solvents shall be labeled to show the brand name and the name and address of the distributing producer."

3. Paragraph A, item 36, is changed by revising the second sentence of § 211.242 to read, "In case of theft, the carrier shall also immediately notify the consignee's assistant regional commissioner of the facts and circumstances."

This Treasury decision shall become effective on the first day of the first month which begins not less than 30 days after the date of its publication in the FEDERAL REGISTER.

[SEAL] MORTIMER M. CAPLIN,
Commissioner of Internal Revenue.

Approved: March 18, 1964.

JAMES A. REED,
Assistant Secretary of the Treasury.

PARAGRAPH A. 26 CFR Part 211 is amended as follows:

1. Section 211.11 is amended to redefine the terms "Proprietary solvents" and "Special industrial solvents." As amended, § 211.11 reads as follows:

§ 211.11 Meaning of terms.

* * * * *

Proprietary solvents. Solvents containing more than 25 percent of alcohol by volume which are manufactured with specially denatured alcohol in accordance with proprietary solvent formulations as authorized by this part.

* * * * *

Special industrial solvents. Solvents containing more than 25 percent of alcohol by volume which are manufactured with specially denatured alcohol in accordance with special industrial solvent formulations as authorized by this part.

* * * * *

2. Section 211.23 is amended to change the designation of "rubbing alcohol compound" to "rubbing alcohol." As amended, § 211.23 reads as follows:

§ 211.23 Formulas and processes.

Except as otherwise provided in this section, the Director is authorized to approve all formulas and processes submitted on Form 1479–A. The assistant regional commissioner is authorized to approve all formulas for rubbing alcohol submitted on Form 1479–A.

(72 Stat. 1372; 26 U.S.C. 5273)

§ 211.32 [Revoked]

3. Section 211.32 is revoked.

4. The undesignated center head immediately preceeding § 211.33 is amended to read "Marks and Brands".

5. A new section, § 211.33a, relating to labeling requirements imposed by other governmental agencies, is inserted, immediately following § 211.33, to read as follows:

§ 211.33a Labeling of hazardous substances.

(a) *General.* In addition to the marks and brands required by this part, governmental agencies which are concerned with the transportation and household introduction of hazardous substances may impose labeling requirements on denatured spirits, and articles made therefrom. It is the responsibility of the person filling containers with articles manufactured under the provisions of this part to assure that the labels or marks on such containers satisfy all pertinent State and Federal requirements.

(b) *Federal Hazardous Substances Labeling Act.* Whenever this part requires the container of any substance to be marked or labeled so as to convey information with respect to hazardous properties of the substance, and such substance is also subject to substantially similar requirements under the Federal Hazardous Substances Labeling Act (72 Stat. 372) and regulations in 21 CFR Part 191, information on the container of such substance shall be deemed to comply with the requirements of this part, insofar as they relate to the hazardous properties of the substance, if such information complies with the labeling requirements of such Act and of regulations in 21 CFR Part 191.

6. Sections 211.44 and 211.55 are amended with respect to the reporting of changes after original qualification of permittees. As amended, §§ 211.44 and 211.55 read as follows:

§ 211.44 Exceptions to application requirements.

The assistant regional commissioner may, in his discretion, waive detailed application and supporting data requirements, other than the requirements of paragraphs (a), (b), (c), and (e) of § 211.43, and of paragraph (f) of such section as it relates to recovery, in the case of applications, Form 1479, filed by States or political subdivisions thereof or the District of Columbia. Also, he may waive such detailed application and supporting data requirements in the case of applications, Form 1479, filed by other applicants, if the quantity of specially denatured spirits to be obtained does not exceed 60 gallons per year. The waiver of the requirements for the submission of detailed application and supporting data shall terminate when a permittee, other than a State or a political subdivision thereof or the District of Columbia, files an application, Form 1485, for an increase in the quantity of specially denatured spirits to an amount in excess of 60 gallons per year; in such case the permittee shall furnish information in respect of the previously waived items, as provided in § 211.55.

§ 211.55 Changes affecting applications and permits.

(a) *General.* When there is a change relating to any of the information contained in, or considered as a part of, the application on Form 1474 or Form 1479 for an industrial use permit, the permittee shall, within 30 days (except as otherwise provided in this subpart), file with the assistant regional commissioner a written notice, in duplicate, of such change. Similarly, when any waiver under § 211.44 is terminated, the permittee shall file such a written notice furnishing current information as to the items previously waived. When the terms of an industrial use permit are affected by the change, and the permittee has not filed an application for an amended permit, the assistant regional commissioner shall require the permittee to file an application on Form 1474 or Form 1479, as the case may be, for an amended industrial use permit. Items which remain unchanged shall be marked "No change since Form 1474 (or Form 1479) Serial No. _____."

(b) *Changes in officers, directors, and stockholders.* In case of a change in the officers or directors listed under the provisions of § 211.53(a)(2), the notice required by paragraph (a) of this section shall be supported by a certified list, in duplicate, reflecting such change: *Provided,* That if the permittee shows to the satisfaction of the assistant regional commissioner that the holders of certain corporate offices, as listed on the original application, have no responsibilities in connection with operations under this part, the assistant regional commissioner may waive the requirement for the giving of the notice required by paragraph (a) of this section to cover changes in the holders of such corporate offices. Notices of changes in the list of stockholders furnished under the provisions of § 211.53(c)(1), may, in lieu of being submitted within 30 days as required by paragraph (a) of this section, be submitted annually by the permittee, except where the sale or transfer of capital stock results in a change in ownership or control which is required to be reported under § 211.56. Such annual notice of changes shall be submitted by July 10 of each year unless the permittee has filed a request with the assistant regional commissioner for permission to submit such annual notice at some other time, and the assistant regional commissioner has approved such request.

(72 Stat. 1370; 26 U.S.C. 5271)

7. Section 211.78 is amended to delete the requirement for the giving of a power of attorney to cover the execution by an agent of a notice of termination of a bond. As amended, § 211.78 reads as follows:

§ 211.78 Notice by surety of termination of bond.

A surety on any bond required by this part may at any time, in writing, notify the principal and the assistant regional commissioner with whom the bond is filed, that he desires, after a date named, to be relieved of liability under such bond. Such date shall be not less than 90 days after the date the notice is received by the assistant regional commissioner. The surety shall also file with the assistant regional commissioner an acknowledgment or other proof of service of such notice on the principal.

(72 Stat. 1372; 26 U.S.C. 5272)

8. Section 211.102 is amended to change the designation of "rubbing alcohol compound" to "rubbing alcohol." As amended, § 211.102 reads as follows:

§ 211.102 Formulas for rubbing alcohol.

A person desiring to produce rubbing alcohol shall submit a quantitative formula on Form 1479–A to the assistant regional commissioner for each such product to be produced by him. The label to be used on such product shall be attached to each copy of the Form 1479–A.

(72 Stat. 1372; 26 U.S.C. 5273)

9. Section 211.106 is amended to require the resubmission of labels when there is a change in name or location, and to clarify the scope of the Director's approval of labels. As amended, § 211.106 reads as follows:

§ 211.106 Labels and advertising matter for articles.

A manufacturer or reprocessor of articles shall attach to each copy of the Form 1479–A covering articles which contain denatured spirits, and, when required by the Director, to each copy of the Form 1479–A covering articles which do not contain denatured spirits, samples of labels to be used on containers of such articles or facsimiles of such labels (or sketches, subject to the filing of actual labels, if approved). If a manufacturer or reprocessor makes changes in approved labels, or provides new labels, for articles, samples of the changed or new labels shall similarly be submitted; if the formula is not changed, it need not be restated on Form 1479–A, but the form shall be marked "For label approval only," and shall give the name under which the article was previously approved, the laboratory number of the approved sample, if any, and the date of approval. Manufacturers and reprocessors shall submit to the Director advertising matter for articles when so required by him. The Director's approval of labels submitted under the provisions of this part is limited to approval of the information required by this part to be shown on labels. Such approval carries no import of relief from other statutory or regulatory labeling requirements. Further, such approval does not constitute an endorsement by the Government of the article, directions for use, claims of efficiency or strength, or similar statements; nor does such approval authorize the use of any material on the label in infringement of any copyright, trade-mark, or registration. Labels submitted for approval under the provisions of this part will not be approved even though they comply with the provisions of title 26, U.S.C., and of this part, if it is known that they do not conform to requirements imposed by other laws or regulations.

(72 Stat. 1372; 26 U.S.C. 5273)

10. Section 211.107 is amended with respect to the submission of samples with Form 1479–A, and to the redesignation of "rubbing alcohol compound" as "rub-

bing alcohol." As amended, § 211.107 reads as follows:

§ 211.107 Samples of articles and ingredients.

In connection with the submission of Form 1479–A covering the proposed manufacture of an article (except a rubbing alcohol, a proprietary solvent, or a special industrial solvent) containing specially denatured spirits, the applicant shall submit to the Director duplicate 8-ounce samples of the article (except that duplicate 2-ounce samples will be sufficient for a perfume which contains more than 6 ounces of perfume oils per gallon). For all toilet preparations containing specially denatured spirits, the applicant shall also submit duplicate 1-ounce samples of the perfume oils (or of purchased mixtures consisting of perfume oils with other ingredients) to be used. The Director may at any time require the submission of samples of (a) any ingredients included in a formula, and (b) proprietary antifreeze solutions containing completely denatured alcohol.

(72 Stat. 1372; 26 U.S.C. 5273)

11. Section 211.108 is amended to require that labels be submitted whenever there is a change in a previously approved container size, and to delete an unnecessary administrative instruction. As amended, § 211.108 reads as follows:

§ 211.108 Approval or disapproval of samples, formulas, processes, labels, and advertising matter.

In addition to the limitations in this part, and where necessary to protect the revenue, the Director may, when approving Forms 1479–A, specify thereon the size of containers in which any article may be sold and the maximum quantity that may be sold to any person at one time, and may restrict the sale of articles to a specific class of vendee and for a specific use. Approval by the Director of samples, formulas, processes, labels, and advertising matter shall mean only that they conform to the standards of the Internal Revenue Service, and such approval shall in no way require the assistant regional commissioner to issue an industrial use permit to use specially denatured spirits in such processes, formulas, or articles. A change in container size necessitates resubmission of the label if the Director, when approving Forms 1479–A, specified thereon the container sizes in which the article may be sold.

(72 Stat. 1370, 1372; 26 U.S.C. 5271, 5273)

12. Section 211.115 is amended to permit the storage of completely denatured alcohol in tank cars and tank trucks. As amended, § 211.115 reads as follows:

§ 211.115 Receipt.

Unless completely denatured alcohol received in bulk conveyances or by pipeline is to be used immediately, it shall be deposited in storage tanks, stored in the tank cars or tank trucks in which received, or drawn into packages which shall be marked or labeled as required by this subpart.

13. Section 211.139 is amended to permit the storage of specially denatured spirits in tank cars and tank trucks. As amended, § 211.139 reads as follows:

§ 211.139 Receipt of specially denatured spirits.

Specially denatured spirits received in bulk conveyances or by pipeline by bonded dealers shall be (a) deposited in storage tanks provided for in § 211.91, (b) drawn into packages marked or labeled as required by § 211.142, or (c) stored within the dealer's premises in the tank cars or tank trucks in which received. Such conveyances, while specially denatured spirits are being stored therein or while packages are being filled therefrom, shall be effectively immobilized within an enclosure approved as suitable for that purpose by the assistant regional commissioner pursuant to application, in duplicate, by the dealer. The formula number of the specially denatured spirits stored in tanks, tank cars, or tank trucks shall be shown on such containers or, in the case of underground tanks, at a convenient and suitable location. Portable containers received or filled by the bonded dealer shall be deposited in a storeroom provided for in § 211.91. On receipt, the bonded dealer shall ascertain an account for any losses in transit in accordance with Subpart M of this part, receipt for the shipment on the original and copy of Form 1473 received from the consignor (noting thereon any loss or deficiency in the shipment), forward the original to the assistant regional commissioner of his region, and file the copy in chronological order.

(72 Stat. 1370; 26 U.S.C. 5271)

14. Section 211.161 is amended to liberalize the requirements relating to the procurement of specially denatured spirits. As amended, § 211.161 reads as follows:

§ 211.161 Application for withdrawal permit.

(a) *Application.* To procure specially denatured spirits, a user shall file with the assistant regional commissioner an application on Form 1485 for a withdrawal permit. He shall specify in his application—

(1) The period to be covered by the withdrawal permit.

(2) The formula numbers of the denatured spirits to be withdrawn (not listing any formula which is not covered by a Form 1479–A).

(3) The estimated average quantity, in gallons, of denatured spirits of each formula that will be required in one month. (The applicant shall specify the quantities and the formulas in accordance with his bona fide business needs.)

A user may, if he so desires, file more than one application and receive more than one withdrawal permit; however, in such case he shall allot among the several applications the total to be withdrawn.

(b) *Limitations on withdrawals.* A user holding a permit on Form 1485 may, during any month and as to each formula specified, withdraw not more than twice the number of gallons specified under paragraph (a)(3) of this section, or fifty-five gallons (one drum), whichever is the larger: *Provided,* That, as to any one such formula, the total quantity withdrawn under the permit shall not exceed the number of gallons specified under paragraph (a)(3) of this section multiplied by the number of months (considering any fraction of a month as a month) in the period of withdrawal covered by the permit.

(c) *Exceptions.* If, because of the seasonal nature of the user's business or for other valid reasons, the limitations contained in paragraph (b) of this section adversely affect the user's operations, he may in his application request a larger withdrawal as to one or more formulas during a calendar month, still subject to the limitations in paragraph (b) of this section on withdrawals during the period covered by the permit. In such case he shall furnish with his application sufficient information to enable the assistant regional commissioner to judge the merits of the request. Such larger withdrawals may, if the user so requests in his application, be authorized on the basis of an aggregate quantity of a combination of two or more formulas; in such case the user's request shall be specific as to the aggregate quantity and the formulas involved.

(72 Stat. 1370; 26 U.S.C. 5271)

15. Section 211.169 is amended to change the designation of "rubbing alcohol compounds," to "rubbing alcohol,". As amended, § 211.169 reads as follows:

§ 211.169 General.

Uses of specially denatured spirits shall be as authorized under Part 212 of this chapter. Specially denatured spirits shall not be used until Form 1479–A showing the intended use, process, formula, or article has been approved, as required by Subpart G of this part. Specially denatured spirits shall not be used in the manufacture of medicinal preparations or flavoring extracts for internal human use where any of the spirits remain in the finished product. Liquid products containing specially denatured spirits shall be unfit for beverage or internal human use. The essential oils and chemicals used in their manufacture shall make the finished products conform to the samples and formulas for such products submitted by the applicant with Form 1479–A and approved by the Director or, in the case of rubbing alcohol, by the assistant regional commissioner. Whenever the assistant regional commissioner has reason to believe that the spirits in any articles are being reclaimed or diverted to beverage or internal human use, the permittee shall be directed to appear on a day named and show cause why the authorized formula and article should not be so changed and modified as to prevent such reclamation or diversion. In the event the permittee should fail to appear, or appearing, should fail to prove to the satisfaction of the assistant regional commissioner that the spirits in the authorized article are not reclaimable and are not being diverted to beverage

or internal human use, he shall, at the direction of the assistant regional commissioner, discontinue the use of the formula until it has been modified and again approved.

(72 Stat. 1372; 26 U.S.C. 5273)

16. Section 211.172 is amended, without substantive change, to read as follows:

§ 211.172 Use in manufacturing.

When a proprietary solvent is used in the manufacture, for sale, of an article containing more than 25 percent of alcohol by volume, sufficient ingredients shall be added to definitely change the composition and character of the proprietary solvent. Such articles shall not be manufactured until a Form 1479–A covering production of the article has been submitted to and approved by the Director, except that Form 1479–A need not be submitted to cover the manufacture of surface coatings (including such products as inks) containing two pounds or more of solid coating material per gallon of such article. The formulation number (see § 211.170) of the proprietary solvent to be used in manufacturing the article shall be stated in the Form 1479–A.

17. The heading and text of § 211.173 are amended, without substantive change, to read as follows:

§ 211.173 Shipments in bulk conveyances.

Proprietary solvents may be shipped in bulk conveyances (a) by producers to themselves or to distributors, (b) by distributors to themselves, and (c), on written notice to the assistant regional commissioner, by producers or distributors to other persons. Such notice, which shall be filed in duplicate if the consignee is located in another region, shall designate, by name, address, and type of business, the persons to whom bulk shipments are to be made, and shall state the approximate quantity to be shipped and the use to be made of the solvents by the consignee. Such notice may be given on a continuing basis, in which case the quantity to be shipped may be shown on a monthly or other periodic basis. The assistant regional commissioner may require the consignor to furnish additional information as to the needs of the consignee and the specific uses to be made of the proprietary solvents. Proprietary solvents of one manufacturer shall not be placed in the same compartment of a bulk conveyance with proprietary solvents of another manufacturer. Not less than the entire contents of a compartment may be delivered to a consignee at any one location.

18. Section 211.174 is amended to permit the storage of proprietary solvents in tank cars and tank trucks. As amended, § 211.174 reads as follows:

§ 211.174 Receipt.

Unless proprietary solvents received in bulk conveyances are to be used immediately, they shall be deposited in storage tanks, stored in the tank cars or tank trucks in which received, or drawn into packages which shall be marked or labeled as required by this subpart.

19. Section 211.176 is amended with respect to the filling of proprietary solvents into packages. As amended, § 211.176 reads as follows:

§ 211.176 Filling of packages.

Proprietary solvents may be packaged by producers, by agents of producers, by distributors, and by persons using such products, in containers of any size not exceeding 55 gallons. Containers (except those filled for convenience by persons using such products at their own plant premises) shall be marked or labeled as required by § 211.177 or 211.179, as applicable. Proprietary solvents filled into packages by a user thereof may be transferred to other plant premises operated by him if he (a) first gives written notice to the assistant regional commissioner of the operation and (b) marks and labels the containers to be transferred as required by § 211.177 or 211.179, as applicable.

20. Section 211.180 is amended to revise the formulations for special industrial solvents and add a new formulation. As amended, § 211.180 reads as follows:

§ 211.180 Manufacture.

Special industrial solvents shall be manufactured with specially denatured alcohol Formula No. 1 or 3–A. The formulations shall be as follows, except as may otherwise be authorized by the Director:

(1) *Formulation A.*	*Gallons*
Specially denatured alcohol Formula No. 1 or 3–A	100
Isopropyl alcohol or methyl alcohol	10
Methyl isobutyl ketone	1
(2) *Formulation B.*	*Gallons*
Specially denatured alcohol Formula No. 1 or 3–A	100
Isopropyl alcohol	5
Methyl isobutyl ketone	1
Methyl alcohol	5
(3) *Formulation C.*	*Gallons*
Specially denatured alcohol Formula No. 1 or 3–A	100
Methyl isobutyl ketone	1
Ethyl acetate	5
(4) *Formulation D.*	*Gallons*
Specially denatured alcohol Formula No. 1 or 3–A	100
Isopropyl alcohol or methyl alcohol	15
Methyl isobutyl ketone	1

21. Section 211.181 is amended to provide for the sale of special industrial solvents by the producer thereof to other producers of such solvents. As amended, § 211.181 reads as follows:

§ 211.181 Sales by producers.

Special industrial solvents may be sold by producers to any person for use in manufacturing or as a solvent, and to wholesale distributors and other producers of such solvents for resale. Sale of such solvents for distribution through retail channels is prohibited.

22. The heading and text of § 211.182 are amended, without substantive change, to read as follows:

§ 211.182 Use in manufacturing articles for sale.

When a special industrial solvent is used in the manufacture of an article for sale, sufficient ingredients shall be added to definitely change the composition and character of the special industrial solvent; such an article shall not be manufactured until a Form 1479–A covering its production has been submitted to, and approved by, the Director. The formulation letter (see § 211.180) of the special industrial solvent to be used shall be stated in the Form 1479–A. Special industrial solvents shall not be reprocessed into other solvents, containing more than 25 percent alcohol by volume, for sale.

23. Section 211.183 is amended to prohibit the sale of samples of special industrial solvents furnished prospective customers. As amended, § 211.183 reads as follows:

§ 211.183 Sales to and by distributors.

A distributor shall not purchase or sell more than 550 gallons of special industrial solvents during a calendar month, unless he first notifies the assistant regional commissioner, in writing, stating the reasons for such purchase or sale. In the case of sales, the notice shall designate, by name, address, and type of business, the persons to whom sales are to be made and the uses to be made of the solvents by such consignees. Distributors shall not relabel special industrial solvents under their own brand names, and shall not repackage such solvents except for the purpose of shipping samples in containers of not more than 5 gallons capacity to prospective customers. Such samples shall be used only for evaluation purposes, and shall not be sold by the prospective customer.

24. A new section, § 211.183a, relating to the filling and labeling of containers of special industrial solvents, is inserted, immediately following § 211.183, to read as follows:

§ 211.183a Filling and labeling containers.

Producers of special industrial solvents, and their agents, may fill and ship such solvents only in bulk conveyances or in packages having a capacity of 50 gallons or more, except that they may fill samples of such solvents into containers of not more than 5 gallons capacity for shipment to prospective customers. Such samples shall be used only for evaluation purposes, and shall not be sold by the prospective customer. All containers of special industrial solvents shall be labeled to show the brand name and the name and address of the distributing producer. If such solvents are packaged by a producer's agent, the name and address of the agent may also be shown as the packager on the principal label or on a separate label. In the case of a shipment in a bulk conveyance, the label shall be affixed to a route board or other suitable device on such conveyance.

25. Section 211.184 is amended to provide for numbering packages of special industrial solvents by agents of producers. As amended, § 211.184 reads as follows:

§ 211.184 Numbering of containers.

Containers of special industrial solvents, except sample packages of 5 gal-

lons or less, shall be consecutively numbered commencing with "1" and continuing in regular sequence. When any series reaches "1,000,000" the series may be recommenced; the recommenced series shall be given an alphabetical prefix of suffix. An agent filling packages for a producer may use either serial numbers from a block of numbers assigned to him by the producer or a separate series of serial numbers (differentiated from that of the producer by a suitable prefix) to identify the packages filled by him.

26. The heading of § 211.185 is changed, and the text is amended to authorize producers to ship special industrial solvents in bulk conveyances to their agents and to other producers. As amended, § 211.185 reads as follows:

§ 211.185 Shipments in bulk conveyances.

Shipments of special industrial solvents in bulk conveyances may be made by producers to themselves at other locations, to their agents, as provided in § 211.185a, and to other producers. Pursuant to the producer's or agent's written notice to the assistant regional commissioner, the producer or his agent may make such shipments to industrial solvent users. Such notice, which shall be filed in duplicate if the consignee is located in another region, shall designate, by name, address, and type of business, the person to whom bulk shipments are to be made, and shall state the approximate quantity to be shipped and the use to be made of the solvents by the consignee. Such notice may be given on a continuing basis, in which case the quantity to be shipped may be shown on a monthly or other periodic basis. The assistant regional commissioner may require the producer or agent to furnish additional information as to the needs of the consignee and the specific uses to be made of the special industrial solvents. Special industrial solvents from only one consignor may be placed in any one compartment of a bulk conveyance. Not less than the entire contents of a compartment may be delivered to a consignee at any one location.

27. Two new sections, §§ 211.185a and 211.185b, relating respectively to applications by producers to ship special industrial solvents to their agents and to the storage of such solvents, are inserted, immediately following § 211.185, to read as follows:

§ 211.185a Approval of shipments by agents.

A producer desiring to ship special industrial solvents in bulk conveyances to his agent for packaging and distribution, or for shipment in bulk conveyances to customers, shall first submit an application therefor, in duplicate, to the assistant regional commissioner and receive his approval thereof. The application shall be accompanied by the following:

(a) A list, separate from the application, of names and addresses of the producer's agents (designating those who will package and distribute the special industrial solvents and those who will reship such solvents in bulk conveyances).

(b) A copy of each contract of agency (an additional copy if the agent is located in a region other than the one in which the producer is located, and further copies, as appropriate, if the agent operates at locations in more than one such region). Such contract shall reflect a true agency agreement and shall include stipulations which provide for (1) the right of access by internal revenue officers to inspect the business (including records) and premises of the agency, (2) the maintenance of records of the receipt and disposition of all special industrial solvents, and (3) the submission of such reports as the assistant regional commissioner may require.

(c) A consent of surety extending the conditions of the producer's bond, Form 1480, to specifically cover shipments of special industrial solvents by the principal to his agents, and the receipt, storage, sale, and disposition of such solvents by such agents.

§ 211.185b Receipts.

Unless special industrial solvents received in a bulk conveyance are to be used immediately, packaged under the provisions of § 211.183a, or reshipped by the producer's agent in the conveyance in which received, such solvents shall be deposited in a storage tank or stored in the tank car or tank truck in which received.

28. In order to provide current terminology for alcohol rubs, to authorize the use of Bitrex (THS–839) and colorative materials in alcohol rubs, and to make clarifying changes, the undesignated centerhead immediately preceding § 211.186 and §§ 211.186 through 211.188 are amended to read as follows:

RUBBING ALCOHOL

§ 211.186 General.

All preparations which are to be labeled or represented to be alcohol rubs, without any qualification as to type of alcohol contained therein, shall be manufactured with specially denatured alcohol in accordance with § 211.187. The labeling of a preparation as "Rubbing Alcohol" or with a substantially similar name, without such a qualification, is held to connote that it was manufactured with specially denatured alcohol. Accordingly, an alcohol rub produced from any other material (such as isopropyl alcohol) shall not be labeled "Rubbing Alcohol" or with a name substantially similar thereto, unless such name is appropriately modified to effectively inform the public that the preparation was not made with specially denatured alcohol. Alcohol rubs made with specially denatured alcohol shall be packaged and labeled only by the manufacturer who made the product and shall not be repackaged or relabeled by any other person. Such alcohol rubs shall be packaged in containers not exceeding one pint in capacity.

§ 211.187 Manufacture.

Rubbing alcohol shall be manufactured only with specially denatured alcohol Formula No. 23–H, and only in accordance with the following formulas:

FORMULA A

Specially denatured alcohol, Formula No. 23–H	103.3 fl. ozs.
Sucrose octa-acetate	0.5 av. oz.
Water (and, if desired, odorous, medicinal, and/or colorative ingredients)	q.s. 1 gallon

FORMULA B

Specially denatured alcohol, Formula No. 23–H	103.3 fl. ozs.
Benzyldiethyl (2: 6-xylylcarbamoyl methyl) ammonium benzoate (Bitrex (THS–839))	0.88 grain
Water (and, if desired, odorous, medicinal, and/or colorative ingredients)	q.s. 1 gallon

The odorous, medicinal, and/or colorative ingredients may be used only if included in the formula submitted on Form 1479–A to the assistant regional commissioner and approved by him. The finished product shall be 70 percent absolute alcohol by volume.

§ 211.188 Labeling.

The manufacturer shall label each container of rubbing alcohol with a brand label showing:

(a) The brand name (if any) of the product;

(b) The words "Rubbing Alcohol" (in letters of the same color and size);

(c) His name and address; or his industrial use permit number and the name and address of the particular wholesale or retail druggist for whom he packaged the product;

(d) The legend "Contains 70 percent alcohol by volume", "Contains 70 percent ethyl alcohol by volume", or "Contains 70 percent absolute alcohol by volume"; and

(e) The warning "For external use only. If taken internally, will cause serious gastric disturbances."

The manufacture may include additional statements on the brand label, or on a separate label appearing in conjunction with the brand label, if such statements do not contradict, or obscure the meaning of, the required labeling. The labels shall not contain any statement which may give the impression that the product is pure alcohol or that it is susceptible of beverage use. No label shall be used on any container of rubbing alcohol made with specially denatured alcohol unless it has first been approved by the assistant regional commissioner in accordance with § 211.102.

§ 211.189 [Revoked]

29. Section 211.189 is revoked.

30. Section 211.190 is amended to reflect current terminology for alcohol rubs and to liberalize the rule regarding sales of alcohol rubs. As amended, § 211.190 reads as follows:

§ 211.190 Sales of rubbing alcohol.

Rubbing alcohol may be sold only by the manufacturers thereof and by wholesale and retail druggists. Such persons may sell the product, in quantities larger than the customary retail quantities, only to wholesale druggists, retail druggists, and to those users of the product who have legitimate need for such larger

quantities for external use (examples of such users are hospitals, sanitariums, clinics, Turkish baths, athletic associations, physicians, dentists, veterinarians). Manufacturers and wholesale and retail druggists may sell rubbing alcohol to persons generally, in customary retail quantities only, for external use.

31. Section 211.192 is amended to provide an alternate ingredient for use in the manufacture of toilet waters. As amended, § 211.192 reads as follows:

§ 211.192 Manufacture.

All bay rum, alcoholado, or alcoholado-type toilet waters made with specially denatured alcohol shall contain (a) 1.10 grains of benzyldiethyl (2:6-xylylcarbamoyl methyl) ammonium benzoate (Bitrex (THS-839)) in each gallon of finished product in addition to any such material used as a denaturant in the specially denatured alcohol, or (b) 32 grains of tartar emetic in each gallon of finished product, or (c) 0.5 avoirdupois ounce of sucrose octa-acetate in each gallon of finished product. Preparations manufactured with specially denatured alcohol Formula No. 39-C shall contain in each gallon of finished product not less than 2 fluid ounces of perfume material (essential oils, isolates, aromatic chemicals, etc.) satisfactory to the Director.

32. Section 211.195 is amended to liberalize requirements for showing permit numbers on labels. As amended, § 211.195 reads as follows:

§ 211.195 Labels.

(a) *Manufacturer.* Where products specified in § 211.191 are packaged or bottled by the manufacturer, the labels shall show (1) the name of the manufacturer and the address or addresses of the actual place or places of manufacture; or (2) the name of the manufacturer, the address of the principal office, and the permit number or numbers of the place or places of manufacture; or (3) the permit number of the manufacturer and the name and address of the person for whom the bottles or other containers are filled. Where the same premises are operated under one or more approved trade names, any one or more of such trade names may be shown on the label as the name of the manufacturer.

(b) *Persons other than a manufacturer.* A person, other than a manufacturer, who bottles, repackages, or reprocesses the products specified in § 211.191 for himself, shall show on the label his own name and address and either the permit number of the manufacturer or his own permit number. A person, other than a manufacturer, who bottles, repackages, or reprocesses such products for another, shall show on the label the name and address of the person for whom the product is packaged and either the permit number of the manufacturer or his own permit number.

(c) *Exceptions.* The requirements of paragraphs (a) and (b) of this section shall not apply to (1) witch hazel packaged in containers of one gallon or less, (2) products specified in § 211.191 which have been approved as containing 6 fluid ounces or more of perfume oil per gallon of finished product, or which have been approved as containing not more than 16 fluid ounces of specially denatured alcohol per gallon of finished product, or (3) any product marketed under a trade-name or brand-name label in containers of 8 fluid ounces or less capacity: *Provided,* That the manufacturer or bottler specifies on the Form 1479-A with which the label is submitted for approval that such label is to be used only on such products or containers. The requirements of this section for showing the permit number on labels shall not apply to products which are contained in pressurized aerosol containers of 32 fluid ounces or less.

33. Section 211.199 is amended to permit the manufacture of aqueous dilutions of reagent alcohol and to revise the labeling requirements. As amended, § 211.199 reads as follows:

§ 211.199 Reagent alcohol.

(a) *Production, packaging, and sales.* Users who are proprietors of bona fide laboratory supply houses may manufacture an article, designated as reagent alcohol, consisting of 95 parts by volume of specially denatured alcohol Formula No. 3-A and 5 parts by volume of isopropyl alcohol. Water may be added to the article at the time of manufacture. Reagent alcohol shall be packaged in containers holding not more than 1 gallon and may be sold to school laboratories, medical laboratories, physicians, and others requiring small quantities for scientific purposes.

(b) *Labels.* Containers of reagent alcohol shall bear a front label as follows:

REAGENT ALCOHOL

Specially Denatured Alcohol Formula 3-A—95 parts by vol.

and

Isopropyl Alcohol—5 parts by vol.

CAUTION * * * POISON
CONTAINS METHYL ALCOHOL
NOT FOR INTERNAL OR EXTERNAL USE

If water is added to the article at the time of manufacture, the front label shall be modified appropriately to accurately reflect the composition of the diluted product. A back label shall be attached bearing the word "ANTIDOTE", followed by suitable directions therefor.

34. Section 211.200 is amended to authorize the manufacture of printing inks, for sale. As amended, § 211.200 reads as follows:

§ 211.200 Solvents not specifically authorized.

Articles such as duplicating and printing fluids containing specially denatured alcohol shall not be sold for other solvent use and shall not be reprocessed into other products for sale, except that duplicating and printing fluids containing 1 percent or more by weight of a glycol ether and 10 percent or more by weight of methyl alcohol may be reprocessed into printing ink for sale pursuant to formulas on Form 1479-A submitted by the reprocessor and approved by the Director. Where a person finds that proprietary solvents, special industrial solvents, or other authorized solvents are unsatisfactory for his particular purpose, and he therefore desires to manufacture a suitable solvent for his own use (but not for sale), he shall first qualify as a user under the provisions of Subparts D and E of this part, and shall, as provided in Subpart G of this part, submit Form 1479-A for approval to cover the process to be used or article to be made by him.

35. Section 211.233 is amended to delete the requirement respecting the recording of shipments on the permit, Form 1486. As amended, § 211.233 reads as follows:

§ 211.233 Procurement of specially denatured spirits.

When specially denatured spirits are to be procured by a U.S. Governmental agency, the permit on Form 1486, received from the Director pursuant to an application filed in accordance with the provisions of § 211.231, shall be forwarded to the denaturer or bonded dealer from whom the specially denatured spirits are to be obtained. A purchase order shall be submitted by the Governmental agency for any specially denatured spirits shipped under the permit. At the time of shipment, the vendor shall return the permit to the Governmental agency unless he has been authorized by such agency to retain the permit for the purpose of making future shipments.

(72 Stat. 1372; 26 U.S.C. 5273)

36. Subpart M is amended to state the responsibilities and liabilities of carriers. As amended, Subpart M reads as follows:

Subpart M—Losses of Specially Denatured Spirits

Sec.
211.241 Liability and responsibility of carriers.
211.242 Losses in transit.
211.243 Losses at premises of bonded dealer or user.
211.244 Claims.

AUTHORITY: The provisions of this Subpart M issued under sec. 7805 of the Internal Revenue Code; 68A Stat. 917; 26 U.S.C. 7805.

§ 211.241 Liability and responsibility of carriers.

Any person who transports specially denatured spirits in violation of laws pertaining thereto or of the regulations in this part, and all such denatured spirits, shall be subject to all provisions of law pertaining to spirits that are not denatured, including those requiring the payment of tax thereon; and the person so transporting the specially denatured spirits shall be required to pay such tax. A person transporting specially denatured spirits shall be responsible for safe delivery of such denatured spirits to the consignee (or, under the provisions of this part, the safe return of such denatured spirits to the consignor) and shall account for any such denatured spirits not delivered.

(72 Stat. 1314; 26 U.S.C. 5001)

§ 211.242 Losses in transit.

The carrier shall determine as soon as possible the quantity of specially de-

natured spirits lost in transit and shall immediately inform the consignee, in writing, of the facts and circumstances of such loss. In case of theft, the carrier shall also immediately notify the consignee's assistant regional commissioner of the facts and circumstances. The consignee shall determine, at the time the shipment or report of loss is received, the quantity of specially denatured spirits lost. He shall report such quantity on Form 1473, and on Form 1478 or Form 1482 as the case may be. If the quantity lost from wooden packages contained in a shipment exceeds 3 percent of their original aggregate contents, or the loss from any other containers in a shipment exceeds 1 percent of their original aggregate contents, and the quantity lost is more than 5 gallons, the consignee shall file claim for allowance of the entire quantity lost: *Provided,* That when the loss is due to theft, he shall file claim for allowance of the entire quantity lost, regardless of the percentage of loss or the quantity lost. If losses in transit (other than losses due to theft) do not exceed the quantities specified in this section and there are no circumstances indicating that any part of the quantity lost was unlawfully used or removed, claim for allowance will not be required.

§ 211.243 Losses at premises of bonded dealer or user.

Losses of specially denatured spirits from storage tanks and from tank cars and tank trucks being used as storage containers shall be determined at the time such containers are emptied and by physical inventory of the contents of such containers at the close of each month. Losses, if any, from packages shall be determined at the time the packages are removed for shipment or dumped. Losses due to theft shall be determined at the time such losses are discovered. All losses on a bonded dealer's premises shall be recorded in the records required by § 211.264 and reported on Form 1478 by such dealer for the month in which they are discovered. Losses of specially denatured spirits at a user's premises shall be determined and recorded in the records required by § 211.265 and reported on Form 1482. If the quantity lost during any one month exceeds 1 percent of the quantity of specially denatured spirits to be accounted for during the month, and the quantity lost is more than 5 gallons, the bonded dealer or the user shall file claim for allowance of the entire quantity lost: *Provided,* That when the loss is due to theft, he shall file claim for allowance of the entire quantity lost, regardless of the percentage of loss or the quantity lost. If losses on the premises (other than losses due to theft) do not exceed the quantities specified in this section, and there are no circumstances indicating that any part of the quantity lost was unlawfully used or removed, claim for allowance will not be required.

§ 211.244 Claims.

Claims for allowance of losses of specially denatured spirits shall be filed, on Form 2635, with the assistant regional commissioner within 30 days from the date the loss is ascertained, and shall set forth the following:

(a) Name, address, and permit number of the claimant;

(b) Identification and location of the container or containers from which the specially denatured spirits were lost;

(c) Quantity of specially denatured spirits lost from each container, the total quantity of specially denatured spirits covered by the claim, and the aggregate quantity involved;

(d) Date of the loss (or, if not known, date of discovery), the cause or nature of the loss and all the facts relative thereto, including facts establishing whether the loss occurred as a result of any negligence, connivance, collusion, or fraud on the part of any person participating in, or responsible in any manner for, the transaction, or any employee or agent of such person; and

(e) Name of the carrier where a loss in transit is involved. The carrier's statement regarding the loss (required by § 211.242) shall accompany the claim.

The assistant regional commissioner may require the submission of additional evidence.

37. Section 211.252 is amended to clarify the provisions relating to the filing of a consent of surety. As amended, § 211.252 reads as follows:

§ 211.252 Return to denaturer or bonded dealer.

If, for any valid reason, a permittee desires to return specially denatured spirits to a denaturer or bonded dealer (whether or not to the original shipper) he shall obtain the denaturer's or bonded dealer's agreement to accept the return of the specially denatured spirits, and his assistant regional commissioner's permission to so return such spirits. Application for permission shall be filed in triplicate (quadruplicate if the bonded dealer or denaturer is in another region). If the application is approved the assistant regional commissioner will forward a copy to the permittee, a copy to the denaturer or bonded dealer, and the additional copy, if any, to the consignee's assistant regional commissioner. Where specially denatured spirits are to be returned to a bonded dealer as provided in this section or in § 211.254, the bonded dealer shall file a consent of surety on his bond to extend the terms thereof to cover the return of such spirits to him; he may, if he so desires, file one consent of surety on his bond to extend the terms thereof to cover all such spirits which may be so returned to him.

38. Sections 211.265 and 211.266 are amended with respect to the keeping of sales records and the use of substitute records. As amended, §§ 211.265 and 211.266 read as follows:

§ 211.265 Records of users of specially denatured spirits.

(a) *Persons manufacturing bay rum, hair lotions, skin lotions, and similar products which contain specially denatured alcohol.* Permittees using specially denatured alcohol in the manufacture of products specified in § 211.191 shall keep a manufacturing record on Form 133, covering all such products which contain specially denatured alcohol. Such records shall accurately and clearly reflect the details of all specially denatured alcohol received and used in such products, and all such products manufactured. The details of manufacture, showing the quantities of essential oils, chemicals, or other materials used in manufacturing, shall be shown on a separate batch record, identified by serial number. In lieu of Form 133, other manufacturing records may be maintained for such products, if such other records reflect all of the data required by Form 133 and are maintained in such a manner as to enable internal revenue officers to readily determine the proper use of all specially denatured alcohol: *Provided,* That the assistant regional commissioner may require the maintenance of Form 133 by a permittee when, in his opinion, the interests of the United States so demand. Such permittees shall also keep a bottling or packaging and sales record of each product which contains specially denatured alcohol, which record shall accurately and clearly reflect the details of the bottling or packaging of the product and the sales thereof, showing the names and addresses of the consignees: *Provided,* That the record may show only the totals disposed of daily through sales in individual quantities of less than 5 gallons. Where the estimated average monthly requirement of specially denatured alcohol as stated on Form 1485, does not exceed 25 gallons, or, in the case of users who also reprocess products containing specially denatured alcohol, where the estimated average monthly requirement of specially denatured alcohol plus the quantity of such products received for reprocessing does not exceed 25 gallons per month, the records required by this paragraph (a) need not be maintained. Records of products specified in § 211.191 which are made with specially denatured alcohol but which do not contain specially denatured alcohol shall be kept in accordance with paragraph (b) of this section.

(b) *Persons manufacturing other articles.* Permittees using specially denatured spirits for purposes other than the manufacture of products specified in § 211.191 and which contain specially denatured spirits shall keep records which accurately and clearly reflect the details of specially denatured spirits received, used, and recovered, and of articles recovered. Such records shall contain all data necessary (1) to enable the permittee to prepare Form 1482, and (2) to enable any internal revenue officer to verify and trace each operation or transaction, to verify claims, and to ascertain whether there has been compliance with law and regulations. The records shall include the following information:

(i) The quantity of each formula of specially denatured spirits received, and the name and address of the consignor;

(ii) The quantity, by formula and code number, of specially denatured spirits used and each purpose for which used (if used in the manufacture of an article, the name of each such article

and the quantity used in its manufacture);

(iii) The quantity of each article manufactured; and

(iv) Details of the disposition of each article, showing names, addresses, and quantities.

Where the estimated average monthly requirement of specially denatured spirits as stated on Form 1485, does not exceed 25 gallons, the records required by this paragraph (b) need not be maintained.

(c) *Sales by subsidiary or affiliated sales companies.* Where a person required to keep sales records under paragraph (a) or (b) of this section disposes of articles, manufactured by him, through a subsidiary or affiliated sales company, such sales company shall also keep, as applicable, the sales records required by paragraph (a) or (b) of this section.

(72 Stat. 1373; 26 U.S.C. 5275)

§ 211.266 Records of reprocessing, repackaging, bottling, and resale of bay rum, hair lotions, skin lotions, and similar products.

Persons authorized under § 211.193 to reprocess products specified in § 211.191 which contain specially denatured alcohol shall keep records on Form 133, or other records, in the same manner and under the same conditions as prescribed in § 211.265 for manufacturers of such products. All persons who purchase such products in containers larger than one gallon for repackaging, bottling, or resale, shall also keep a record of the receipt, bottling, or packaging, and sales thereof: *Provided*, That the record may show only the totals disposed of daily through sales in individual quantities of less than 5 gallons. The records required by this section need not be maintained if the total quantity of such products received during a month does not exceed 25 gallons.

(72 Stat. 1373; 26 U.S.C. 5275)

39. Section 211.271 is amended to require the submission of summary reports on Form 1482. As amended, § 211.271 reads as follows:

§ 211.271 Reports of users.

Every person holding a permit to use specially denatured spirits or recover specially denatured spirits or articles shall prepare monthly reports on Form 1482: *Provided*, That any such permittee may submit an annual report on Form 1482, on a fiscal year (July 1 through June 30) basis, in lieu of monthly reports, if—

(a) He is authorized to withdraw not more than 660 gallons per annum; or

(b) He is authorized to withdraw more than 660 gallons per annum and the assistant regional commissioner, pursuant to application, finds that he maintains an accounting system which affords adequate control, and that the filing of an annual report will not interfere with the effective administration of this part.

Notwithstanding the foregoing provisions in this section, the assistant regional commissioner may at any time require the submission of monthly reports on Form 1482 by any permittee. A permittee required to file monthly reports under this section shall also submit an annual summary on Form 1482 of the quantity of specially denatured spirits used and recovered during the fiscal year. A permittee discontinuing business shall file a summary report on Form 1482 of all transactions from July 1 to the date of discontinuance, marking such summary report "Final Report." Separate reports shall be prepared covering specially denatured alcohol and denatured rum. The permittee shall submit the original of the Form 1482 to the assistant regional commissioner not later than the 10th day of the month succeeding the period for which the report is submitted and retain the duplicate for his files.

(72 Stat. 1373; 26 U.S.C. 5275)

40. Section 211.275 and its heading are amended to delete reference to Form 134. As amended, § 211.275 reads as follows:

§ 211.275 Form 133 to be provided by users at own expense.

Form 133 shall be provided by the users thereof at their own expense and shall be in the form prescribed by the Director.

41. The heading of § 211.281 is changed, and the text is amended to restate the conditions under which samples of specially denatured spirits may be procured. As amended, § 211.281 reads as follows:

§ 211.281 Samples of specially denatured spirits.

Applicants and prospective applicants for permits to use specially denatured spirits, and users, may procure samples of such spirits for experimental purposes or for use in the preparation of samples of finished products for submission with Form 1479–A. Samples of specially denatured spirits shall be procured only from proprietors of distilled spirits plants or from bonded dealers. Samples in excess of 1 quart shall be procured pursuant to a permit under § 211.283; samples of 1 quart or less may be procured without a permit. A user may, during any calendar month, use for experimental purposes or for preparation of samples of finished products for submission with Form 1479–A not more than 5 gallons of specially denatured spirits from his stock obtained under his withdrawal permit.

(72 Stat. 1372; 26 U.S.C. 5273)

PAR. B. 26 CFR 212 is amended as follows:

1. Paragraph (b)(2) of § 212.17 is amended to delete the parenthesized words "(for own use only)". As amended, paragraph (b)(2) reads as follows:

§ 212.17 Formula No. 2–B.

* * * * *

(b) *Authorized uses.*

* * * * *

(2) As a raw material:

* * * * *

524. Sodium ethylate, anhydrous.

* * * * *

2. Paragraph (b)(2) of § 212.18 is amended to delete the line for code 524. As amended, paragraph (b)(2) reads as follows:

§ 212.18 Formula No. 2–C.

* * * * *

(b) *Authorized uses.*

* * * * *

(2) As a raw material:

523. Miscellaneous ethyl esters.
530. Ethylamines (for rubber processing).
540. Dyes and intermediates (ethylamines).
575. Drugs and medicinal chemicals.
579. Other chemicals.

* * * * *

3. Paragraph (b)(1) of § 212.19 is amended by inserting in numerical sequence a new line in the list of authorized uses. As amended, paragraph (b)(1) reads as follows:

§ 212.19 Formula No. 3–A.

* * * * *

(b) *Authorized uses.* (1) As a solvent:

* * * * *

043. Special solvents (restricted sale).

* * * * *

4. Paragraph (b)(1) of § 212.32 is amended by changing the designation of code 220 from "Rubbing alcohol compounds" to "Rubbing alcohols." As amended, paragraph (b)(1) reads as follows:

§ 212.32 Formula No. 23–H.

* * * * *

(b) *Authorized uses.* (1) As a solvent:

* * * * *

220. Rubbing alcohols.

* * * * *

5. The list of uses in § 212.105 is amended by redesignating "Rubbing alcohol compound" as "Rubbing alcohol", by deleting Formula 2–C as an authorized formula for sodium ethylate, and by adding Formula 3–A as an authorized formula for "Solvents, special (restricted sale)". As amended, §212.105 reads as follows:

§ 212.105 Listing of products and processes using specially denatured alcohol and rum and formulas authorized therefor.

* * * * *

Rubbing alcohol	220	23–H

* * * * *

Sodium ethylate, anhydrous (restricted)	524	2–B

* * * * *

Solvents, special (restricted sale)	043	1, 3–A

* * * * *

[F.R. Doc. 64–2784; Filed, Mar. 23, 1964; 8:47 a.m.]