of the 1965 mainland quota for Puerto Rico.

This amendment of Sugar Regulation 815.6 is necessary to: (1) Give effect to the amendment of Sugar Regulation 811, Amendment 7 (30 F.R. 14260) which established the direct-consumption portion of the 1965 mainland quota for Puerto Rico of 148,677 short tons, raw value, a quantity greater than the 139,500 short tons, raw value, previously allotted and to allot the larger quantity in accordance with findings heretofore made and (2) determine deficits in allotments and prorate such deficits to other allottees that are able to utilize additional allotments.

The data in the following table shows in Column (1) the allotment of 148,677 tons which would result if each allottee had the ability to market its full allotment; in Column (2) the quantity reported to the Department pursuant to finding (11) of Sugar Regulation 815.6 (30 F.R. 209) and in Column (3) the quantities of deficit determined and prorated:

Allottee	1965 allotments prior to determination of deficits (1)	Maximum 1965 Marketing ability (2)	Deficits(−) and prorations of deficits(+) (3)
	Short tons, raw value		
Central Aguirre Sugar Co., a trust	4,894	7,592	+2,019
Central Roig Refining Co.	20,393	21,500	+1,107
Central San Francisco	1,330	1,234	−96
Puerto Rican American Sugar Rfy., Inc.	97,918	96,000	−1,918
Western Sugar Refining Co.	24,117	23,005	−1,112
Liquid sugar reserve for persons other than named above	25		0
Total	148,677	149,331	0

Findings heretofore made by the Secretary in the course of this proceeding (30 F.R. 209) provide that this order shall be revised without further notice or hearing by the Administrator, Agricultural Stabilization and Conservation Service, for the purposes indicated above and such findings set forth the procedure for the revision of allotments.

Accordingly, allotments are herein established on the basis of and consistent with such findings.

Effective date. It is hereby determined and found that compliance with the 30-day effective date requirement of the Administrative Procedure Act (60 Stat. 237) is impracticable and contrary to the public interest and, consequently, the amendment made herein shall become effective when filed for public inspection in the Office of the Federal Register.

Order. Pursuant to the authority vested in the Secretary of Agriculture by section 205(a) of the Act, it is hereby ordered that paragraph (a) of § 815.6 be amended to read as follows:

§ 815.6 Allotment of the direct-consumption portion of 1965 sugar quota for Puerto Rico.

(a) *Allotments.* The direct-consumption portion of the 1965 mainland sugar quota for Puerto Rico, amounting to 148,677 short tons, raw value, is hereby allotted as follows:

Allottee	*Direct-consumption allotment (short tons raw value)*
Central Aguirre Sugar Co., a trust	6,913
Central Roig Refining Co.	21,500
Central San Francisco	1,234
Puerto Rican American Sugar Rfy., Inc.	96,000
Western Sugar Refining Co.	23,005
Liquid sugar reserve for persons other than named above	25
Total	148,677

* * * * *

(Sec. 403, 61 Stat. 932; 7 U.S.C. 1153. Interprets or applies secs. 205, 209; 61 Stat. 926, 928; 7 U.S.C. 1115, 1119)

Done at Washington, D.C., this 2d day of December 1965.

R. P. BEACH,
Acting Administrator, Agricultural Stabilization and Conservation Service.

[F.R. Doc. 65-13104; Filed, Dec. 3, 1965; 1:28 p.m.]

Chapter IX—Consumer and Marketing Service (Marketing Agreements and Orders; Fruits, Vegetables, Nuts), Department of Agriculture

[Lemon Reg. 190, Amdt. 1]

PART 910—LEMONS GROWN IN CALIFORNIA AND ARIZONA

Limitation of Handling

Findings. 1. Pursuant to the marketing agreement, as amended, and Order No. 910, as amended (7 CFR Part 910), regulating the handling of lemons grown in California and Arizona, effective under the applicable provisions of the Agricultural Marketing Agreement Act of 1937, as amended (7 U.S.C. 601-674), and upon the basis of the recommendation and information submitted by the Lemon Administrative Committee, established under the said amended marketing agreement and order, and upon other available information, it is hereby found that the limitation of handling of such lemons, as hereinafter provided, will tend to effectuate the declared policy of the act.

2. It is hereby further found that it is impracticable and contrary to the public interest to give preliminary notice, engage in public rule-making procedure, and postpone the effective date of this amendment until 30 days after publication hereof in the FEDERAL REGISTER (5 U.S.C. 1001-1011) because the time intervening between the date when information upon which this amendment is based became available and the time when this amendment must become effective in order to effectuate the declared policy of the act is insufficient, and this amendment relieves restriction on the handling of lemons grown in California and Arizona.

Order, as amended. The provisions in paragraph (b)(1)(ii) of § 910.490 (Lemon Regulation 190, 30 F.R. 14730) are hereby amended to read as follows:

§ 910.490 Lemon Regulation 190.

* * * * *

(b) *Order.* (1) * * *

(ii) District 2: 120,900 cartons.

* * * * *

(Secs. 1-19, 48 Stat. 31, as amended; 7 U.S.C. 601-674)

Dated: December 1, 1965.

PAUL A. NICHOLSON,
Deputy Director, Fruit and Vegetable Division, Consumer and Marketing Service.

[F.R. Doc. 65-13059; Filed, Dec. 6, 1965; 8:47 a.m.]

Title 18—CONSERVATION OF POWER AND WATER RESOURCES

Chapter I—Federal Power Commission

[Docket No. R-272; Order 809]

PART 11—ANNUAL CHARGES

Costs of Administration

NOVEMBER 30, 1965.

On March 25, 1965, the Commission gave notice by publication in the FEDERAL REGISTER (30 F.R. 4259) that it proposed to amend § 11.20 of its regulations under the Federal Power Act to modify the formula for fixing annual charges to nonpublic licensees (i.e., licensees other than states or municipalities) for hydroelectric projects of more than 2,000 horsepower installed capacity to eliminate the inequities in the application of the existing formula to pumped storage projects. Comments were invited from interested persons to be submitted by April 27, 1965. In response to this notice and invitation, the Commission received comments from 3 licensees, each of whom expressed its approval of the proposed changes in the method of computing annual license charges.

Section 10(e) of the Federal Power Act (16 U.S.C. 803(e)) requires that the Commission fix annual charges to licensees to reimburse the United States for its costs of administering Part I of the Act (16 U.S.C. 791-823). Section 11.20 of the regulations under the Federal Power Act now provides for fixing annual charges to nonpublic licensees by distributing the administrative costs attributable to this class of licensee in the proportion which the "annual charge factor" for each of the projects in the class bears to the total annual charge factors for all of the projects in the class. Paragraph (a)(3) of § 11.20 prescribes the formula by which the annual charge factor for each project is found. The components of that formula are the project's authorized installed capacity (measured in horsepower) and gross annual energy output (measured in kilowatt-hours), as follows:

Annual Charge Factor
=Authorized Installed Horsepower
$+\frac{150 \text{ Gross Annual Kwh Generation}}{1{,}000{,}000}$

A pumped storage operation involves the generation of electric energy during peak load periods by using water electrically pumped into a storage reservoir during earlier off-peak periods. Although more electric energy is consumed in pumping than is realized from generation, the generated energy is more valuable to the electric system than the pumping energy expended because of its timely delivery. Thus, after credit is allowed for the energy used in pumping, the benefits to an electric system from pumped storage facilities are only capacity benefits. Consequently, the use of annual energy output as a factor in the formula now in use causes the annual charges for administrative costs for such facilities to be disproportionately high.

Under the regulation here being adopted, the annual charge factor will be differently determined for each of three types of projects: (1) For conventional projects, the factor will continue to be computed as it now is; (2) for pure pumped storage projects, the factor will be equal to the authorized installed horsepower; (3) for mixed conventional-pumped storage projects, the factor will be found by the following formula—

Annual Charge Factor=Authorized Installed Horsepower+150 (Millions of Kwh Gross Generation)−100 (Millions of Kwh for Pumping).

This formula provides that the annual energy output from pumped storage facilities will not be used to increase the annual charge factor. Because annual energy output from pumped storage facilities may not be measured in all projects, the formula estimates this output as two-thirds of the energy consumed in pumping. This proportion, which is typical of pumped storage operations, is expressed in the formula by the figures 100, by which annual pumping energy is multiplied, and 150, by which gross annual generation is multiplied.

The Commission further finds: (1) In view of the foregoing, and upon consideration of all relevant matters presented, this amendment is necessary and appropriate for the purposes of the Federal Power Act.

The Commission, acting pursuant to the Federal Power Act, as amended, particularly sections 10(e), 304(a) and 309 thereof (49 Stat. 842, 855, 858; 16 U.S.C. 803(e), 825c(a), 825h), orders:

(A) Part 11, Annual Charges, Subchapter B, Regulations Under the Federal Power Act, Chapter I, Title 18 of the Code of Federal Regulations, is amended by amending subparagraphs (3) and (4) of paragraph (a) of § 11.20 to read as follows:

§ 11.20 Costs of administration.

(a) * * *

(3) The annual charge factor for each such project shall be found as follows:

(i) For a conventional project the factor is its authorized installed capacity (horsepower) plus 150 times its annual energy output in millions of kilowatt-hours.

(ii) For a pure pumped storage project the factor is the authorized horsepower.

(iii) For a mixed conventional-pumped storage project the factor is its authorized installed capacity (horsepower) plus 150 times its gross annual energy output in millions of kilowatt-hours less 100 times the annual energy used for pumped storage pumping in millions of kilowatt-hours.

(4) To enable the Commission to determine such charges annually, each such licensee shall file with the Commission, on or before February 1 of each year, a statement under oath showing the gross amount of power generated (or produced by nonelectrical equipment) and the amount of power used for pumped storage pumping by the project during the preceding calendar year, expressed in kilowatt hours.

* * * * *

(Secs. 10(e), 304(a), 309, 49 Stat. 842, 855, 858; 16 U.S.C. 803(e), 825c(a), 825h)

(B) This amendment herein adopted shall become effective December 30, 1965.

(C) The Secretary shall cause prompt publication of this order to be made in the FEDERAL REGISTER.

By the Commission.

[SEAL] JOSEPH H. GUTRIDE, *Secretary.*

[F.R. Doc. 65-13028; Filed, Dec. 6, 1965; 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 141a—PENICILLIN AND PENICILLIN-CONTAINING DRUGS; TESTS AND METHODS OF ASSAY

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

Ampicillin; Ampicillin Capsules; Ampicillin for Oral Suspension

Under the authority provided in the Federal Food, Drug, and Cosmetic Act (sec. 507, 59 Stat. 463 as amended; 21 U.S.C. 357), and delegated by the Secretary of Health, Education, and Welfare to the Commissioner of Food and Drugs (21 CFR 2.90), Parts 141a and 146a are amended by adding thereto new sections, as follows, to provide for tests and methods of assay and certification of ampicillin (bulk anhydrous) and two dosage forms of this drug.

§ 141a.127 Ampicillin.

(a) *Potency, toxicity, moisture, pH, crystallinity, and ampicillin content.* Proceed as directed in § 141a.111 (a) to (f), inclusive.

(b) *Identity.* The infrared spectrum of a 0.5 percent mixture in a potassium bromide pellet compares qualitatively to that of a similarly treated authentic sample of ampicillin.

§ 141a.128 Ampicillin capsules.

(a) *Potency.* Proceed as directed in § 141a.112(a). The potency of ampicillin capsules is satisfactory if they contain not less than 90 percent and not more than 120 percent of the number of milligrams of ampicillin that they are represented to contain.

(b) *Moisture.* Use the contents of four capsules and proceed as directed in § 141a.111(c).

§ 141a.129 Ampicillin for oral suspension.

(a) *Potency.* Proceed as directed in § 141a.122(a). Its potency is satisfactory if it contains not less than 90 percent and not more than 120 percent of the number of milligrams of ampicillin that it is represented to contain.

(b) *Moisture.* Proceed as directed in § 141a.26(e).

(c) *pH.* Proceed as directed in §141a.5(b), except use the suspension obtained after reconstituting the drug as directed in its labeling.

§ 146a.123 Ampicillin.

(a) *Standards of identity, strength, quality, and purity.* Ampicillin is 6-[D-α-aminophenylacetamido]penicillanic acid. It is a white, microcrystalline powder. It is so purified that:

(1) It contains not less than 900 micrograms of ampicillin per milligram on an anhydrous basis.

(2) It passes the toxicity test.

(3) Its moisture content is not more than 2.0 percent.

(4) Its pH in an aqueous solution containing 10 milligrams per milliliter is not less than 3.5 and not more than 6.0.

(5) Its ampicillin content is not less than 90 percent on an anhydrous basis.

(6) It gives a positive identity test for ampicillin.

(b) *Packaging; labeling; request for certification, samples; fees.* Proceed as directed in § 146a.6 (b), (c), (d), and (e).

§ 146a.124 Ampicillin capsules.

Ampicillin capsules conform to all the requirements and are subject to all procedures prescribed by § 146a.7 for ampicillin trihydrate capsules, except that:

(a) Ampicillin is used in lieu of ampicillin trihydrate in formulating the drug.

(b) Each capsule contains 125 milligrams, 250 milligrams, or 500 milligrams of ampicillin.

(c) The moisture content is not more than 4.0 percent.

(d) The ampicillin used conforms to the requirements of § 146a.123.

§ 146a.125 Ampicillin for oral suspension.

Ampicillin for oral suspension conforms to all the requirements and is subject to all procedures prescribed by § 146a.118 for ampicillin trihydrate for oral suspension, except that ampicillin is used in lieu of ampicillin trihydrate in formulating the drug, and the ampicillin used conforms to the requirements of § 146a.123.

I find that the drugs ampicillin, ampicillin capsules, and ampicillin for oral suspensions are safe and efficacious for use, conditions prerequisite to their certification under section 507 of the Federal Food, Drug, and Cosmetic Act, when they comply with the regulations promulgated in this order.

Notice and public procedure and delayed effective date are deemed unnecessary in this instance, and I so find, since the basic requirements of the statute have been complied with, since the regulations are not controversial in nature, and since the best interests of the public will be served by the issuance of the foregoing regulations providing for the certification of the subject drugs.

Effective date. This order shall become effective on the date of its publication in the FEDERAL REGISTER.

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

Dated: December 1, 1965.

J. K. KIRK,
Assistant Commissioner for Operations.

[F.R. Doc. 65-13070; Filed, Dec. 6, 1965; 8:47 a.m.]

Title 26—INTERNAL REVENUE

Chapter I—Internal Revenue Service, Department of the Treasury

SUBCHAPTER A—INCOME TAX

[T.D. 6867]

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

Foreign Expropriation Capital Loss Carryovers

On September 29, 1965, notice of proposed rule making with respect to the amendment of the Income Tax Regulations (26 CFR Part 1) under sections 381, 832, 1212, and 1222 of the Internal Revenue Code of 1954 to conform the regulations to section 7 of the Act of September 2, 1964 (Public Law 88-571, 78 Stat. 860), relating to foreign expropriation capital loss carryovers, was published in the FEDERAL REGISTER (30 F.R. 12394). After consideration of all such relevant matter as was presented by interested persons regarding the rules proposed, the amendment of the regulations as proposed is hereby adopted.

[SEAL] SHELDON S. COHEN,
Commissioner of Internal Revenue.

Approved: December 2, 1965.

STANLEY S. SURREY,
Assistant Secretary of the Treasury.

In order to conform the Income Tax Regulations (26 CFR Part 1) under sections 381, 832, 1212, and 1222 of the Internal Revenue Code of 1954 to section 7 of the Act of September 2, 1964 (Public Law 88-571, 78 Stat. 860), such regulations are amended as follows:

PARAGRAPH 1. Section 1.381(c)(3)-1 is amended by adding a subparagraph (3) to paragraph (a) as follows:

§ 1.381(c)(3)-1 Capital loss carryovers.

(a) *Carryover requirement.* * * *

(3) This section contains rules applicable to capital loss carryovers determined without reference to the amendment of section 1212(a) made by section 7 of the Act of September 2, 1964 (Public Law 88-571, 78 Stat. 860) in respect of foreign expropriation capital losses. If the distributor, transferor, or acquiring corporation sustains a net capital loss in a taxable year ending after December 31, 1958, any portion of which is attributable to a foreign expropriation capital loss, such portion shall be carried over to each of the ten succeeding taxable years consistently with the rules prescribed in this section and paragraph (a)(2) of § 1.1212-1.

* * * * *

PAR. 2. Section 1.832-2 is amended by revising paragraph (a) to read as follows:

§ 1.832-2 Deductions.

(a) The deductions allowable are specified in section 832(c) and by reason of the provisions of section 832(c) (10) and (12) include in addition certain deductions provided in sections 161, and 241 and following. The deductions, however, are subject to the limitation provided in section 265, relating to expenses and interest in respect of tax-exempt income. The net operating loss deduction is computed under section 172 and the regulations thereunder. For the purposes of section 172, relating to net operating loss deduction, "gross income" shall mean gross income as defined in section 832(b) (1) and the allowable deductions shall be those allowed by section 832(c) with the exceptions and limitations set forth in section 172(d). In addition to the deduction for capital losses provided in subchapter P (section 1201 and following), chapter 1 of the Code, insurance companies are allowed a deduction for losses for capital assets sold or exchanged in order to obtain funds to meet abnormal insurance losses and to provide for the payment of dividends and similar distributions to policyholders. A special rule is provided for the application of the capital loss carryover provisions of section 1212. The deduction is the same as that allowed mutual insurance companies subject to the tax imposed by section 821; see section 822(c) (6) and the regulations thereunder. Insurance companies, other than mutual fire insurance companies described in § 1.831-1, are also allowed a deduction for dividends and similar distributions paid or declared to policyholders in their capacity as such. The deduction is otherwise the same as that allowed mutual insurance companies subject to the tax imposed by section 821; see section 823(2) and the regulations thereunder.

* * * * *

PAR. 3. Section 1.832-5 is amended by revising paragraph (a) to read as follows:

§ 1.832-5 Deductions.

(a) The deductions allowable are specified in section 832(c) and by reason of the provisions of section 832(c) (10) and (12) include in addition certain deductions provided in sections 161, and 241 and following. The deductions, however, are subject to the limitation provided in section 265, relating to expenses and interest in respect of tax-exempt income. The net operating loss deduction is computed under section 172 and the regulations thereunder. For the purposes of section 172, relating to net operating loss deduction, "gross income" shall mean gross income as defined in section 832(b) (1) and the allowable deductions shall be those allowed by section 832(c) with the exceptions and limitations set forth in section 172(d). In addition to the deduction for capital losses provided in subchapter P (section 1201 and following), chapter 1 of the Code, insurance companies are allowed a deduction for losses from capital assets sold or exchanged in order to obtain funds to meet abnormal insurance losses and to provide for the payment of dividends and similar distributions to policyholders. A special rule is provided for the application of the capital loss carryover provisions of section 1212. The deduction is the same as that allowed mutual insurance companies subject to the tax imposed by section 821; see section 822(c)(6) and the regulations thereunder. Insurance companies, other than mutual fire insurance companies described in section 831(a)(3)(A) and the regulations thereunder, are also allowed a deduction for dividends and similar distributions paid or declared to policyholders in their capacity as such. Similar distributions include such payments as the so-called unabsorbed premium deposits returned to policyholders by factory mutual insurance companies. The deduction is otherwise the same as that allowed mutual insurance companies subject to the tax imposed by section 821; see section 822(f)(2) and the regulations thereunder.

* * * * *

PAR. 4. Section 1.1212 is amended by revising section 1212(a) and the historical note to read as follows:

§ 1.1212 Statutory provisions; capital loss carryover.

SEC. 1212. *Capital loss carryover*—(a) *Corporations*—(1) *In general.* If for any taxable year a corporation has a net capital loss, the amount thereof shall be a short-term capital loss—

(A) In each of the 5 succeeding taxable years, or

(B) To the extent such loss is attributable to a foreign expropriation capital loss, in each of the 10 succeeding taxable years,

to the extent such amount exceeds the total of any net capital gains (determined without regard to this paragraph) of any taxable years intervening between the taxable year in which the net capital loss arose and such succeeding taxable year.

(2) *Definitions and special rules*—(A) *Foreign expropriation capital loss defined*. For purposes of this subsection, the term "foreign expropriation capital loss" means, for any taxable year, the sum of the losses taken into account in computing the net capital loss for such year which are—

(i) Losses sustained directly by reason of the expropriation, intervention, seizure, or similar taking of property by the government of any foreign country, any political subdivision thereof, or any agency or instrumentality of the foregoing, or

(ii) Losses (treated under section 165(g)(1) as losses from the sale or exchange of capital assets) from securities which become worthless by reason of the expropriation, intervention, seizure, or similar taking of property by the government of any foreign country, any political subdivision thereof, or any agency or instrumentality of the foregoing.

(B) *Portion of loss attributable to foreign expropriation capital loss*. For purposes of paragraph (1), the portion of any net capital loss for any taxable year attributable to a foreign expropriation capital loss is the amount of the foreign expropriation capital loss for such year (but not in excess of the net capital loss for such year).

(C) *Priority of application*. For purposes of paragraph (1), if a portion of a net capital loss for any taxable year is attributable to a foreign expropriation capital loss, such portion shall be considered to be a separate net capital loss for such year to be applied after the other portion of such net capital loss.

* * * * *

[Sec. 1212 as amended by sec. 230(a), Rev. Act 1964 (78 Stat. 99); sec. 7(a), Act of Sept. 2, 1964 (Pub. Law 88-571, 78 Stat. 860)]

PAR. 5. Section 1.1212-1 is amended by revising paragraph (a) to read as follows:

§ 1.1212-1 Capital loss carryover.

(a) *Corporations; other taxpayers for taxable years beginning before January 1, 1964*—(1) *Regular net capital loss*. (i) A corporation sustaining a net capital loss, and a taxpayer other than a corporation sustaining a net capital loss for any taxable year beginning before January 1, 1964, shall carry over such loss to each of the five succeeding taxable years and treat it in each of such five succeeding taxable years as a short-term capital loss to the extent not allowed as a deduction against any net capital gains of any taxable years intervening between the taxable year in which the net capital loss was sustained and the taxable year to which carried. The carryover is thus applied in each succeeding taxable year to offset any net capital gain in such succeeding taxable year. The amount of the capital loss carryover may not be included in computing a new net capital loss of a taxable year which can be carried forward to the next five succeeding taxable years. For purposes of this subparagraph, a net capital gain shall be computed without regard to capital loss carryovers. Further, a net capital loss for a taxable year beginning before October 20, 1951, shall be determined under the applicable law relating to the computation of capital gains and losses in effect before such date. Thus, where the applicable law for a taxable year beginning before October 20, 1951, provided that only certain percentages of the gain or loss recognized upon the sale or exchange of a capital asset should be taken into account in computing net capital loss, such percentages are to be taken into account in computing net capital loss for any such taxable year under this subparagraph. In the case of nonresident alien individuals not engaged in trade or business within the United States, see section 871 for special rules on capital loss carryovers. For the rules applicable to the portion of a net capital loss of a corporation which is attributable to a foreign expropriation capital loss sustained in taxable years ending after December 31, 1958, see subparagraph (2) of this paragraph. For the rules applicable to a taxpayer other than a corporation in the treatment of that amount of a net capital loss which may be carried over under this subparagraph as a short-term capital loss to the first taxable year beginning after December 31, 1963, see paragraph (b) of this section.

(ii) The practical operation of the provisions of this subparagraph may be illustrated by the following example:

Example. (a) For the taxable years 1952 to 1956, inclusive, an individual with one exemption allowable under section 151 (or corresponding provision of prior law) is assumed to have a net short-term capital loss, net short-term capital gain, net long-term capital loss, net long-term capital gain, and taxable income (net income for 1952 and 1953) as follows:

	1952	1953	1954	1955	1956
Carryover from prior years:					
From 1952		($50,000)	($29,500)	($29,500)	
From 1954				(19,500)	($13,000)
Net short-term loss (computed without regard to the carryovers)	($30,000)	(5,000)	(10,000)		
Net short-term gain (computed without regard to the carryovers)				40,000	
Net long-term loss	(20,500)		(10,000)	(5,000)	
Net long-term gain		25,000			15,000
Net income or taxable income, computed without regard to capital gains and losses, and, after 1953, without regard to the deduction provided by section 151	500	500	500	1,000	500
Net capital gain (computed without regard to the carryovers)		20,500		36,000	
Net capital loss	(50,000)		(19,500)		
Deduction allowable under section 1202					1,000
Taxable income (after deductions allowable under secs. 151 and 1202)					900

(b) *Net capital loss of 1952*. The net capital loss is $50,000. This figure is the excess of the losses from sales or exchanges of capital assets over the sum of (1) gains (in this case, none) from sales or exchanges of capital assets, and (2) net income (computed without regard to capital gains and losses) of $500. This amount may be carried forward in full as a short-term loss to 1953. However, in 1953 there was a net capital gain of $20,500, as defined by section 117(a)(10)(B) of the Internal Revenue Code of 1939, and limited by section 117(e)(1) of the 1939 Code, against which this net capital loss of $50,000 is allowed in part. The remaining portion—$29,500—may be carried forward to 1954 and 1955 since there was no net capital gain in 1954. In 1955 this $29,500 is allowed in full against net capital gain of $36,000, as defined by paragraph (d) of § 1.1222-1 and limited by subdivision (i) of this subparagraph.

(c) *Net capital loss of 1954*. The net capital loss is $19,500. This figure is the excess of the losses from sales or exchanges of capital assets over the sum of (1) gains (in this case, none) from sales or exchanges of capital assets and (2) taxable income (computed without regard to capital gains and losses and the deductions provided in section 151) of $500. This amount may be carried forward in full as a short-term loss to 1955. The net capital gain in 1955, before deduction of any carryovers, is $36,000. (See sections 1222(9)(B) and 1212 of the Internal Revenue Code of 1954, as it existed prior to the enactment of the Revenue Act of 1964.) The $29,500 balance of the 1952 loss is first applied against the $36,000, leaving a balance of $6,500. Against this amount the $19,500 loss arising in 1954 is applied, leaving a loss of $13,000, which may be carried forward to 1956. Since this amount is treated as a short-term capital loss in 1956 under subdivision (i) of this subparagraph, the excess of the net long-term capital gain over the net short-term capital loss is $2,000 ($15,000 minus $13,000). Half of this excess is allowable as a deduction under section 1202. Thus, after also deducting the exemption allowed as a deduction under section 151 ($600), the taxpayer has a taxable income of $900 ($2,500 minus $1,600) for 1956.

(2) *Corporations sustaining foreign expropriation capital losses for taxable years ending after December 31, 1958*—(i) *In general*. A corporation sustaining a net capital loss for any taxable year ending after December 31, 1958, any portion of which is attributable to a foreign expropriation capital loss, shall carry over such portion of the loss to each of the ten succeeding taxable years and treat it in each of such succeeding taxable years as a short-term capital loss to the extent and consistent with the manner provided in subparagraph (1) of this paragraph. For such purposes, the portion of any net capital loss for any taxable year which is attributable to a foreign expropriation capital loss is the amount, not in excess of the net capital loss for such year, of the foreign expropriation capital loss for such year. The portion of a net capital loss for any taxable year which is attributable to a foreign expropriation capital loss shall be treated as a separate net capital loss for that year and shall be applied, after first applying the remaining portion of such net capital loss, to offset any net capital gain in a succeeding taxable year. In applying net capital losses of two or more taxable years to offset the net capital gain of a subsequent taxable year, such net capital losses shall be offset against such net capital gain in the order of the taxable years in which the losses were sustained, beginning with the loss for the earliest preceding taxable year, even though one or more of such net capital losses are attributable in whole or in part to a foreign expropriation capital loss.

(ii) *Foreign expropriation capital loss defined*. For purposes of this subparagraph the term "foreign expropriation capital loss" means, for any taxable year, the sum of the losses taken into account in computing the net capital loss for such year which are—

(*a*) Losses sustained directly by reason of the expropriation, intervention, seizure, or similar taking of property by the government of any foreign country, any political subdivision thereof, or any agency or instrumentality of the foregoing, or

(*b*) Losses (treated under section 165 (g)(1) as losses from the sale or exchange of capital assets) from securities which become worthless by reason of the expropriation, intervention, seizure, or similar taking of property by the government of any foreign country, any political subdivision thereof, or any agency or instrumentality of the foregoing.

(iii) *Illustrations*. The application of this subparagraph may be illustrated by the following examples:

Example 1. X, a domestic corporation which uses the calendar year as the taxable year, owns as a capital asset 75 percent of the outstanding stock of Y, a foreign corporation operating in a foreign country. In 1961, the foreign country seizes all of the assets of Y, rendering X's stock in Y worthless and thus causing X to sustain a $40,000 foreign expropriation capital loss for such year. In 1961, X has $30,000 of other losses from the sale or exchange of capital assets and $50,000 of gains from the sale or exchange of capital assets. X's net capital loss for 1961 is $20,000 ($70,000 − $50,000). Since the foreign expropriation capital loss exceeds this amount, the entire $20,000 is a foreign expropriation capital loss for 1961.

Example 2. Z, a domestic corporation which uses the calendar year as the taxable year, has a net capital loss of $50,000 for 1961, $30,000 of which is attributable to a foreign expropriation capital loss. Pursuant to the provisions of this paragraph, $30,000 of such net capital loss shall be carried over as a short-term capital loss to each of the 10 taxable years succeeding 1961, and the remaining $20,000 of the net capital loss shall be carried over as a short-term capital loss to each of the 5 taxable years succeeding 1961. Z has a $35,000 net capital gain (determined without regard to any capital loss carryover) for 1962. In offsetting the $50,000 capital loss carryover from 1961 against the $35,000 net capital gain for 1962, the $30,000 portion of such carryover which is attributable to the foreign expropriation capital loss for 1961 is applied against the 1962 net capital gain after applying the $20,000 remaining portion of the carryover. Thus, there is a capital loss carryover of $15,000 to 1963, all of which is attributable to the foreign expropriation capital loss for 1961. Z has a net capital loss for 1963 of $10,000, no portion of which is attributable to a foreign expropriation capital loss. For 1964, Z has a net capital gain of $22,000 (determined without regard to the capital loss carryovers from 1961 and 1963). In offsetting the capital loss carryovers from 1961 and 1963 against Z's $22,000 net capital gain for 1964, the $15,000 carryover from 1961 is applied against the 1964 net capital gain before the $10,000 capital loss carryover from 1963 is applied against such gain. Thus, $3,000 of the 1963 net capital loss remains to be carried over to 1965.

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PAR. 6. Section 1.1222-1 is amended by revising paragraphs (b)(1) and (d) to read as follows:

§ 1.1222-1 Other terms relating to capital gains and losses.

* * * * *

(b)(1) In the definition of "net short-term capital gain", as provided in section 1222(5), the amounts brought forward to the taxable year under section 1212 (other than section 1212(b)(1)(B)) are short-term capital losses for such taxable year.

* * * * *

(d) In the case of a corporation, the term "net capital gain" means the excess of the gains from sales or exchanges of capital assets over the losses from sales or exchanges of capital assets, which losses include any amounts brought forward by such taxpayer pursuant to section 1212. In the case of a taxpayer other than a corporation for taxable years beginning before January 1, 1964, the term "net capital gain" means the excess of (1) the sum of the gains from sales or exchanges of capital assets, plus taxable income (computed without regard to gains and losses from sales or exchanges of capital assets and without regard to the deductions provided by section 151, relating to personal exemptions, or any deductions in lieu thereof) of the taxpayer or $1,000, whichever is smaller, over (2) the losses from sales or exchanges of capital assets, which losses include amounts brought forward by such taxpayer under section 1212. Thus, in the case of estates and trusts for taxable years beginning before January 1, 1964, taxable income for the purposes of this paragraph shall be computed without regard to gains and losses from sales or exchanges of capital assets and without regard to the deductions allowed by section 642(b) to estates and trusts in lieu of personal exemptions. The term "net capital gain" is not applicable in the case of a taxpayer other than a corporation for taxable years beginning after December 31, 1963. In the case of a taxpayer whose tax liability is computed under section 3 for taxable years beginning before January 1, 1964, the term "taxable income", for purposes of this paragraph, shall be read as "adjusted gross income". For application of the term "net capital gain", in computing the capital loss carryover under section 1212, see paragraphs (a)(1)(ii) and (a)(2)(iii) of § 1.1212-1.

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

[F.R. Doc. 65-13063; Filed, Dec. 6, 1965; 8:47 a.m.]

Title 41—PUBLIC CONTRACTS AND PROPERTY MANAGEMENT

Chapter 9—Atomic Energy Commission

PART 9-4—SPECIAL TYPES AND METHODS OF PROCUREMENT

Subpart 9-4.51—Washington-Designated Research and Development Contracts With Educational Institutions

SUMMARY AND DISTRIBUTION OF REPORTS

Section 9-4.5109-8 *Summary and distribution of reports*, is revised to read as follows:

§ 9-4.5109-8 Summary and distribution of reports.

A table summarizing the various types of reports, time for submission, number of copies and distribution is set forth below. The distribution and schedule of reports shall be as prescribed in this table, unless the authorizing program division specifies otherwise. Usually an annual progress report and a 200-word summary are sufficient for fundamental research. These reports are prepared by the contractor and submitted to the appropriate AEC Field Office for distribution. The AEC Field Office shall transmit these reports with a covering memorandum indicating: (a) The other AEC offices receiving the documents, (b) the name of the contractor, and (c) the contract number. Each copy of the document should bear the contract number.

DISTRIBUTION AND SCHEDULE OF DOCUMENTS

Type	When due	Number of copies	Disposition of copies	Remarks
1. Summary: 200 words on scope and purpose (S.I.E. Form).	At start of initial contract and each renewal period.	4	Field Office (1); appropriate HQ Division (3).	
2. Renewal proposal	Not later than 3 months nor earlier than 6 months before contract expires.	6	Field Office (2); appropriate HQ Division (4).	Bind separately from annual progress report.
3. Annual progress report.	With renewal proposal	7	Field Office (2); appropriate HQ Division (4); DTIE (1).[1]	Bind separately from renewal proposal.
4. Other progress reports (brief topical reports, etc.).	As deemed necessary by investigator or as specifically requested by appropriate HQ Division.	7, or as requested.	do	Desired when significant results develop or when work has direct programmatic impact.
5. Reprints	As soon as available	7	do	Form AEC-427 not required with DTIE copy.
6. Manuscripts of journal articles.	When submitted to journal.	7	do	
7. Manuscripts of oral presentations.	When submitted to conference.	7	do	Abstracts will suffice if manuscript not available.
8. Final report	When contract is completed.	6	Field Office (2); appropriate HQ Division (2); DTIE (1)[1]; HQ Patent Br. (1).	

[1] DTIE copies should be accompanied by one copy of Form AEC-427 (except as noted above for item 5, reprints) and should be sent direct to USAEC, Division of Technical Information Extension, Post Office Box 62, Oak Ridge, Tenn., 37831, unless otherwise specified by the contract administrator.