

to the Commission, unless it orders a hearing on the matter.

For the Commission (pursuant to delegated authority).

ORVAL L. DuBOIS,
Secretary.

[F.R. Doc. 68-4457; Filed, Apr. 15, 1968;
8:46 a.m.]

ROVER SHOE CO.

Order Suspending Trading

APRIL 10, 1968.

It appearing to the Securities and Exchange Commission that the summary suspension of trading in the common stock of Rover Shoe Co., Bushnell, Fla., and stock purchase warrants of Rover Shoe Co., being traded otherwise than on a national securities exchange is required in the public interest and for the protection of investors:

It is ordered, Pursuant to section 15(c) (5) of the Securities Exchange Act of 1934, that trading in such securities otherwise than on a national securities exchange be summarily suspended, this order to be effective for the period April 11, 1968 through April 20, 1968, both dates inclusive.

By the Commission.

[SEAL] ORVAL L. DuBOIS,
Secretary.

[F.R. Doc. 68-4458; Filed, Apr. 15, 1968;
8:46 a.m.]

SMALL BUSINESS ADMINISTRATION

[Declaration of Disaster Loan Area 658]

INDIANA

Declaration of Disaster Loan Area

Whereas, it has been reported that during the month of April 1968, because of the effects of certain disasters, damage resulted to business property located in the city of Richmond, Ind.;

Whereas, the Small Business Administration has investigated and received other reports of investigations of conditions in the area affected;

Whereas, after reading and evaluating reports of such conditions, I find that the conditions in such area constitute a catastrophe within the purview of the Small Business Act, as amended.

Now, therefore, as Administrator of the Small Business Administration, I hereby determine that:

1. Applications for disaster loans under the provisions of section 7(b) (1) of the Small Business Act, as amended, may be received and considered by the office below indicated from persons or firms whose property, situated in the aforesaid city, suffered damage or destruction resulting from explosion and resulting fire occurring on April 5, 1968.

OFFICE

Small Business Administration Regional Office,
36 South Pennsylvania Street,
Indianapolis, Ind. 46204.

2. Applications for disaster loans will be subject to present disaster procedures, as revised on March 19, 1968. It is intended that the current program dollar and upgrading limitations be strictly adhered to, as should the insurable damage provision as related to businesses. Applicants' own resources and availability of private credit shall also be utilized as required by revised procedures.

3. Applications for disaster loans under the authority of this Declaration will not be accepted subsequent to October 31, 1968.

Dated: April 9, 1968.

ROBERT C. MOOT,
Administrator.

[F.R. Doc. 68-4459; Filed, Apr. 15, 1968;
8:46 a.m.]

KENTUCKY

Declaration of Disaster Loan Area

Whereas, it has been reported that during the month of April 1968, because of the effects of certain disasters, damage resulted to residences and business property located in Logan County, in the State of Kentucky;

Whereas, the Small Business Administration has investigated and received other reports of investigations of conditions in the area affected;

Whereas, after reading and evaluating reports of such conditions, I find that the conditions in such area constitute a catastrophe within the purview of the Small Business Act, as amended.

Now, therefore, as Administrator of the Small Business Administration, I hereby determine that:

1. Applications for disaster loans under the provisions of section 7(b) (1) of the Small Business Act, as amended, may be received and considered by the offices below indicated from persons or firms whose property, situated in the aforesaid county, and areas adjacent thereto, suffered damage or destruction resulting from floods occurring on April 4, 1968.

OFFICE

Small Business Administration Regional Office, Fourth and Broadway, Louisville, Ky. 40202.

2. A temporary office will be established at Russellville, Ky., address to be announced locally.

3. Applications for disaster loans under the authority of this Declaration will not be accepted subsequent to October 31, 1968.

Dated: April 8, 1968.

ROBERT C. MOOT,
Administrator.

[F.R. Doc. 68-4460; Filed, Apr. 15, 1968;
8:47 a.m.]

[Declaration of Disaster Loan Area 657]

TENNESSEE

Declaration of Disaster Loan Area

Whereas, it has been reported that during the month of April 1968, because of the effects of certain disasters, damage resulted to residences and business property located in Houston County, in the State of Tennessee;

Whereas, the Small Business Administration has investigated and received other reports of investigations of conditions in the area affected;

Whereas, after reading and evaluating reports of such conditions, I find that the conditions in such area constitute a catastrophe within the purview of the Small Business Act, as amended.

Now, therefore, as Administrator of the Small Business Administration, I hereby determine that:

1. Applications for disaster loans under the provisions of section 7(b) (1) of the Small Business Act, as amended, may be received and considered by the office below indicated from persons or firms whose property, situated in the aforesaid county, and areas adjacent thereto, suffered damage or destruction resulting from floods occurring on April 4, 1968.

OFFICE

Small Business Administration Regional Office, 500 Union Street, Nashville, Tenn. 37219.

2. Applications for disaster loans under the authority of this Declaration will not be accepted subsequent to October 31, 1968.

Dated: April 8, 1968.

ROBERT C. MOOT,
Administrator.

[F.R. Doc. 68-4461; Filed, Apr. 15, 1968;
8:47 a.m.]

INTERSTATE COMMERCE COMMISSION

[Notice 585]

MOTOR CARRIER TEMPORARY AUTHORITY APPLICATIONS

APRIL 10, 1968.

The following are notices of filing of applications for temporary authority under section 210a(a) of the Interstate Commerce Act provided for under the new rules of Ex Parte No. MC 67 (49 CFR 340), published in the FEDERAL REGISTER, issue of April 27, 1965, effective July 1, 1965. These rules provide that protests to the granting of an application must be filed with the field official named in the FEDERAL REGISTER publication, within 15 calendar days after the date of notice of the filing of the application is published in the FEDERAL REGISTER. One copy of such protest must be served on the applicant, or its authorized representative, if any, and the protests must certify that such service has been made.

The protests must be specific as to the service which such protestant can and will offer, and must consist of a signed original and six copies.

A copy of the application is on file, and can be examined at the Office of the Secretary, Interstate Commerce Commission, Washington, D.C., and also in the field office to which protests are to be transmitted.

MOTOR CARRIERS OF PROPERTY

No. MC 4405 (Sub-No. 495 TA), filed March 29, 1968. Applicant: DEALERS TRANSIT, INC., 7701 South Lawndale Avenue, Chicago, Ill. 60652. Applicant's representative: R. O. Homberger (same address as above). Authority sought to operate as a *common carrier*, by motor vehicle, over irregular routes, transporting: *Trailers*, other than those designed to be drawn by passenger automobiles, in initial truckaway service, from Lubbock, Tex., to points in the United States (except those in Alaska and Hawaii), for 150 days. Supporting shipper: Prior Products, Inc., Post Office Box 1026, Lubbock, Tex. 79408. Send protests to: Roger L. Buchanan, District Supervisor, Interstate Commerce Commission, Bureau of Operations, U.S. Courthouse and Federal Office Building, Room 1086, 219 South Dearborn Street, Chicago, Ill. 60604.

No. 30887 (Sub-No. 155 TA), filed March 29, 1968. Applicant: SHIPLEY TRANSFER, INC., 49 Main Street, Reisterstown, Md. 21136. Applicant's representative: W. Wilson Corroum (same address as above). Authority sought to operate as a *common carrier*, by motor vehicle, over irregular routes, transporting: *Petroleum products* (except petro acids and chemicals, and asphalt and asphalt products), in bulk, from Manassas, Va., to points in Maryland and the District of Columbia, for 180 days. Supporting shippers: Horace W. Shoemaker, Manager, Tank Truck Traffic Mobil Oil Corp., 150 East 42d Street, New York, N.Y. 10017. Send protests to: William L. Hughes, District Supervisor, Interstate Commerce Commission, 1125 Federal Building, Baltimore, Md. 21201.

No. MC 47142 (Sub-No. 95 TA) (Correction), filed March 21, 1968, published FEDERAL REGISTER, issue of April 2, 1968, and republished as corrected this issue. Applicant: C. I. WHITTEN TRANSFER COMPANY, 200 19th Street, Post Office Box 1833, Huntington, W. Va. 25719. Authority sought to operate as a *common carrier*, by motor vehicle, over irregular routes, transporting: *Classes A, B, and C explosives*, as defined by the Commission, and *blasting supplies*, between Joliet, Ill., and points within 15 miles thereof, restricted to interchange with connecting carriers and with authority to tack with presently held authority at Joliet, Ill. NOTE: The purpose of this republication is to correctly set forth the restriction above. Supporting shipper: None. Send protests to: District Supervisor, H. R. White, Interstate Commerce Commission, Bureau of Operations, 500 Quarrier Street, Charleston, W. Va. 25301.

No. MC 82841 (Sub-No. 45 TA), filed March 29, 1968. Applicant: R. D. TRANS-

FER, INC., 801 Livestock Exchange Building, Omaha, Nebr. 68107. Applicant's representative: Don Stern, 630 City National Bank Building, Omaha, Nebr. 68102. Authority sought to operate as a *common carrier*, by motor vehicle, over irregular routes, transporting: (1) *Iron and steel articles*, and (2) *pipe coating material* when moving with shipments of pipe, from Omaha, Nebr., and Council Bluffs and Sioux City, Iowa, to Norfolk, Valley, and Columbus, Nebr., restricted (1) to traffic having an immediately prior movement by water; and (2) to traffic destined to the named destination points, for 180 days. Supporting shippers: Vulcraft Division, Nuclear Corp. of America, Richard Bispig, Norfolk, Nebr.; Behlen Manufacturing Co., G. E. Behlen, Columbus, Nebr.; Valmont Industries, Inc., Dale Roberts, Valley, Nebr. Send protests to: K. P. Kohrs, District Supervisor, Interstate Commerce Commission, 705 Federal Office Building, Omaha, Nebr. 68102.

No. MC 106603 (Sub-No. 102 TA) (Correction), filed March 21, 1968, published FEDERAL REGISTER, issue of April 2, 1968, and republished as corrected this issue. Applicant: DIRECT TRANSIT LINES, INC., 200 Colrain Street SW., Grand Rapids, Mich. 49508. Applicant's representative: Ronald J. Mastey, 1800 Buhl Building, Detroit, Mich. 48226. Authority sought to operate as a *common carrier*, by motor vehicle, over irregular routes, transporting: *Glazed, structural, masonry products*, on flat bed trailers equipped with self-unloading devices, (1) from Lansing, Mich., to Pittsburgh, Johnstown, Uniontown, Washington, and Lock Haven, Pa., and from (2) Lansing, Mich., to Wheeling, Morgantown, Huntington, and points in Brooke County, W. Va., for 180 days. Supporting shipper: United Glazed Products (Michigan), Inc., 4500 Aurelius Road, Lansing, Mich. 48910. NOTE: The purpose of this republication is to include destination points inadvertently omitted from (2) above in previous publication. Send protests to: C. R. Flemming, District Supervisor, Bureau of Operations, Interstate Commerce Commission, 221 Federal Building, Lansing, Mich. 48933.

No. MC 110252 (Sub-No. 59TA), filed March 29, 1968. Applicant: JAMES J. WILLIAMS, INC., East 5711 3d Avenue, Post Office Box 2825 Terminal Annex, Spokane, Wash. 99220. Applicant's representative: William B. Adams, Pacific Building, Portland, Ore. 97204. Authority sought to operate as a *common carrier*, by motor vehicle, over irregular routes, transporting: *Fertilizers*, from points in Eastern Washington on and east of U.S. Highway 97 and points in Idaho on and north of the southern boundary of Idaho County, Idaho, to points in Montana, east of U.S. Highway 91, for 180 days. Supporting shippers: Cominco American Inc., West 818 Riverside Avenue, Spokane, Wash. 99201; The Bunker Hill Co., Box 29, Kellogg, Idaho 83837. Send protests to: L. C. Taylor, District Supervisor, Bureau of Operations, Interstate Commerce Commission, 401 U.S. Post Office, Spokane, Wash. 99201.

No. MC 113325 (Sub-No. 123 TA), filed April 1, 1968. Applicant: SLAY TRANS-

PORTATION CO., INC., 2001 South 7th Street, St. Louis, Mo. 63104. Authority sought to operate as a *common carrier*, by motor vehicle, over irregular routes, transporting: *Chemicals*, in bulk, from the plantsite of Monsanto Co., El Dorado, Ark., to points in North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Tennessee, Louisiana, Texas, Oklahoma, and Missouri, for 150 days. Supporting shipper: Monsanto Co., 800 North Lindbergh Boulevard, St. Louis, Mo. 63166. Wallace R. Reed. Send protests to: J. P. Werthmann, District Supervisor, Bureau of Operations, Interstate Commerce Commission, Room 3248-B, 1520 Market Street, St. Louis, Mo. 63103.

No. MC 114789 (Sub-No. 19 TA), filed March 29, 1968. Applicant: NATTON-WIDE CARRIERS, INC., Post Office Box 104, Maple Plain, Minn. 55359. Applicant's representative: Marshall Becker, 630 City National Bank Building, Omaha, Nebr. 68102. Authority sought to operate as a *contract carrier*, by motor vehicle, over irregular routes, transporting: (1) (a) *advertising and display signs*, and (b) *toys and games*, from Bloomington and Minneapolis, Minn., to points in the United States including the District of Columbia, and excluding Minnesota, Alaska, and Hawaii, (2) *toys, games and parts*, from Los Angeles and San Francisco, Calif., to points in Arizona, Colorado, Idaho, Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, Oklahoma, South Dakota, Texas, Utah, and Wyoming, and (3) *Plastic, plastic parts, and plastic granules*, from Port Newark, N.J., Port Arthur, Tex., McKeesport and Pittsburgh, Pa., Milwaukee, Phillips, Sparta, and La Crosse, Wis., Cleveland, Ohio, and points in Illinois and Indiana, to Bloomington, Minn.; for 180 days. Supporting shipper: Lakeside Industries, Inc., Bloomington, Minn. Send protests to: A. N. Spath, District Supervisor, Interstate Commerce Commission, Bureau of Operations, 448 Federal Building and U.S. Courthouse, 110 South Fourth Street, Minneapolis, Minn. 55401.

No. MC 114848 (Sub-No. 39 TA), filed April 1, 1968. Applicant: WHARTON TRANSPORT CORP., 1498 Channel Avenue, Memphis, Tenn. 38106, also Post Office Box 13068, Riverside Station. Applicant's representative: John LeMay (same address as above). Authority sought to operate as a *common carrier*, by motor vehicle, over irregular routes, transporting: *Chemicals*, in bulk, from El Dorado, Ark., to points in Alabama, Florida, Georgia, Louisiana, Mississippi, Missouri, North Carolina, Oklahoma, South Carolina, Tennessee, and Texas, for 180 days. Supporting shipper: Monsanto Co., 800 North Lindbergh Boulevard, St. Louis, Mo. 63166. Wallace R. Reed. Send protests to: W. W. Garland, District Supervisor, Interstate Commerce Commission, Bureau of Operations, 390 Federal Building, 167 North Main Street, Memphis, Tenn. 38103.

No. MC 115716 (Sub-No. 13 TA), filed March 29, 1968. Applicant: DENVER-LIMON-BURLINGTON TRANSFER COMPANY, 3650 Chestnut Place, Denver, Colo. 80216. Applicant's representative: Hubert L. Passmore (same address as

above). Authority sought to operate as a *common carrier*, by motor vehicle, over regular routes, transporting: *Classes A and B explosives*, (1) from Denver, Colo., to Burlington and Limon, Colo.; Goodland and Colby, Kans., over U.S. Highway 40 and U.S. Highway 24, and Interstate Highway 70; and (2) from Colby and Goodland, Kans., to Burlington, Limon, Colorado Springs, and Denver, Colo., over U.S. Highway 24, U.S. Highway 40 and Interstate Highway 70, for 180 days. NOTE: Carrier intends to tack with its existing authority. Supporting shippers: Hotel and Motel West, Burlington, Colo. 80807; Buckley Powder Co., 4701 Jackson Street, Denver, Colo. 80216; McClure Plumbing-Heating, 1107 Main, Goodland, Kans. 67735; Hopper Hardware, Inc., 395 North Franklin, Colby, Kans. 67701; Tamco Farm and Home Supplies, 417 14th Street, Burlington, Colo. 80807; town of Burlington, Burlington, Colo. 80807. Send protests to: District Supervisor, H. C. Ruoff, Interstate Commerce Commission, 2022 Federal Building, Denver, Colo. 80202.

No. MC 116544 (Sub-No. 89 TA), filed April 1, 1968. Applicant: WILSON BROTHERS TRUCK LINE, INC., 700 East Fairview Avenue, Carthage, Mo. 64836. Applicant's representative: Harry Ross, 848 Warner Building, Washington, D.C. 20004. Authority sought to operate as a *common carrier*, by motor vehicle, over irregular routes, transporting: *Candy and confectionery products*, from the plantsite and storage facilities of Reed Candy Co., at or near Campbells-ville, Ky., to points in Florida, Georgia, South Carolina, North Carolina, Tennessee, Alabama, Mississippi, Louisiana, Texas, Missouri, Illinois, Minnesota, Indiana Ohio, Michigan, and Pennsylvania, for 180 days. Supported by: Reed Candy Co., 200 East 42d Street, New York, N.Y. 10017. Send protests to: H. J. Simmons, District Supervisor, Interstate Commerce Commission, Bureau of Operations, 1100 Federal Office Building, 911 Walnut Street, Kansas City, Mo. 64106.

No. MC 123502 (Sub-No. 24 TA), filed March 29, 1968. Applicant: FREE STATE TRUCK SERVICE, INC., 10 Vernon Avenue, Glen Burnie, Md. 21061. Applicant's representative: William C. Nolte (same address as above). Authority sought to operate as a *common carrier*, by motor vehicle, over irregular routes, transporting: *Steel scrap*, in bulk, in dump vehicles, from Elizabeth, N.J., to Baltimore, Md., for 150 days. Supporting shipper: The Glidden Co., 3901 Hawkins Point, Baltimore, Md. 21226. Send protests to: William L. Hughes, District Supervisor, Interstate Commerce Commission, 1125 Federal Building, Baltimore, Md. 21201.

No. MC 123778 (Sub-No. 12 TA), filed March 29, 1968. Applicant: JOSEPH BAIQ, doing business as UNITED NEWSPAPER DELIVERY SERVICE, 75 Cutters Lane, Woodbridge, N.J. 07095. Applicant's representative: Morton E.

Kiel, 140 Cedar Street, New York, N.Y. 10006. Authority sought to operate as a *contract carrier*, by motor vehicle, over irregular routes, transporting: *Magazines*, from Glenn Dale, Md., to Allentown, Bethlehem, Chester, Easton, East Stroudsburg, Gettysburg, Hazleton, Lancaster, Lebanon, Norristown, Pittston, Pottstown, Pittsville, Reading, Shenandoah, Wilkes-Barre, Williamsport, and York, Pa., for 180 days. Supporting shipper: Newsweek, Inc., 350 Dennison Avenue, Dayton, Ohio 45401, Mr. William Martin, Traffic Director. Send protests to: District Supervisor, Robert S. H. Vance, Bureau of Operations, Interstate Commerce Commission, 970 Broad Street, Room 902, Newark, N.J. 07102.

No. MC 124078 (Sub-No. 322 TA), filed April 1, 1968. Applicant: SCHWERMAN TRUCKING CO., 611 South 28th Street, Milwaukee, Wis. 53215. Applicant's representative: Richard H. Prevette (same address as above). Authority sought to operate as a *common carrier*, by motor vehicle, over irregular routes, transporting: *Urea and dry fertilizer*, from Spencerville, Ohio, to points in Indiana, for 150 days. Supporting shipper: Olin Mathieson Chemical Corp., Post Office Box 991, Little Rock, Ark., D. E. Taylor. Send protests to: District Supervisor, Lyle D. Helfer, Interstate Commerce Commission, Bureau of Operations, 135 West Wells Street, Room 807, Milwaukee, Wis. 53203.

No. MC 124679 (Sub-No. 13 TA), filed April 1, 1968. Applicant: C. R. ENGLAND & SONS, INC., 228 West Fifth South Street, Salt Lake City, Utah 84101. Applicant's representative: Daniel B. Johnson, Perpetual Building, Washington, D.C. 20004. Authority sought to operate as a *common carrier*, by motor vehicle, over irregular routes, transporting: (1) *Bakery goods*, from San Leandro, Calif., to Beaverton, Oreg., Boise, Idaho, and Salt Lake City, Utah, in temperature-controlled vehicles. (2) *Frozen foods, canned soups, canned lasagne, in sauce, canned spaghetti, in sauce, canned beef ravioli, in sauce, or brine, canned chicken ravioli, in sauce or brine, canned meatless ravioli, in sauce or brine, canned cheese ravioli, in sauce or brine, chili beans, in sauce, in temperature-controlled vehicles*, from South San Francisco, Calif., to points in Washington and Oregon, for 180 days. Supporting shippers: George's Delicious Foods, Inc., Post Office Box 2076, San Leandro, Calif., and Lucca Packing Co. of California, Inc., 360 Harbor Way, South San Francisco, Calif. Send protests to: John T. Vaughan, District Supervisor, Bureau of Operations, Interstate Commerce Commission, 6201 Federal Building, Salt Lake City, Utah 84111.

No. MC 124796 (Sub-No. 36 TA), filed April 1, 1968. Applicant: CONTINENTAL CONTRACT CARRIER CORP., 7236 East Slauson Avenue, Los Angeles, Calif. Applicant's representative: J. Max Harding, Box 2028, Lincoln, Nebr. 68508. Authority

sought to operate as a *contract carrier*, by motor vehicle, over irregular routes, transporting: *Auto parts and accessories, automotive jacks and cranes (not self-propelled), hand, electric and pneumatic tools, advertising materials premiums, racks, display cases, and signs*, between Memphis, Tenn., Racine, Wis., Jackson, Mich., Batavia, Ill., Aberdeen, Holly Springs, and Prairie Junction, Miss., Mason City and Lake Mills, Iowa, and Harrisonburg, Va., and from Memphis, Tenn., to points in Arizona, California, Oregon, Washington, Idaho, Montana, Utah, Nevada, New Mexico, Colorado, Texas, Alabama, Florida, and Georgia. Restricted to traffic originating or terminating at the plantsites, warehouses or distribution facilities of Walker Manufacturing Co., for 180 days. Supporting shipper: Walker Manufacturing Co., 1201 Michigan Boulevard, Racine, Wis. 53402. Send protests to: John E. Nance, District Supervisor, Interstate Commerce Commission, Bureau of Operations, 7708 Federal Building, 300 North Los Angeles Street, Los Angeles, Calif. 90012.

No. MC 124796 (Sub-No. 37 TA), filed April 1, 1968. Applicant: CONTINENTAL CONTRACT CARRIER CORP., 7236 East Slauson Avenue, Los Angeles, Calif. 90222. Applicant's representative: J. Max Harding, Box 2028, Lincoln, Nebr. 68508. Authority sought to operate as a *contract carrier* by motor vehicle, over irregular routes, transporting: (1) *Janitorial supplies, sweetening compounds, and drugs*, from Chicago and Carpentersville, Ill., to points in Arizona, California, Idaho, Nevada, New Mexico, Oregon, Utah, and Washington. (2) *Buffing, polishing, cleaning, scouring and washing compounds; solvents; sponges; starch, and advertising materials moving with these commodities*, from Los Angeles, Calif., to Denver, Colo., Kansas City, Mo., Chicago and Carpentersville, Ill. All restricted against the transportation of any commodities in bulk, for 180 days. Supporting shipper: Alberto-Culver Co., 2525 Armitage Avenue, Melrose Park, Ill. 60160. Send protests to: John E. Nance, District Supervisor, Interstate Commerce Commission, Bureau of Operations, 7708 Federal Building, 300 North Los Angeles Street, Los Angeles, Calif. 90012.

No. MC 129301 (Sub-No. 1 TA), filed March 28, 1968. Applicant: CAL CARTAGE, INC., 1104 Mount Ephraim Avenue, Camden, N.J. 08103. Applicant's representative: V. Baker Smith, 123 South Broad Street, Philadelphia, Pa. 19109. Authority sought to operate as a *contract carrier*, by motor vehicle, over irregular routes, transporting: (1) *Detergents, cleaning compounds, and toilet articles*, except in bulk, and (2) *containers and raw materials used in the manufacture of detergents, cleaning compounds, and toilet articles*, except in bulk, from New Castle, Del., Baltimore, Md., Painesville, Ohio, Manchester, N.H., Lowell, Mass.,

and Solvay, N.Y., for 180 days, under contract with the following supporting shipper: Curley Co., Inc., Jefferson and Master Streets, Camden, N.J. 08104. Send protests to: Raymond T. Jones, District Supervisor, Interstate Commerce Commission, 410 Post Office Building, 402 East State Street, Trenton, N.J. 08608.

By the Commission.

[SEAL]

H. NEIL GARSON,
Secretary.

[F.R. Doc. 68-4474; Filed, Apr. 15, 1968;
8:47 a.m.]

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Office of the Secretary

SOCIAL SECURITY ADMINISTRATION

Statement of Organization, Functions, and Delegations of Authority

Part 8 (Social Security Administration) of the Statement of Organization, Functions, and Delegations of Authority of the Department of Health, Education, and Welfare (32 F.R. 10458 et seq., July 15, 1967), is hereby revised to read as follows:

8-A. Mission. The Social Security Administration administers the Federal retirement, survivors, disability, and health insurance for the aged programs and the Federal Credit Union Act. It is responsible for studying the problems of poverty, insecurity, and the health care needs of the aged and the contributions that can be made to their solution by social insurance and related programs, and for making recommendations as to the most effective methods of improving social and economic security through social insurance.

8-B. Organization and functions. The Social Security Administration is under the supervision and direction of the Commissioner of Social Security, and is composed of the following organizational components:

Office of the Commissioner (OC). Gives overall executive leadership to the administration of the Federal retirement, survivors, disability, and health insurance for the aged programs, and the Federal Credit Union Act. Establishes objectives within the broad and general statutory requirements, and provides program and policy formulation and guidance.

Office of the Assistant Commissioner, Field, OC. Provides day-to-day guidance to the Regional Assistant Commissioners; interprets policies and objectives; identifies major program and administrative problems affecting the field and takes, initiates, or recommends action on them. Assures for the Commissioner that interregional and intraregional problems arising in the field are given prompt attention. Assesses, through day-to-day contacts with the

Regional Assistant Commissioners, the effectiveness and adequacy of social security program administration in the field and the responsiveness of the field organization to the public and to the policies, directives, and values of the Commissioner; keeps the Commissioner fully informed on these matters. Carries out for the Commissioner personal and confidential assignments relating to any aspect of program administration.

Office of the Regional Assistant Commissioner, OC. Serves as the personal representative of the Commissioner in the Social Security region and is accountable to the Commissioner, Field. Provides broad general leadership and direction to the bureaus' regional representatives. Assures timely and integrated implementation of SSA policies to achieve program objectives, evaluates program accomplishments, identifies significant problem areas, and initiates or recommends corrective measures. Represents SSA in dealings with the DHEW Regional Directors, and with officials of public and private organizations.

Office of the Actuary. Conducts and directs the actuarial program of SSA. Performs actuarial and demographic research into social insurance and related programs, and makes actuarial appraisals of existing and proposed programs. Studies, for both the immediate and distant future, problems of financing program costs, estimating future workloads, and evaluating operations of the four Trust Funds. Develops and analyzes actuarial data for benefit estimates and valuations. Provides technical and consultative services to Congressional committees, Congressmen, public advisory committees, and other Federal agencies. Testifies concerning actuarial estimates before Congressional committees considering legislative changes in the Social Security programs. Performs actuarial valuation work for the Retired Serviceman's Family Protection Plan.

Office of Administration (OA). Plans and directs the management program of SSA. Provides overall administrative leadership for the Commissioner in coordinating program administration throughout SSA, and in planning, directing, and controlling management programs, policies, and activities. Administers SSA-wide programs in the areas of: Personnel and employee development; administrative appraisal and planning; budget and financial management; planning, analysis, and coordination of all SSA systems; professional operations research; overall operating facilities, including procurement and supply; employee communications; audits and investigations; and employee health services. Represents SSA on matters of overall program administration and management with DHEW, other Federal agencies, and non-Federal organizations.

Employee Management Relations and Equal Employment Opportunity Staff, OA. Assists the Deputy Assistant Commissioner (Employee Relations) in directing and coordinating SSA-wide programs of employee-management cooper-

ation (EMC) and equal employment opportunity (EEO) as provided for under Executive Orders 10988 and 11246, respectively. Develops and coordinates policy for, and appraises the effectiveness of SSA's EMC and EEO programs. Reviews the employment posture of health insurance intermediaries under contract with SSA for compliance with the requirements of Executive Order 11246. Conducts liaison with DHEW and other agencies on matters concerning EMC, EEO, and civil rights. Represents SSA in contacts with public and private organizations interested in EMC and EEO.

Management Coordination and Special Projects Staff, OA. Serves as the personal staff to the Assistant Commissioner for Administration, performing for him a broad spectrum of personally assigned tasks in projects, negotiations, and work areas in which the Assistant Commissioner has a special interest or concern. Aids the Assistant Commissioner in coordinating and integrating the many-faceted and interrelated activities of the Office of Administration. Steps in and guides for the Assistant Commissioner important projects and assignments by providing advice, assistance, problem identification, and recommendations for problem resolution. Conducts or directs projects of major SSA-wide importance and significance on assignment by the Assistant Commissioner.

Division of Administrative Appraisal and Planning, OA. Directs the appraisal of total SSA administration and the planning for efficient SSA organization and operations. Develops major operating and administrative goals and measures of effectiveness for program administration. Identifies current and emerging problems and recommends remedial actions. Continually appraises organizational effectiveness. Develops consistent and progressive administrative policies and philosophy. Conducts, coordinates, and integrates long-range operational, organizational, and administrative planning and provides leadership in administrative planning for pending legislation.

Division of Audits and Investigations, OA. Directs the internal audits and investigations programs of SSA. Conducts comprehensive audits in headquarters and, in collaboration with DHEW or independently, conducts field audits. Appraises existing practices for compliance with law, regulations, policies, and procedures. Analyzes DHEW and GAO audit reports, prepares SSA responses, and oversees implementation of necessary consequent actions. Represents SSA in dealings with DHEW Audit Agency and GAO site audit teams. Reports to the Commissioner on internal audit and investigative findings, and recommends corrective action. Investigates alleged program and criminal violations, employee misconduct, and other irregularities. Develops policies and procedures for, and provides technical as-

assistance on SSA internal audit and investigative activities.

Division of Training and Career Development, OA. Directs the employee development program of SSA. Develops employee development objectives, policies, standards, and procedures. Develops an integrated SSA-wide plan to meet employee development needs. Conducts training programs SSA-wide, and oversees, coordinates, and appraises employee development activities of the SSA components. Negotiates for use of outside facilities and specialists in meeting training needs. Administers a service program for the identification, evaluation, and development of improved training methods, aids, and techniques. Directs and coordinates the SSA Center for Continuing Education. Administers the SSA Career and Educational Guidance Program.

Division of Financial Management, OA. Directs the financial management program of SSA. Develops financial management objectives, policies, standards, and procedures. Plans, prepares, justifies, and executes the SSA budget. Prepares and justifies budget estimates to finance program and other legislative changes. Conducts continuing evaluation of expenditures of funds and takes actions to improve fiscal effectiveness. Maintains administrative accounts, and certain trust fund expenditure and receipt accounts. Audits and certifies vouchers for administrative expenses, and prepares basic and required financial reports. Conducts continuing evaluation of financial systems, implements improvements, and insures that financial systems are integrated within SSA and with DHEW. Provides financial advice on program matters and initiates cost studies.

Division of Operating Facilities, OA. Directs the management support program of SSA. Develops management support objectives, policies, standards, and procedures. Directs SSA activities in the areas of: Buildings construction and leasing, space utilization, forms and records management, printing and graphics, real and personal property, procurement, supply and mail systems, and civil defense. Provides SSA liaison with the General Services Administration on matters related to the maintenance and servicing of headquarters facilities. Manages the SSA Library and related services. Provides a variety of headquarters services such as: centralized secretarial services, centralized dictation facilities, parking, and transportation.

Division of Personnel, OA. Directs the personnel management program of SSA. Develops personnel management objectives, policies, standards and procedures. Conducts and coordinates position classification, recruitment, placement, and employee relations programs. Participates in administration of programs for employee-management cooperation, equal employment opportunity, and employee communications. Evaluates personnel administration in SSA and recommends or takes action to improve deficiencies. Assists SSA components,

field installations, and SSA component personnel offices in their personnel operations. Provides personnel operations services for headquarters offices.

Division of Systems Coordination and Planning, OA. Provides SSA-wide leadership and direction for systems planning, encompassing both EDP and non-EDP, and operational and management systems. Develops, maintains, and improves the total data processing system for SSA. Establishes systems policies and standards, and plans overall specifications for SSA systems. Reviews and evaluates proposed systems and equipment changes for conformance with longer range SSA systems planning goals and to assure integration of SSA systems.

Employee Health Service, OA. Directs the employee preventive health program of SSA. Promotes health, efficiency, and productive longevity of employees. Treats directly all types of medical emergencies in work situations, and arranges availability of other Government and private services. Assists employees in the detection of health problems through the administration of mass screening programs and offering of individual services. Conducts physical examination programs. Provides referrals to appropriate private and community resources. Establishes and enforces standards of health and comfort through a broad environmental health program. Directs an SSA-wide safety program, and conducts a continuing health education program.

SSA Employee Communications Staff, OA. Directs the management-employee communications program of SSA. Publishes a variety of informational materials, including a monthly employee magazine, a semimonthly management newsletter, and a weekly central office bulletin. Prepares and edits administrative reports and presentations. Provides assistance to and appraises management-employee communications activities in the field. Identifies weaknesses in management-employee communications and recommends improvements. Provides advice and consultation on management communications with employees.

SSA Operations Research Staff, OA. Provides operations research capability for application to and solution of SSA management and operational problems. Applies operations research techniques to the analysis of individual problems. Utilizes mathematical analysis, statistical techniques, model-building, and cost/benefit analysis for the purpose of analyzing problem areas and providing clear, definitive alternative courses of action to facilitate management decisions. Provides staff support in the areas of systems planning, and management and operations analysis, and participates in the development and improvement of programs designed to optimize the operation of the entire system.

Office of Information (OI). Plans and directs a nationwide public information program to assure public understanding of rights and responsibilities under the Social Security program. Develops guidelines, techniques, and key materials applicable to all information media. En-

gages in cooperative public information activities with both public and private organizations. Conducts surveys and studies to identify problems of public understanding of Social Security, and to determine the effectiveness of informational activities. Provides advisory and technical services to the Commissioner, SSA Bureaus and Offices, and the Office of the Secretary on public information and public relations aspects of SSA programs. Directs SSA's public inquiry and correspondence activities, and prepares replies to much of SSA's high priority correspondence.

Division of Operations, OI. Develops and evaluates nationwide objectives, themes, and action messages. Conducts surveys and studies of levels of public understanding. Issues instructions and guidelines on public information materials, activities, and techniques. Originates contacts and/or responds to outside requests resulting in comprehensive programs to reach the public through national groups and organizations. Conducts a program of community relations in Baltimore. Provides tour and receptionist services for the Social Security Building. Conducts the SSA Speakers' Service. Operates a Washington inquiries program serving Congressional offices, Departmental and other Governmental offices, and the public.

Division of Production, OI. Plans and produces materials for use by all major media (publications, magazines, radio, television, motion pictures, direct mail, exhibits, posters, and speeches). Develops and implements policy on the nature, style, content, and use of informational materials. Directs production of materials by contractors. Provides technical assistance to SSA components in the preparation and production of issuances having public information aspects; clears such materials for conformance to policy, editorial and aesthetic suitability of presentation, and public relations and understanding. Prepares speech materials and background information for use by SSA, Department, and other Federal officials.

Division of Public Inquiries, OI. Establishes, promulgates, and assesses SSA policy governing public and Congressional correspondence. Conducts studies and surveys to detect and evaluate SSA procedures and practices which may create misunderstanding, adverse public reaction, or other public relations problems. Recommends corrective action as necessary. Provides advice and assistance to SSA officials and liaison with the Department on public correspondence matters. Conducts a program to improve correspondence with the public. Receives, analyzes, and controls high priority written and telephone inquiries. Replies to many of these inquiries, and reviews all written replies to such inquiries prepared elsewhere in SSA.

Office of Program Evaluation and Planning (OPEP). Directs the legislative planning and analysis program of SSA. Evaluates the effectiveness of the Social Security program in providing security through retirement, survivors, disability, and health insurance. Develops and

interprets program philosophy and objectives. Develops and evaluates recommendations concerning legislative proposals for changes in the Social Security program. Analyzes and makes recommendations on related income maintenance and health insurance proposals, particularly those which may involve coordination with the Social Security program, and on other methods of providing economic security through social insurance. Provides technical and advisory services to officials within the Executive Branch, Congressional committees and individual Congressmen, and private organizations interested in Social Security legislation.

Division of Coverage and Disability Benefits, OPEP. Develops and evaluates legislative proposals for extending social security protection to groups not yet covered. Evaluates proposals for program changes in the light of their effect on special coverage groups. Studies and makes recommendations on measures concerning the provision of income maintenance for the disabled and their dependents through the social security system. Recommends methods for coordinating the protection afforded under social security with that afforded under other public retirement or disability programs.

Division of Health Insurance, OPEP. Evaluates the health insurance program in terms of its effectiveness in providing adequate health insurance protection for the aged. Develops and analyzes legislative proposals designed to improve the protection provided and to change the health insurance provisions in other respects. Evaluates the need for health insurance on the part of social security beneficiaries under 65, and develops alternative courses of action for meeting these needs through legislation. Makes recommendations on methods and sources of financing the health insurance program. Recommends methods for coordinating the health insurance protection afforded under social security with that afforded under other public retirement programs.

Division of Retirement and Survivors Benefits, OPEP. Develops and elucidates overall program principles and philosophy. Evaluates and prepares proposals for social security program legislative changes in the area of retirement and survivors benefits, and also in those aspects of the program that are not primarily concerned with coverage, disability, or health insurance. Analyzes and makes recommendations on related income maintenance proposals. Conducts studies to aid in defining and resolving various program issues such as the level of social security benefits, the range of dependents who should receive benefits, and the establishment of priority among dependents.

Office of Research and Statistics (ORS). Conducts and directs the broad research and statistical programs of SSA. Conducts research relating to retirement age, methods of financing, redistributional effects of social security, and adequacy of cash and health benefits. Studies and makes recommendations concerning

problems of poverty, insecurity, and health costs, and the contributions that social insurance and related programs can make toward their solution. Conducts national surveys of the aged, the disabled, and families with children. Provides continuing evaluation of national policies and procedures for effectiveness in meeting program goals. Publishes statistical data and research findings. Represents SSA on matters of research and statistics with DHEW, other agencies, universities, research centers, and international organizations.

Evaluation and Measurement System Staff, ORS. Plans, directs, and coordinates the development and operation of a system of continuous statistical evaluations and measurement of basic claims and related policies and procedures.

International Staff, ORS. Develops, coordinates, and implements programs designed to assemble and analyze information about social security programs of all countries. Conducts comparative economic studies of selected aspects of foreign programs. Coordinates relationships between SSA and international social security organizations, interchanging information on program matters. Provides technical guidance and participates in the development and implementation of U.S. international policy in the social insurance field. Directs social security study and training programs for foreign nationals. Advises AID and other agencies and governments on training resources in the United States, and assists in training for technical assistance. Coordinates SSA activities concerned with the reception and orientation of foreign visitors.

Publications Staff, ORS. Plans, stimulates, and guides an overall research and statistics publications program. Plans, edits, and publishes the Social Security Bulletin, Annual Statistical Supplement, the Research Report series, and other reports. Provides professional-level writing and editing services to assist in preparing research and statistical documents for publication.

Research Grants Staff, ORS. Develops, coordinates, and implements SSA activities in the cooperative research grants program. Stimulates interest in the program and identifies new or existing areas of knowledge or problems which may be usefully studied under the program. Provides guidance to research applicants. Reviews applications and preliminary proposals for grant research. Reports progress and findings of SSA-related projects.

Division of Disability Studies, ORS. Plans and directs a continuing national economic and social survey program to collect data on and to study the disabled population. Plans and directs studies of significant program issues requiring research into such areas as: The adequacy of protection available to disabled workers and their dependents; the causes and effects of disability; the proportion of allowances and disallowances in the disability insurance program; trends in and effects of the rehabilitation of disabled beneficiaries; problems of representative payment to both institutionalized and

noninstitutionalized beneficiaries; and comparative studies of beneficiaries with and without representative payees.

Studies, ORS. Plans and directs long-range program-oriented research, projecting and interpreting changing demographic, economic, and social trends as they relate to the broad field of economic security and to overall economic and social policy. Studies such major areas as: Social security financing; economic impacts of social security; income maintenance alternatives; effects of social security on lifetime income redistribution; alternative measures of income adequacy; the relationship of social security to other public and to private income maintenance programs; and the development and publication of aggregative measures such as the social welfare expenditures series, economic projections, and labor market studies.

Division of Health Insurance Studies, ORS. Develops and directs the statistical system for the health insurance program. Conducts special studies and analyses of the operation of the program, including utilization of services and trends in costs. Directs and conducts research on the impact of the program on: Public and private health insurance programs, financial situations of hospitals, and total medical expenditures and costs. Conducts studies of unmet needs and related questions. Coordinates SSA research programs in the area with related studies conducted or supported by other agencies, including the Public Health Service and the Social and Rehabilitation Service.

Division of OASDI Statistics, ORS. Plans and directs the development and maintenance of a broad statistical program concerning basic retirement, survivors, and disability insurance program statistics. Provides statistical services throughout SSA, and technical consultation to users of SSA statistics both within and outside the agency.

Division of Retirement and Survivors Studies, ORS. Plans and directs a continuing national economic and social survey program to collect data on and to study the aged population and survivors of deceased workers. Conducts cross-section surveys of the aged, new retirees, young survivors, and related family groups. Plans and directs studies of significant program issues requiring research into such areas as: Retirement patterns; problems of "early" retirement; the needs of widows without children before they become eligible for retirement benefits; the treatment of women under social security; the relation of benefit levels to standards of adequacy; effects of the retirement test; and the situation of individuals receiving minimum benefits.

Bureau of Data Processing and Accounts (BDPA). Provides direction for the nationwide operations of a centralized EDP and telecommunications facility for SSA, including systems analysis, programming, computer operations, and data transmission. Establishes and maintains the basic records supporting Social Security programs, including records and accounts for determining en-

tlement to and computation of retirement, survivors, and disability insurance benefits, and for determining entitlement to and utilization of health insurance benefits. Develops earnings reporting standards and procedures for employers and the self-employed. Investigates and resolves reporting and earnings record discrepancies. Furnishes necessary data to the Department of the Treasury for proper crediting of FICA contributions to the Trust Funds. Directs and operates a large scale system for compiling comprehensive statistical data for program and management studies. Participates in legislative planning.

Division of Accounts and Adjustments, BDPA. Identifies and reinstates earnings items, health insurance inquiries, doctor bills, and hospital notices reported incorrectly or incompletely as to name or account number. Processes notices received from the Internal Revenue Service correcting reported earnings, periods, or account numbers. Processes evidence postings based on district office investigations. Adjusts accounts when account holders' identities have been confused. Maintains registers of accounts established, health insurance records, files of suspense and reinstated items, employer wage reports, self-employed income reports, and detailed earnings listings. Answers and/or initiates correspondence relating to earnings and health insurance records.

Division of Certification, BDPA. Analyzes, determines, and certifies to district offices and payment centers all data concerning earnings, primary insurance amounts, and insured status for adjudicating all original claims and recomputations. Resolves discrepancies between SSA records and individuals' statements of earnings and employment. Reviews district office determinations or makes determinations based on evidence submitted by district offices as to whether alleged employment is employment as defined by the Social Security Act.

Division of Management Coordination, BDPA. Analyzes, appraises, and coordinates the Bureau's management activities. Administers management programs in the areas of fiscal management, medical group premium collections, clerk time and production controls, organization planning, procurement, training and staff development, work planning and reporting, personnel management, incentive awards, records management, and related management functions. Provides study programs and informational services to visitors. Surveys Bureau operations, procedures, and management. Provides a continuing program of correspondence review. Provides mail and messenger, electrical and mechanical equipment maintenance, special equipment fabrication, and various labor services for Headquarters. Performs special assignments and administrative duties for the Bureau Director.

Division of Registration, BDPA. Controls printing and distribution of pre-numbered account cards. Issues duplicate account cards and furnishes missing account numbers. Maintains files of Bu-

reau's correspondence, employee, and employer applications. Answers correspondence concerning individual and employer numbers. Initiates BDPA processing of claims and related actions. Audits wage and self-employment reports prior to electronic processing. Receives and medically codes a sampling of medical bills. Establishes and maintains the Bureau's State and local government accounts. Records Minister Waiver Certificates. Furnishes photographic services. Provides safe storage of key duplicate records.

Division of Statistical Services, BDPA. Provides advisory services to other SSA components, Government agencies, and non-Government organizations on availability and adequacy of Bureau data for projects wherein SSA records would be used. Develops systems, plans, procedures and EDP programs for, and processes a variety of projects covering data on health insurance, disability, routine and special management studies, claims, employer, and employee earnings or self-employment income including employee lifetime employment history. Conducts studies jointly with other components on problems of mutual concern. Provides liaison with other components regarding requests for statistical data.

Assistant Bureau Director, EDP Operations, BDPA. Directs EDP and support operations necessary to the receipt, audit, correction, adjustment, and posting of all earnings reports, and the maintenance of health insurance eligibility and payment records. Directs the EDP operations which analyze data and provide: Informational earnings statements to account holders; earnings data and computations for claims processing; data to payment centers from benefit-in-force rolls; and data to intermediaries from health insurance benefit rolls. Directs operational control of a nationwide EDP and telecommunications system for SSA.

Division of Central EDP Operations, BDPA. Converts earnings data from employer wage reports to magnetic tape, and performs a series of EDP operations to update summary records for individual accounts. Analyzes earnings data by EDP process, and prepares computations to derive primary insurance amounts applicable to the certification of original claims cases, disability benefit cases, and recomputations. Identifies and reinstates earnings items reported incorrectly. Maintains and updates benefit-in-force rolls and provides data to payment centers. Maintains and updates health insurance benefit rolls and provides data to intermediaries. Provides operational control of the SSA telecommunication network.

Division of Report Processing, BDPA. Processes employer wage and self-employment income reports. Transfers earnings data from reports to punch cards. Performs sorting, listing, blocking, and auditing operations. Corresponds with the Internal Revenue Service and with employers concerning earnings discrepancies. Performs clerical operations necessary for the audit and control of the quarterly updating of employee accounts and the reinstatement of rejected items.

Audits earnings data and adjusts discrepancies. Maintains eligibility records for the health insurance programs. Audits and controls the processing of payment records. Corresponds with health insurance intermediaries and providers dealing directly with SSA.

Assistant Bureau Director, Methods and EDP Systems, BDPA. Directs the planning and development, and makes recommendations concerning the use of SSA EDP, telecommunications, and micro-photographic facilities. Directs a methods and EDP systems program for the design and implementation of policies, procedures, methods, and systems for all the Bureau's functions as well as the data processing activities of SSA components. Participates in continuing activities designed to keep abreast of the latest techniques and developments in the uses of office machines, wire transmission, micro-photographic and EDP equipment as related to SSA needs.

Division of Accounting EDP Systems, BDPA. Designs and implements EDP systems for: Establishing and maintaining employee/employer accounts; processing improperly reported earnings items; and establishing and maintaining various management controls. Designs health insurance EDP record-keeping systems for: Establishing and maintaining beneficiary, provider, and group premium files; processing queries, replies, bills, and payment records; and preparing identification cards, premium and utilization notices. Provides technical systems advice and assistance to SSA components, State, Federal, domestic, and foreign organizations. Evaluates latest techniques and acquires latest equipment pertinent to the Bureau's mission in data processing.

Division of Claims and State Coverage Methods, BDPA. Develops operating policies, systems, and instructions for: Claims certification, interbureau and interagency claims process coordination, earnings statement issuance, reconciliation of disagreements to earnings and health insurance utilization statements, disclosure of confidential information from SSA records, and administration of contractual coverage of State and local government employees, including the collection and accounting of all related payments. Analyzes and advises regarding related policy positions, legislative proposals, and program objectives.

Division of EDP Claims Processing, BDPA. Designs and implements EDP systems for: The initial establishment and certification of the master beneficiary record, and the preparation and maintenance of related subsidiary tape and microfilm files; processing requests for earnings record information and claims action; providing various service, control, and statistic-related operations for initial claims; furnishing health insurance entitlement and billing data for new claims to appropriate EDP processes; utilizing the earnings record and employer address files for reference capability to service requests for data from these files; and producing management,

study, statistical, and control reports as required from the beneficiary record.

Division of EDP Postentitlement Processing, BDPA. Designs and implements EDP systems for: The continuing maintenance and adjustment of master benefit records resulting from postentitlement actions; providing numerous service, control, and statistic-related operations to provide statistics, management, or study data as required; furnishing data concerning changes in health insurance enrollment and billing to appropriate EDP processes; providing a reference capability to service requests for data from these files; continuing maintenance of related beneficiary record files; providing the capability for supplementary medical insurance billing, accounting, control of overpayment recovery, and similar related processes.

Division of Reporting and Accounting Methods, BDPA. Develops and issues new or revised operating policies and procedures for establishing the social security records, processing all earnings data to update these records, and processing various segments of the health insurance program. Devises system for furnishing Trust Fund information to Treasury Department. Analyzes proposed legislation, policy changes, and demands for statistical data for procedural and operational implications and for administrative feasibility. Coordinates the Division's operating procedures with other SSA components, governmental agencies, and with the EDP systems divisions to assure desired integration of clerical and manual procedures with EDP operations.

Division of Telecommunications Management, BDPA. Provides management planning, direction, and appraisal of record and voice telecommunications systems to support SSA programs. Develops and implements policies and procedures to assure efficient, economical, and effective communications services and facilities. Develops and issues technical operating manuals, directories, and training programs. Approves major changes of SSA telephone plant. Manages and operates central office telephone systems. Maintains technical liaison with SSA components, Federal agencies, private concerns, carriers, and vendors with regard to policy set by legislation, directives, contracts, and tariffs.

Bureau of Disability Insurance (BDI). Provides direction and technical guidance for nationwide administration of the disability insurance program. Develops, recommends, and issues substantive policies, procedures, and interpretations to provide program direction to disability insurance administration throughout SSA and in State agencies. Develops, in cooperation with SRS, policies and procedures for administration of the disability beneficiary rehabilitation program. Negotiates agreements, advances funds, establishes administrative and fiscal controls, and provides direction for management of State agency disability operations. Appraises the quality and effectiveness of disability insurance administration. Administers central disability operations including

review and authorization of disability claims, certification of benefit payments, and maintenance of disability beneficiary rolls. Conducts studies and statistical analyses to evaluate the effect of program policies and operations. Participates in legislative planning.

Medical Consultant Staff, BDI. Develops broad medical concepts and policies for administration of the disability insurance program. Provides consultation on all medical aspects of disability program planning and administration. Directs and/or provides consultation for research studies to develop improved medical techniques for reevaluating and measuring disability. Develops and conducts orientation and training programs for medical personnel in the Bureau and in State agencies. Develops medical evaluation and development policies and guides. Provides medical consultation and review on certain individual claims determinations. Establishes and maintains liaison with professional medical organizations to promote program goals. Represents SSA and the Bureau with other agencies and organizations.

Assistant Bureau Director, Disability Policy and Procedures, Division of Disability Policy and Procedures, BDI. Promulgates policies and procedures for processing disability claims through all stages of operations in district offices, State agencies, and the Bureau of Disability Insurance. Adapts the Bureau's methods of processing disability claims to SSA operating procedures for claims authorization and payment. Renders technical assistance in the preparation of regulations, rulings, and program materials. Acts as consultant on disability policy matters. Provides inter-program coordination with public and private organizations concerned with disability. Participates in legislative planning.

Assistant Bureau Director, Field Disability Operations, Division of Field Disability Operations, BDI. Develops and maintains a continuing program of surveillance and evaluation of disability program operations at regional and State agency levels. Provides guidance and assistance to regional offices in carrying out their responsibilities for program direction in the field. Develops and carries out Bureau activities to stimulate the vocational rehabilitation of disability applicants and beneficiaries. Cooperates with the Social and Rehabilitation Service in the formulation of regulations, policies, and procedures for Trust Fund payment of disability beneficiary rehabilitation services. Develops and maintains a comprehensive national system of policies, standards, and procedures for the administrative and fiscal management of contracting State agencies.

Assistant Bureau Director, Management and Appraisal, Division of Management and Appraisal, BDI. Directs fiscal, statistical analysis, management improvement, and administrative management programs for the Bureau. Directs a program of training and personnel

management. Formulates Bureau work plans and work emphases. Surveys and appraises operating and administrative systems, methods, and organization to develop and implement management improvements. Appraises the quality of adjudication at all stages of the disability claims process. Directs and coordinates a program of studies and statistical analyses to appraise and improve administrative policies, procedures, and operations. Provides a system of statistical data for use within and outside the Bureau.

Assistant Bureau Director, Operations, BDI. Administers the review and authorization of disability claims, certification of benefits, and maintenance of the beneficiary rolls. Directs the review and reconsideration of State agency determinations of disability, and negotiates any issues arising for the purpose of evaluating quality, assuring conformity, and providing guidance. Directs the claims reconsideration activities of the Bureau. Directs the analysis of appellate decisions for administrative implications, the preparation of SSA positions for disability determinations in litigation, and a public inquiries program in the areas of public and congressional correspondence.

Division of Benefit Payments, BDI. Operates and maintains the Bureau's benefit payment system. Adjusts, suspends, and terminates benefits of individuals and their dependents on the disability rolls. Prepares benefit payment data for introduction into the computer system, and maintains accounting controls, using EDP techniques as well as manual and other methods. Processes all actions to maintain beneficiary payment rolls. Assures by sample audit that magnetic tape records reflect actual authorized payment actions. Coordinates computer operations with the Bureau of Data Processing and Accounts. Recommends disability policy, procedural, and legislative changes. Coordinates Division operations with SSA bureaus, State agencies, the Treasury Department, and the General Accounting Office.

Division of Benefit Services, BDI. Operates and maintains a comprehensive workflow management system for BDI Operations. Operates the Bureau's case control and folder location systems and assures the timely association of claims-related material. Processes incoming and outgoing mail, and prepares and releases award certificates, denial letters, and other claims-related notices. Establishes and maintains the Bureau's files of claims folders. Examines disability cases to determine whether a review of continuing entitlement is necessary. Receives and processes payee accounting reports. Recommends disability policy, procedural and legislative changes. Coordinates Division operations with SSA bureaus, State agencies, and the Post Office Department.

Division of Evaluation and Authorization, BDI. Reviews State agency determinations of disability in initial claims and in cases involving issues of continuing disability. Reviews district office determinations of nondisability factors

for entitlement to primary or auxiliary disability insurance benefits, and authorizes allowance or disallowance of disability claims. Negotiates issues arising in review of State agency determinations. Adjudicates disability cases excluded from State agency jurisdiction. Recommends disability policy, procedural, and legislative program changes. Evaluates and reports on quality of State agency disability determinations, and provides guidance to assure conformity in initial determinations. Coordinates with the Railroad Retirement Board on disability determinations involving the social security and railroad retirement programs.

Division of Reconsideration, BDI. Reviews disability determinations reconsidered by State agencies in cases where claimants disagree with the initial determination, and approves, revises, or reverses State agency determinations in accordance with authority granted by the Act. Negotiates issues arising in review of State agency disability determinations. Reconsiders disability cases excluded from State agency jurisdiction, and those cases contested for issues other than existence and duration of disability. Recovers or waives amounts incorrectly paid to beneficiaries. Analyzes decisions of hearing examiners, Appeals Council, and the courts for impact upon administration of the disability program. Evaluates claims to recommend Administration position for disability determinations in litigation.

Office of the Regional Representative, Disability Insurance, BDI. Provides direction and leadership for the disability insurance program at the regional level. Reviews and evaluates State agency activities, providing guidance in the substantive program and administrative areas. Reviews State agency budgets. Provides technical direction for disability insurance program operations in the district offices. Coordinates with other SSA regional representatives or with DHEW regional officials concerned with the disability program. Establishes and maintains relationships with professional organizations. Participates in public information activities for the disability program.

Bureau of District Office Operations (BDOO). Provides direction for the operations of a nationwide network of district offices, branch offices, and other facilities which serve as the interface between SSA and the public, and which have responsibility for: Informing the public on the purposes and provisions of Social Security programs, and their rights and responsibilities thereunder; assisting the public in filing claims for retirement, survivors, disability, and health insurance benefits; developing and adjudicating claims; assisting beneficiaries in claiming reimbursement for medical expenses; conducting earnings record, coverage, fraud, and related investigations; making rehabilitation service referrals; issuing Social Security account numbers; assisting claimants in filing appeals from SSA determinations on benefit entitlement or amount; and representing SSA with numerous govern-

mental and private organizations. Participates in legislative planning.

Operations Analysis and Standards Staff, BDOO. Provides the Director with a detailed overview of operations. Initiates or, as directed, conducts special analyses, studies, and investigations. Develops, in concert with Bureau components, criteria for objective measurement of overall Bureau operations. Designs and directs a Bureau-wide program of surveys. Establishes standards for claims processing time and work production rates for field facilities. Receives and evaluates periodic statistical and other management reports, organizing for the Director a comprehensive and coherent picture of operations.

Assistant Bureau Director, Field Operations and Management, Division of Field Operations and Management, BDOO. Provides leadership to regional and district offices throughout the country to assure effective and economical fiscal, personnel, and other management activities. Develops management policies and procedures, assists in their implementation, and appraises their effectiveness. Contributes to the development, appraisal, and modification of SSA management policies and procedures from the viewpoint of administrative feasibility, public reaction, and district office experience. Represents the Bureau in coordinating regional and district office management operations with other SSA components and with outside organizations.

Assistant Bureau Director, Field Organization and Methods, Division of Field Organization and Methods, BDOO. Directs a broad organization and methods program affecting the design and nature of district and branch offices and resident and contact stations throughout the country. Conducts long-range studies leading to improved organizational arrangements and a continuing program of systems analysis and planning. Develops criteria and specifications for the Bureau reports system based on analysis of the need for operational data and information. Participates in a continuing nationwide review of field installation operations and management designed to identify problems and contribute to the overall appraisal of SSA policies and procedures.

Assistant Bureau Director, Operating Policy and Procedure, Division of Operating Policy and Procedure, BDOO. Provides leadership to regional and district offices to assure effective and economical implementation of social security program provisions. Develops operating policies and procedures, assists in the implementation of substantive policies and procedures, and gives assistance to regional offices. Contributes to the development, appraisal, and modification of substantive policy and procedure and legislative program planning from the viewpoint of administrative feasibility and public and district office reaction and experience. Represents the Bureau in coordinating regional and district office operations with other SSA and outside organizations.

Office of the Regional Representative, District Office Operations, BDOO. Serves as focal point of line authority through which management and operational aspects of district office responsibility and performance are supervised and coordinated. Provides leadership, guidance, and direction to from 20 to 80 or more district and branch offices through the principal line officer, the regional representative, and his assistant regional representatives, each of whom is responsible for supervision of a network of 10 to 13 district offices. Ensures consistency of operations with regional and central office policies and procedures.

Bureau of Federal Credit Unions (BFCU). Provides direction for nationwide administration of the Federal Credit Union program. Prescribes standards, procedures, and accounting forms for use by Federal credit unions; establishes Federal credit union rules and regulations; issues manuals and instructional material; and provides advice and technical assistance to credit union officials. Compiles and analyzes financial and statistical data on Federal credit union operations; conducts studies of credit union conditions and trends. Directs a nationwide field organization engaged in chartering, examining, and supervising Federal credit unions. Develops legislative proposals concerning changes in the Federal Credit Union program.

Division of Administration, BFCU. Directs the Bureau's administrative, financial, and personnel management programs. Directs Bureau activities in the areas of: Budget preparation and control; fiscal accounting and auditing for administrative funds, fees, and accounts of liquidated Federal credit unions; records management; property accounting; and services for travel, procurement, time and leave, printing, and supplies. Administers the personnel program of the Bureau, including classification, recruitment, placement, appointment, promotion, and employee relations. Coordinates the Bureau work planning activities.

Division of Examination and Accounting, BFCU. Develops the Bureau's program for the examination of Federal credit unions, and establishes standards and procedures for such examinations. Reviews examination reports and participates in field examinations to assure conformity to and appraise the effectiveness of established policies and procedures. Analyzes all proposed Bureau actions on problem cases, suspensions, and special reserve requirements. Establishes standards and requirements for accounting procedures and forms for Federal credit unions. Coordinates preparation and revision of Examiner's Guide, Accounting Manual, and Supervisory Committee Manual.

Division of Organization and Standards, BFCU. Directs the development of standards, policies, and procedures for: Investigating groups applying for charters to establish Federal credit unions; granting charters; approving bylaws, and charter and bylaw amendments; handling mergers, conversions from State to Federal charters and vice versa, and liquidations. Reviews and analyzes ap-

plication for charters and bylaw and charter revisions, and recommends approval or disapproval. Reviews proposed mergers and conversions for conformity to legal and regulatory requirements. Gives guidance and service to regional offices in the above areas of responsibility.

Division of Statistical Research and Analysis, BFCU. Develops and conducts programs of research in the field of cooperative thrift and credit, with special emphasis on the role of credit unions in the national financial community. Prepares periodic reports on research activities for use of the Bureau, credit union officials, and private groups. Prepares interpretive articles and memoranda on credit union operations. Designs, establishes, and supervises regular data collection programs involving Federal and State-chartered credit union operations in the consumer saving and credit fields. Analyzes financial, statistical, and other call reports from Federal credit unions. Prepares internal management reports. Compiles regional check list and district assignment lists.

Office of the Regional Representative, Federal Credit Unions, BFCU. Directs the execution of all phases of the Federal credit union program in the regions. Conducts regional programs for: Recruitment and development of staff; investigation of applications for proposed new credit unions; examination of the operations of individual credit unions; comprehensive review of examination reports for conformance with policies and procedures, and for accuracy, completeness, and effectiveness; control of shortage, problem, retarded, and liquidation cases; approval or recommendation as to the acceptability of nonstandard accounting systems and forms, and amendments to charters and bylaws; maintenance of effective working relationships with State Credit Union Leagues and State supervisory agencies.

Bureau of Health Insurance (BHI). Provides direction and technical guidance for nationwide administration of the hospital and supplementary medical insurance programs. Develops, recommends, and issues substantive policies, procedures, and interpretations to provide program direction to health insurance administration through SSA, and in State agencies and intermediaries. Develops and modifies, in cooperation with other Governmental agencies, conditions of participation for providers of services. Develops principles for reimbursing providers for their costs, and criteria for determining charges for physicians and related medical services. Negotiates agreements and contracts with, and monitors performance of State agencies and intermediaries in administering certain health insurance provisions. Reimburses providers that choose to receive payment directly from SSA. Appraises the quality and effectiveness of health insurance administration. Conducts liaison with medical and other professional groups. Participates in legislative planning.

Office of the Chief Medical Officer, BHI. Advises the Bureau on professional

medical aspects of the overall administration of the Health Insurance for the Aged program. Maintains liaison with leadership of professional organizations representing the medical community in the United States to promote understanding of program objectives and to improve program cooperation.

Assistant Bureau Director, Intermediary Operations, Division of Intermediary Operations, BHI. Establishes qualification standards, guidelines, and procedures for the selection of intermediaries. Negotiates, renegotiates, and recommends termination of contracts with intermediaries. Reviews, evaluates, and approves intermediaries' operating budgets and requests for advance of funds; maintains continuing control of amounts expended; and establishes intermediary reporting procedures. Reviews and evaluates the effectiveness of intermediaries' performance through analysis of reports, audit reports, and comprehensive surveys. Participates in the development of policies and procedures for audits of intermediaries. Serves as the primary center for intermediary-SSA communication. Assists intermediaries in resolving program and operating problems. Coordinates activities of intermediaries with the Administration.

Assistant Bureau Director, Management, Division of Management, BHI. Develops, coordinates, and implements a total management program for the Bureau. Provides management analysis services, and plans and operates the financial management program. Conducts programs for manpower selection and placement, employee development, fair employment, employee-management relations, position control, and manpower utilization. Develops and issues internal administrative communications. Provides project control, problem area reporting, coordination of Bureau work planning activities, management information (including collection and preparation of operating data), administrative services for advisory groups, and a variety of administrative support services. Receives, controls, analyzes, and answers inquiries about the health insurance program.

Assistant Bureau Director, Policy and Standards, Division of Policy and Standards, BHI. Develops, issues, and appraises policies concerning: The entitlement of individuals to and enrollment for health insurance coverage; coverage of health services, benefit amounts, coverage periods, and supplementary medical insurance premiums; and intermediaries' and providers' participation and transfer agreements. Provides leadership in the development of health insurance policies and procedures for: Determinations, reconsiderations, appeals, disclosure of information, and detection and handling of fraud. Provides leadership in the development of conditions of participation for providers and independent laboratories. Prepares specifications for regulations. Furnishes technical services in connection with appeals, and to advisory groups.

Assistant Bureau Director, State Operations, Division of State Operations,

BHI. Establishes and maintains relationships with State agencies for certification of providers and independent laboratories. Negotiates agreements with State agencies. Conducts training sessions with regional offices, State, and local agencies. Participates in developing conditions of participation for providers of services, and provides instructions and procedures for certification, recertification, and reconsideration. Reviews and evaluates State agency and regional office application of conditions of participation. Directs and evaluates application of the emergency services provision of the law. Establishes fiscal policy for State agency operations, and reviews and approves State agency operating budgets. Provides for expenditure reporting. Reviews all provider certification reconsideration decisions.

Assistant Bureau Director, Systems, Division of Systems, BHI. Directs the development and issuance of specifications, procedures, and other instructional material to implement and maintain operational systems applicable to: Intermediaries, providers, and other suppliers of services; the enrollment and eligibility of beneficiaries, their notification as to utilization of services, and the collection of premiums; and methods for direct reimbursement of providers where applicable. Assures effective coordination with all major operational components. Evaluates the total system in terms of processing time, accuracy, cost and service. Plans, conducts, and evaluates studies aimed at long-range improvements in systems, methods, and procedures. Coordinates issuance of all instructions to intermediaries and providers.

Assistant Bureau Director, Reimbursement, Division of Reimbursement, BHI. Develops, issues, and appraises accounting principles, policies, and procedures for determining reasonable cost of services of physicians and others under the hospital insurance program, and for establishing reasonable charges for services of physicians and others under the supplementary medical insurance program. Establishes and maintains liaison with key representatives of professional organizations in the field of provider and medical insurance reimbursement. Works with DHEW Audit Agency in developing audit programs and guides for provider audits. Provides consultative, claims authorization, and auditing services for direct dealing providers.

Office of the Regional Representative, Health Insurance, BHI. Represents the Bureau on a regional level. Coordinates, reviews, and evaluates provider certification and recertification activities of State agencies, and approves provider agreements. Advises intermediaries on claims operations. Participates in the evaluation of intermediary activities. Coordinates health insurance activities of intermediaries, State agencies, SSA components, State welfare agencies, and other organizations. Negotiates State "buy-in" agreements. Establishes and maintains relationships with professional organizations, and participates in public information activities for the health in-

insurance program. Evaluates operations of the health insurance program in the region, and participates in policy development and administrative planning.

Bureau of Hearings and Appeals (BHA). Provides broad direction to the SSA appeals process. Directs a nationwide organization of hearing examiners engaged in conducting independent, impartial hearings and in making decisions on appealed determinations involving retirement, survivors, disability, or health insurance. Performs a central review of appealed hearing examiner decisions and renders the Secretary's final decision. Develops operating instructions to assist the hearing examiners and to assure fair hearings. Conducts liaison with other components of SSA and the Department, and with other governmental, professional, and private organizations.

Appeals Council, BHA. Reviews hearing examiner decisions on motion of appellants or on its own motion. Examines case records, obtains additional evidence, hears testimony, and renders a written decision or order which is the Secretary's final decision on cases accepted for review. Recommends whether to request remand of the Secretary's final decisions appealed to the courts. Obtains additional evidence and prepares supplemental decisions on remanded cases. Recommends whether an appeal should be taken to a higher court on court reversals of Secretary's decisions.

Medical Advisory Staff, BHA. Provides consultative services to the Appeals Council and other Bureau components in the evaluation of disability. Plans and conducts continuing medical training of Bureau staff. Negotiates for the services of medical specialists to serve as advisors to hearing examiners and regional hearing representatives. Provides leadership and guidance in stimulating effective utilization of medical advisors through a continuing liaison program with medical advisors, regional hearing representatives, and hearing examiners. Participates in the formulation of medical policies used in the evaluation of disability. Maintains liaison with medical groups to promote program understanding and to keep abreast of disability evaluation developments.

Division of Administration, BHA. Directs the Bureau's administrative, financial, and personnel management programs. Provides a variety of management services. Directs Bureau activities in the areas of: Management studies and analysis; reports and directives management; work planning; work reporting and measurement; budget development and execution; fiscal operations; recruitment, appointment, placement, classification, position management, employee development, and employee-management relations; supply, equipment, and contract procurement; property and records management; central docket and files; stenographic, clerical, transcribing, and typing services; duplicating, mail, and distribution services to the central office. Controls priority inquiries and replies, including congressional, and prepares replies.

Assistant Bureau Director, Field Operations, Division of Field Operations, BHA. Administers a nationwide organization of hearing examiners engaged in conducting impartial and independent hearings, and in rendering decisions on appeals by claimants from original determinations involving retirement, survivors, disability, or hospital insurance benefits, as well as appeals from institutions with respect to their right to participate in the health insurance program. Provides administrative direction and substantive guidance to the field organization, consisting of regional hearing representatives, hearing examiners, and supporting staffs. Develops and executes technical orientation and training for all field personnel. Issues manuals and other directives for field office operations. Conducts field surveys, research, and analysis of field hearing activities. Coordinates Bureau field activities, and conducts liaison with governmental and private agencies.

Assistant Bureau Director, Program Operations, Division of Program Operations, BHA. Develops, issues, and appraises operating instructions for hearing examiners to provide basic information and promote fair hearings. Provides advice and assistance to the Appeals Council and other Bureau officials on complex issues and national policies concerning the hearings and appeals process. Provides centralized staff review of hearing examiner decisions to assist the Appeals Council in deciding whether to assume jurisdiction. Analyzes cases and recommends Appeals Council action on appealed claims and litigated cases. Identifies problem areas and makes recommendations for improving the hearings and appeals process. Develops regulations to implement procedural changes. Participates in development of rulings and legislative planning.

Office of the Regional Hearings Representative, BHA. Represents the Bureau on a regional level. Administers regional programs for the conduct, by hearing examiners, of impartial and independent hearings, and the rendering of decisions on appeals by claimants contesting determinations as to retirement, survivor, disability, or hospital insurance benefits; and institutions contesting determinations as to their status with regard to the health insurance program. Provides substantive guidance and administrative direction to the hearing examiners and their supporting staffs. Coordinates operations and administrative activities with DHEW regional offices, State agencies, and others. Conducts periodic inspections of the hearing and appeals offices, which serve as centers of operations for hearing examiners.

Bureau of Retirement and Survivors Insurance (BRSI). Provides direction and technical guidance for nationwide administration of the retirement and survivors insurance program. Develops, recommends, and issues substantive policies, procedures, and interpretations to provide program direction to retirement and survivors insurance administration, and to processes and issues common

to several Social Security programs. Issues Social Security Rulings, Regulations, Compilation of Social Security Laws, and Social Security Handbooks. Appraises the quality of retirement and survivors insurance program administration. Negotiates agreements with States for coverage of State and local government employees. Directs administration of six payment centers responsible for review and authorization of retirement and survivors claims, health insurance entitlement, SMI premium collection, certification of benefit payments, and maintenance of retirement and survivors insurance beneficiary rolls. Directs administration of Social Security programs abroad. Participates in legislative planning.

Assistant Bureau Director, Administration, BRSI. Directs the Bureau's management programs, including: Fiscal management, organization and staffing analysis and planning, personnel management, equal employment opportunity and union-management relations, paper-work management, resources and facilities management, and employee development. Directs the Bureau's long range management planning, including: Evaluation of long range systems requirements for payment center operations and management; integration of Bureau planning with SSA planning; and the Bureau's management and operations analysis activities. Directs the administration of program operations in foreign countries, including the central processing of foreign claims.

Division of Foreign Claims, BRSI. Administers the social security programs in foreign countries. Develops, adjudicates, and authorizes claims filed by persons living in foreign countries, and determines their continuing eligibility. Establishes and evaluates foreign claims program policies, procedures, and operations, recommending changes or modifications. Provides centralized translation services for SSA. Provides SSA liaison and coordination with DHEW, the Department of State, other Federal agencies, agencies of foreign governments, and private organizations.

Assistant Bureau Director, Appraisal, BRSI. Directs the development of criteria, techniques, and systems for appraising the effectiveness of the retirement and survivors insurance program administration. Directs a continuing appraisal of the applications of and compliance with retirement and survivors insurance policies and procedures. Identifies problem areas and deficiencies in policies, policy applications, methods, and procedures. Evaluates the effectiveness of retirement and survivors insurance work processes and operations, and the quality of the claims process.

Division of Administrative Review, BRSI. Conducts a continuing appraisal of the application of and compliance with policies and procedures in all phases of the retirement and survivors insurance claims process, and the quality of results achieved. Analyzes data flowing from the appraisal activities performed in the BRSI Regional Offices. Identifies problem areas and deficiencies in policies, policy

application, methods, and procedures, and recommends corrective action. Provides advice and assistance to other components of the Bureau and SSA concerning the interpretation and application of appraisal findings and recommendations.

Division of Appraisal Systems, BRSI. Develops criteria and techniques for appraising the application of and compliance with policies and procedures in all phases of the retirement and survivors insurance claims process and the quality of results achieved. Develops and installs systems for collecting and recording data pertinent to appraisal programs. Identifies critical work stations for which quality and/or processing time data is to be obtained. Furnishes advisory and consultative services to the Regional Representatives, RSI, concerning their appraisal activities, and coordinates appraisal systems development with other SSA components engaged in related activities.

Assistant Bureau Director, Claims Policy, BRSI. Directs the development, evaluation, and promulgation of all technical policies and substantive procedures of the retirement and survivors insurance program as well as those common to all social security benefit programs. Coordinates policies and procedures common to all social security programs. Directs the development and issuance of implementing instructions and materials and technical informational materials. Directs negotiations for coverage of State and local government employees.

Division of Benefit Continuity, BRSI. Establishes and evaluates policies, substantive instructions, interpretations, and other material concerning: Retirement provisions applying to eligibility to receive benefit payments; withholding of benefits in domestic and certain foreign cases; recovery, adjustment, or waiver of overpayments; underpayments; confidentiality of information; selection of, and use of benefits by representative payees; problems concerning benefit checks; fraud or potential fraud in any aspect of program operations, and recommendations for prosecution. Participates in legislative planning, and in negotiation and coordination within the Department, with Federal agencies having responsibility for related work areas, and with other interested private or governmental organizations.

Division of Coverage, BRSI. Establishes and evaluates policies, substantive instructions, interpretations, and other material concerning coverage of employment. Studies and develops provisions relating to agricultural and domestic labor, nonprofit organizations, and State and local government employment; wages and wage exceptions; self-employment (including provisions relating to trade or business, and tax computations); statutes of limitations; and miscellaneous exceptions. Participates in legislative planning, and in negotiation and coordination within the Department, with Federal agencies having responsibility for related work areas, and with other interested private or governmental organizations.

Division of Entitlement, BRSI. Establishes and evaluates policies, substantive instructions, interpretations, and other material relating to: Applications for all types of benefits; insured status; computation and recomputation of benefits; effect of periods of disability; coordination and integration of social security programs with military service and with railroad retirement; proofs for such factors of entitlement as age, relationship, and support; and provision for reconsideration and appeal of determinations.

Participates in legislative planning, and in negotiation and coordination within the Department, with Federal agencies having responsibility for related work areas, and with other interested private and governmental organizations.

Division of Technical Services, BRSI. Coordinates the development, clearance, and publication of retirement and survivors insurance program procedures, substantive instructions, and related materials. Develops and appraises instructional media, claims forms, and clearance methods. Plans and coordinates the issuance of Social Security Rulings. Develops, coordinates, and appraises publication of the Social Security Handbook, Compilation of the Social Security Laws, and related issuances. Coordinates the preparation of SSA Regulations for approval by the Secretary and for publication in the FEDERAL REGISTER. Maintains files of precedent materials. Participates in legislative planning.

Assistant Bureau Director, Liaison, and Coordination, BRSI. Directs the review and evaluation of payment center operations and management to identify current and rapidly emerging problems requiring quick executive action or special executive attention. Facilitates two-way communication between the Bureau Director and Regional Representatives. Coordinates overall Bureau headquarters-payment center relationships and activities. Performs special assignments for the Bureau Director, especially those of urgent concern or a highly sensitive nature.

Assistant Bureau Director, Methods and Procedures, Division of Methods and Procedures, BRSI. Directs the evaluation and establishment of new or revised operating policies and procedures, and the review of existing policies and procedures to improve the execution of the claims processing, benefit payment, benefit accounting, and supplementary medical insurance premium collection programs of the payment centers. Directs the evaluation of system changes, legislative proposals, and data requests for their impact on payment center methods and procedures. Coordinates the Bureau's operating procedures with other SSA components and Federal agencies having responsibility in related work areas. Coordinates the integration of internal EDP, clerical, and manual procedures with SSA-wide EDP operations.

Office of the Regional Representative, Retirement, and Survivors Insurance (Payment Center), BRSI. Reviews and

authorizes or disallows claims for retirement and survivors insurance benefits. Certifies to the Department of the Treasury the benefit amounts payable. Determines when payments should be terminated, suspended, continued, and increased or reduced in amount. Reconsiders determinations on initial claims and continuing eligibility. Receives, records and deposits supplementary medical insurance premiums. Provides technical direction on the retirement and survivors insurance program to other SSA components in the region, and appraises the quality of determinations and adequacy of retirement and survivors insurance program policies. Coordinates activities with the Treasury and Post Office Departments, Veterans Administration, and Railroad Retirement Board.

8-C. Order of succession. During the absence or disability of the Commissioner of Social Security, or in the event of a vacancy in that office, the Deputy Commissioner shall act as Commissioner. During the absence or disability of both the Commissioner and Deputy Commissioner, an official designated by the Commissioner shall act as Commissioner.

8-D. Delegations of authority—1. Delegations of authority to the Commissioner of Social Security. Except as provided in paragraph 2 of this section and Part 2 and section 8-E of this Statement, the Commissioner of Social Security shall exercise:

a. The functions vested in the Secretary under Title II of the Social Security Act, as amended (42 U.S.C. 401-429), except that the authority conferred by subsection 222(d), as amended, shall be exercised in cooperation with the Social and Rehabilitation Service as described in Part 1 of this Statement; under Titles VII and XI of the Act, as amended (42 U.S.C. 902-907, 1301-1321), except insofar as the provisions of such titles pertain to the Mission of the Social and Rehabilitation Service as described in Part 7 of this Statement; under Title XVIII of the Act, as amended (42 U.S.C. 1395-1395I), with appropriate advice from and consultation with the Public Health Service and Social and Rehabilitation Service as described in Part 1 of this Statement; section 1110 of the Social Security Act, as amended (42 U.S.C. 1310), insofar as such section pertains to the Mission of the Social Security Administration as described in section 8-A of this Statement; and under sections 1402(h), 3121 (k) and (l) of the Internal Revenue Code of 1954, as amended (26 U.S.C. 1402(h), 3121 (k) and (l)).

b. The functions vested in the Secretary relating to the Mission of the Social Security Administration, as described in section 8-A of this Statement, under the Social Security Act which are not contained in the Act but which are contained in the Acts cited in Exhibit X8-2.

c. The functions vested in the Secretary by section 5(K) (2) of the Railroad Retirement Act, as amended (45 U.S.C. 228e), having to do with the determination and certification for the transfer of funds between the Federal Old-Age and Survivors Insurance Trust Fund, the

Federal Disability Insurance Trust Fund, the Federal Hospital Insurance Trust Fund, and the Railroad Retirement Account.

d. Authority vested in the Secretary by letter dated September 1, 1960, to the Secretary of the Treasury from the Director, Bureau of the Budget, authorizing the carrying out of programs under section 104(k) of the Agricultural Trade Development and Assistance Act of 1954, as amended, insofar as this authority pertains to the Mission of the Social Security Administration as described in section 8-A of this Statement; provided that this authority shall be exercised in accordance with applicable policies and procedures established by appropriate authorities to ensure consistency with basic foreign policy and with related Federal programs.

e. Authority vested in the Secretary by section 4 of Public Law 86-610, approved July 12, 1960 (74 Stat. 364) with respect to responsibilities relating to the Mission of the Social Security Administration as described in section 8-A of this Statement; provided that this authority shall be exercised in accordance with applicable policies and procedures established by appropriate authorities to ensure consistency with basic foreign policy and with related Federal programs.

2. *Delegations of authority to the Bureau of Hearings and Appeals.* In accordance with applicable rules and regulations, the Appeals Council, its members, and Hearing Examiners in the Bureau of Hearings and Appeals, shall exercise all duties, powers, and functions of the Secretary relating to the holding of hearings, the administration of oaths and affirmations, the issuance of subpoenas, the examination of witnesses, the receipt of evidence, the rendition of decisions, and the review of decisions in connection with administrative appeals:

a. By individuals from determinations made under Title II of the Social Security Act, as amended, and affecting their rights to benefits, lump sum payments, earnings credited to accounts, and disability determinations;

b. By individuals from determinations made under Title XVIII of the Social Security Act and affecting their rights to, and amounts of, benefits;

c. By institutions or agencies from determinations described in section 1869(c) of the Social Security Act; and

d. By independent laboratories from determinations made pursuant to section 1861(s) of the Social Security Act, as amended, that they do not meet the conditions for coverage of their services.

3. *Delegations of authority to the Bureau of Federal Credit Unions.* The functions, powers, and duties of the Bureau of Federal Credit Unions under the Federal Credit Union Act, as amended (Public Law 86-354; 12 U.S.C. 1751-1772), shall be exercised by the Director of the Bureau of Federal Credit Unions under the general direction and supervision of the Commissioner of Social Security.

8-E. *Reservations of authority.* 1. The Secretary shall serve as a member of the Board of Trustees of the (1) Federal Old-Age and Survivors Insurance Trust Fund, (2) Federal Disability Insurance Trust Fund, (3) Federal Hospital Insurance Trust Fund, and (4) Federal Supplementary Medical Insurance Trust Fund. During the absence of the Secretary, the Under Secretary or the Assistant Secretary for Legislation shall serve. During the absence or disability of the Secretary, the Under Secretary, and the Assistant Secretary for Legislation, the Commissioner of Social Security shall represent the Secretary.

2. Authority conferred by sections 218(j), 706, 1813(b)(2), 1839(b)(2), and 1867 of the Social Security Act, as amended, shall be exercised only by the Secretary.

3. Authority to terminate agreements with States entered into pursuant to section 1864 of the Social Security Act, as amended, shall be exercised only by the Secretary.

4. Authority contained in subparagraph 8-D1c of this Statement may be redelegated only to the Deputy Commissioner of Social Security.

5. Authority conferred by section 218(g)(2) of the Social Security Act, as amended, shall be exercised only by the Commissioner and Deputy Commissioner of Social Security. Notwithstanding such limitation, the Commissioner may redelegate the authority to terminate an agreement with respect to one or more coverage groups in any case where a State waives the required notice and hearing provided in section 218(g)(2) of the Act, as amended, and consents to the removal of a group or groups from the agreement because the group(s) is dissolved, or is no longer legally able to function although not legally dissolved.

6. Authority conferred by section 218(s) of the Social Security Act, as amended, shall be exercised only by the Commissioner of Social Security. Notwithstanding such limitation, the Com-

missioner may redelegate the authority to grant, upon application by a State and for "good cause" shown, extensions of the time allowed for filing additional information or argument in connection with a request for review filed pursuant to section 218(s).

7. Authority conferred by section 1866(d) of the Social Security Act, as amended, to withhold payment for in-patient hospital services or for post-hospital extended care services for failure to make timely utilization reviews, shall be exercised only by the Commissioner and Deputy Commissioner of Social Security.

8. Authority conferred by sections 1816(b) and 1842(b)(2) of the Social Security Act, as amended, where the determination is that an agency, organization, or carrier will be unable to carry out the terms of an agreement (contract), shall be exercised only by the Commissioner of Social Security.

9. Authority conferred by sections 1816(e)(2) and 1842(b)(4) to terminate an agreement (contract) with an agency, organization, or carrier shall be exercised only by the Commissioner of Social Security: *Provided further*, That he shall exercise such authority only after

a. Such agency, organization, or carrier has been given an opportunity to request (within such time as is provided for by regulations) the Secretary to review the Commissioner's conclusions and findings and, where such request is made.

b. The Secretary has declined to review or has concurred in the Commissioner's proposal to terminate such agreement (contract).

10. Agreements and modifications of agreements under section 218, 221(b), 1816(a), 1842(a), 1843(a), 1864(a), 1866(a), or 1874 of the Social Security Act, as amended, shall be reviewed by the Office of the General Counsel for legal form and substance.

8-F. *Redelegation of authority.* Unless otherwise stated, authority delegated in section 8-D of this statement may be redelegated.

EXHIBIT X8-1

SOCIAL SECURITY ADMINISTRATION
PERMANENT OFFICES

Type of office		Address	ZIP code
Alabama:			
Andalusia	Branch Office	408 South Three-Notch St., Post Office Drawer 47	36420
Anniston	District Office	301 East 13th St., Post Office Box 98	36201
Bessemer	do	118-18th St. North	35020
Birmingham	do	2121 8th Ave. North	35203
	Hearings and Appeals	908 South 20th St.	35205
	Payment Center	3d Ave. and 23d St.	35203
Decatur	District Office	400 Wells St. NE., Post Office Box 489	35601
Dothan	do	100 West Troy St., Post Office Box 2107	36301
Florence	do	412 South Court St., Post Office Box 776	36630
Gadsden	do	201 College St., Post Office Box 950	35902
Huntsville	do	2318 Whitesburg Dr. South, Post Office Box 1488	35897
Mobile	do	218 St. Francis St., Post Office Box E	36601
	Hearings and Appeals	118 North Royal St.	36602
Montgomery	District Office	474 South Court St., Post Office Box 4010	36104
Opelika	Branch Office	415 First Ave., Post Office Box 2117	36801
Selma	District Office	908 Alabama Ave.	36701
Talladega	Branch Office	138 North Court St., Post Office Box 266	35160
Tuscaloosa	District Office	615 Queen City Ave.	35401
Alaska:			
Anchorage	Branch Office	617 G St.	99501
Juneau	District Office	709 West 9th St., Post Office Box 1327	99801
Arizona:			
Phoenix	do	1300 North Central Ave., Post Office Box 13118	85002
	Hearings and Appeals	3033 North Central Ave.	85012

	Type of office	Address	ZIP code
Alabama—Continued			
Prescott	District Office	203 West Willis St., Post Office Box 1551	88301
Scottsdale	do	30 Pima Plaza, Post Office Box 1623	88302
Tucson	do	110 East Alameda St., Post Office Box 3008	88702
Yuma	Branch Office	212 3d Ave., Post Office Box 1271	88804
Arkansas			
Batesville	Branch Office	12th and Main Sts.	72501
Blytheville	do	Broadway and Walnut Sts.	72315
El Dorado	District Office	217 East Main St., Post Office Box 1838	71731
Fayetteville	do	North College Ave., Post Office Box 88	72702
Forrest City	Branch Office	815 South Washington St., Post Office Box 954	72335
Fort Smith	District Office	Phoenix Village	72901
Helena	do	Walnut and Perry Sts., Post Office Box 370	72342
Hot Springs National Park	do	West Grand Ave. at Barry St., Post Office Box 1791	71901
Jonesboro	do	412 East Jackson St., Post Office Drawer 1150	72402
Little Rock	do	700 West Capitol, Post Office Box 149	72203
Pine Bluff	Hearings and Appeals	700 West Capitol Ave.	72201
Russellville	District Office	Post Office Box 186	71601
California	Branch Office	1803 South Arkansas, Post Office Box 783	72801
Bakersfield	District Office	2619 F St.	93301
Berkeley	do	1950 University Ave.	94704
Canoga Park	do	8377 Topanga Canyon Blvd.	91304
Chico	do	376 Vallombrassa Ave., Post Office Box 1420	91026
El Cajon	do	1075 East Main St., Post Office Box 564	92022
El Centro	Branch Office	1631 West Main St.	92543
Eureka	District Office	233 K St., Post Office Box 4460	92243
Fresno	do	1130 O St., Post Office Box 4285	93721
Glendale	do	721 South Glendale Ave., Post Office Box 449	91209
Hayward	Branch Office	2430 Northland Dr.	94545
Hollywood	District Office	1640 North Gower St., Post Office Box 1391	90028
Huntington Park	do	2570 East Slauson Ave., Post Office Box 2468	90256
Inglewood	do	608 East Manchester, Post Office Box 29	90306
Lancaster	do	44985 North 10th St. West, Post Office Box 2156	93534
Long Beach	do	1235 Pacific Ave.	90813
Hearings and Appeals	do	115 Pine Avenue Bldg.	90802
Los Angeles	District Office	419 South Hill St.	90013
Hearings and Appeals	do	4661 Sunset Blvd.	90027
Marysville	Branch Office	1016 G St., Post Office Box 1309	93027
Merced	do	550 West 22d St., Post Office Box 225	95340
Modesto	District Office	1038 McHenry Ave., Post Office Box 3311	95353
Monterey	Branch Office	740 Lighthouse Ave., Post Office Box 1897	93940
Monterey Park	District Office	118 North Garfield Ave.	91755
Oakland	do	831 East 14th St.	94606
Oceanside	do	818 3d St., Post Office Box 1039	92064
Palm Springs	do	1001 South Palm Canyon Dr.	92263
Palo Alto	do	400 Cambridge St.	91104
Pasadena	do	740 East Washington Blvd.	91104
Pomona	do	445 East Holt Ave., Post Office Box 2320	91766
Redding	do	1555 East St., Post Office Box 1683	96001
Sacramento	do	1818 J St., Post Office Box 431	95802
Hearings and Appeals	do	1722 Jay St.	95814
Salinas	District Office	65 San Miguel Ave., Post Office Box 2177	93901
San Bernardino	do	187 West 5th St.	92414
San Diego	do	3211 5th Ave.	92103
San Francisco	do	303 Golden Gate Ave.	94102
Hearings and Appeals	do	761 South Van Ness Ave.	94102
Payment Center	do	100 McAllister St.	94101
San Jose	District Office	448 Market St.	95114
San Luis Obispo	do	500 South 1st St.	93401
San Mateo	do	784 Santa Rosa St., Post Office Box 1249	94403
San Rafael	do	1241 California St., Post Office Box 150	94601
Santa Ana	do	1438 E 11th St., Post Office Box 661	92701
Santa Barbara	do	3311 State St., Post Office Box 8037	93105
Santa Cruz	do	173 Walnut Ave.	95060
Santa Maria	Branch Office	705 East Main St.	93454
Santa Monica	District Office	1594 6th St., Post Office Box 1219	90406
Santa Rosa	do	711 Coddington Center, Post Office Box 1769	95403
Stockton	do	826 North California St., Post Office Box 607	95201
Vallejo	do	1408 Crunshaw Blvd., Post Office Box 2888	94591
Venice	do	401 Nebraska St., Post Office Box 471	90260
Visalia	do	7138 Van Nuys Blvd.	93203
Walnut Creek	do	4274 Telegraph Rd., Post Office Box A	94597
Watts	do	701 West Center St.	90277
Whittier	do	1275 Pine St., Post Office Box 575	90602
do	do	1219 East 96th St.	90602
do	do	13120 East Philadelphia St., Post Office Box 627	90602
Colorado			
Alamosa	Branch Office	1015 4th St.	81101
Boulder	do	14th and Walnut Sts.	80302
Colorado Springs	District Office	15 South Weber, Post Office Box 1207	80901
Denver	do	1961 Stout St.	80202
Hearings and Appeals	do	1928 Stout St.	80202
Durango	Branch Office	1211 Main Ave.	81301
Fort Collins	do	103 South Meldrum St.	80521
Grand Junction	District Office	101 South 3d St., Post Office Box 2907	81501
Greeley	do	1113 10th Ave., Post Office Box 730	80631
La Junta	Branch Office	309 Santa Fe Ave.	81050
Pueblo	District Office	110 West 8th St., Post Office Box 356	81002
Trinidad	do	207 East Main St.	81082
Connecticut			
Bridgewater	do	181 Middle St.	06603
Danbury	Branch Office	148 Deer Hill Ave.	06810
Hartford	District Office	450 Main St.	06103
Meriden	do	71 Catin St.	06450
New Britain	do	100 Arch St.	06050
New Haven	do	135 College St.	06510
New London	do	27 Masonic St.	06320
Stamford	do	777 Summer St.	06902
Torrington	do	40 Water St.	06790
Waterbury	do	236 Grand St.	06702
Willimantic	do	948 Main St.	06226
Delaware			
Dover	do	New and Clara Sts.	19901
Wilmington	do	504 West 10th St.	19801
District of Columbia			
Alabama Ave.	Branch Office	2828 Alabama Ave. SE	20020
Minnesota Ave.	do	4061 Minnesota Ave. NE	20019
Washington	Central Office, Hearings and Appeals	330 C Street SW	20013
Central Office Federal Credit Unions	do	633 Indiana Ave.	20201
District Office	do	414 11th St. NW	20004
Hearings and Appeals	do	100 Indiana Ave. NW	20001
Florida			
Clearwater	District Office	111 North Fort Harrison Ave., Post Office Box 1063	33517
Daytona Beach	do	115 North Ridgewood Ave., Post Office Box 1391	32015
Deland	Branch Office	129 East Indigo Ave., Post Office Drawer E	32720
Eau Gallie	District Office	1511 Harbour City Blvd.	32935
Fort Lauderdale	do	308 Northeast 3rd Ave.	33301
Fort Myers	do	2124 Clifford St., Post Office Drawer SS	33902
Fort Pierce	Branch Office	1804 Okcechoke Rd.	34450
Gainesville	District Office	411 Southwest 2d Ave., Post Office Drawer S	32601
Hialeah	Branch Office	480 Hialeah Dr., Post Office Box 1240	33011
Hollywood	District Office	1330 Tyler St.	33020
Jacksonville	Hearings and Appeals	400 West Bay St., Post Office Box 35029	32202
Key West	Branch Office	400 West Bay St.	33040
Lake City	do	1751 Duval St., Post Office Box A	32056
Lakeland	District Office	306 South Florida Ave., Post Office Drawer E	33802
Maitland	Branch Office	609 West Dixie Ave., Post Office Box 857	32748
Miami	District Office	1 Herald Plaza	33132
Hearings and Appeals	do	51 Southwest 1st Ave.	33130
Miami Beach	District Office	1688 Meridian Ave.	33139
Ocala	do	12605 Northwest 7th Ave.	33163
Orlando	Branch Office	1615 South Pond St., Post Office Box 1338	32670
Hearings and Appeals	do	2520 North Orange Ave.	32804
Panama City	District Office	1011 East Colonial Dr.	32401
Pensacola	do	1135 Harrison Ave., Post Office Box 1370	32502
Sarasota	do	51 East Gregory St., Post Office Box 750	33578
St. Petersburg	do	111 South Orange Ave., Post Office Box 2108	33731
Tallahassee	do	144 1st Ave., Post Office Box 871	32302
Tampa	do	117 West College Ave., Post Office Box 429	33601
West Palm Beach	do	500 Zack St., Post Office Box 3132	33402
Georgia	do	715 South Dixie Highway Post Office Box 3171	31702
Albany	do	500 Pine Ave., Post Office Box 1088	31702
Athens	do	Beechwood Shopping Center, Post Office Box 5637	30604
Atlanta	do	730 Peachtree St. NE., Post Office Box 6327	30308
Hearings and Appeals	do	735 Peachtree St. NE.	30308
Augusta	District Office	100 Telfair St.	31320
Brunswick	Branch Office	700 Telfair St.	31520
Columbus	District Office	301-05 15th St., Post Office Box 1888	31902

ZIP code	Type of office	Address	ZIP code	Type of office	Address
Georgia—Continued					
30720	Branch Office	412 School St., Post Office Box 908	46901	District Office	500 West Superior St.
31021	do	114 East Johnson St., Post Office Box 670	47902	do	833 Ferry St., Post Office Box 750
30044	District Office	227 Main St., Post Office Box 1008	47260	do	310 Broadway
30051	do	425 Bradford St. NW, Post Office Drawer 938	48252	do	119 West 6th St., Post Office Box 569
30223	Branch Office	445 West Solomon St., Post Office Box 1069	48253	do	119 West 6th St.
30240	District Office	314 North Lewis St., Post Office Box 1089	47302	do	119 West 6th St.
31203	do	451 College St., Post Office Box 4123	47374	do	121 West Spring St., Post Office Box 315
30060	do	1383 Roswell Rd. NE	47374	do	121 West Spring St., Post Office Box 315
30162	do	308 Glen Milner Blvd., Post Office Box 231	48601	do	125 South Lafayette Blvd.
31402	do	101 East Liberty St., Post Office Box 2407	47803	do	637 Cherry St., Post Office Box 943
31762	do	North Broad St., Post Office Box 770	47901	do	310 North 24th St., Post Office Box 288
31601	do	122 North Oak St., Post Office Box 1122	53602	do	300 North Main St., Post Office Box 633
31501	do	704 Jane St., Post Office Box 758	52401	do	122 Second St. SE
96720	do	224 Hall St.	53601	do	316 West Montgomery St., Post Office Box 473
96813	do	1181 Alakea St.	53801	do	131 East 4th St.
96766	Branch Office	4387 Rice St., Post Office Box 109	56308	do	210 Walnut St.
96766	do	2131 West Main St.	52001	Hearings and Appeals	do
83701	District Office	614 Main St., Post Office Box 110	50502	District Office	6th and Locust Sts.
83401	Branch Office	510 D Street, Post Office Box 2497	50401	do	24 Ave. South and 8th St., Post Office Box 997
83501	District Office	728 21st St., Post Office Box 643	52502	do	124 West State St.
83201	do	428 North Main St., Post Office Box 1087	51101	do	601 West 2d St., Post Office Box 433
83301	do	156 2d Ave., West, Post Office Box 1239	50704	do	525 West 5th St., Post Office Box 5300
Illinois					
62002	do	1623 Washington Ave., Post Office Box 453	67801	do	117 East Spruce St., Post Office Box 880
60504	do	122 West Downer Pl.	67901	do	107 West 15th St., Post Office Box 938
60402	do	6311 West Cermak Rd.	67501	do	105 West 1st, Post Office Box 1069
61701	do	527 North Center St.	67801	do	115 West Laurel St., Post Office Box 807
62901	do	1007 West Main St., Post Office Box 1028	66101	Branch Office	812 North 7th St.
61802	do	309 West Clark St.	66502	District Office	220 Poyntz Ave.
60602	do	22 West Madison St.	66762	do	705 North Locust St., Post Office Box 74
60825	do	2300 West Lawrence Ave.	67402	do	628 North 9th St., Post Office Box 747
60636	do	1236 West 69th St.	66601	do	1236 Topeka Blvd., Post Office Box 1778
60644	do	4533 West Madison St.	67202	do	435 South Water St.
60615	do	731 South Parkway	Kentucky		
60647	do	233 West North Ave.	41101	do	1816 Carter Ave.
60641	do	4253 North Milwaukee Ave.	42101	do	Main and Center Sts., Post Office Box 629
60617	do	1775 West Ogden Ave.	42718	do	111 West Main St.
60604	do	8828 South Stony Island Ave.	40701	do	102-104 2d St.
60649	Hearings and Appeals	219 South Downer St.	41011	do	399 Garrard St.
60608	do	2376 East 71st St.	40422	Branch Office	Federal Bldg.
62902	Payment Center	165 North Canal St.	42701	District Office	408 North Mulberry St.
62902	District Office	403 West North St., Post Office Box 1109	41701	do	101 Bridge St.
62901	do	241 North Main St., Post Office Box 585	42240	do	135 Memorial Dr.
62901	do	650 Missouri Ave., Post Office Box 585	40605	do	2100 Fort Campbell Blvd., Post Office Box 2
60335	do	1330 North Harlem Ave.	40607	Hearings and Appeals	Church and Upper Sts.
60302	do	1239 Chicago Ave., Post Office Box 1475	40201	District Office	620 South 5th St., Post Office Box 1030
61401	Branch Office	103 North Chicago Ave.	42302	Hearings and Appeals	139 South 4th St.
62946	District Office	250 East Main St., Post Office Box 330	42301	Branch Office	537 East Center St.
62946	do	325 East Poplar St., Post Office Box 346	40965	do	237-10 West Cumberland Ave., Post Office Box 758
60428	do	15325 Page Ave.	42301	District Office	404 West Wesleyan Park Plaza, Post Office Box 3304
60434	do	225 North Chicago St., Post Office Box 489	42001	do	112 South 10th St.
60901	do	1015 North 6th Ave., Post Office Box 787	41601	do	24 and Division Sts.
61301	do	610 1st St.	42501	Branch Office	Trade Winds Shopping Center
62964	do	54 Crownview, Post Office Box 887	71301	District Office	1777 Jackson St., Post Office Box 4227
61601	do	610 Abington, Post Office Box 148	71301	Hearings and Appeals	1504 MacArthur Dr., Post Office Box 6666
62302	do	1205 Broadway, Post Office Box 530	70806	District Office	1888 Wooddale Blvd., Post Office Box 1748
61101	do	401 South Main St.	70401	Branch Office	124 Southwest Railroad Ave., Post Office Box 788
61202	do	211 19th St., Post Office Box 277	70361	District Office	302 Lafayette St., Post Office Box 29
62701	do	528 South 5th St.	70505	do	612 Pinhook Rd., Post Office Box 52085 OCS
61081	do	307 1st Ave., Post Office Box B	70601	do	3616 Kirkman St., Post Office Box 1587
60085	do	2500 Grand Ave., Post Office Box 469	71204	Branch Office	2003 Tower Dr., Box C
46016	do	216 East 9th St., Post Office Box 548	71457	Branch Office	405 Keyser St., Post Office Box 836
47402	do	426 East 5th St.	70113	District Office	701 Loyola Ave.
46514	do	515 South 3d St.	70122	do	2051 Senate St., Post Office Box 8241
47713	do	214 Southeast 6th St.	70113	Hearings and Appeals	701 Loyola Ave.
46802	do	343 West Wayne St., Post Office Box 1207	70570	Branch Office	502 Prudhomme Lane, Post Office Box 223
46401	do	610 Connecticut St.	71104	District Office	2940 Youree Dr., Post Office Box 4000
46320	do	636 State St.			
46204	do	2000 North Meridian St.			
46204	Hearings and Appeals	15 East Washington St.			

	Type of office	Address	ZIP code
New Hampshire—Continued			
Manchester.....	District Office	50 Bridge St.	03101
Nashua.....	do	5 Water St.	03060
Portsmouth.....	do	Federal Bldg., Daniel St.	03801
New Jersey			
Asbury Park.....	do	611 Heck St.	07712
Atlantic City.....	do	Pacific and Pennsylvania Aves.	08401
Bloomfield.....	do	622 Bloomfield Ave.	07003
Bridgeton.....	do	100 North Pearl St.	08302
Camden.....	do	116 Federal St.	08103
East Orange.....	do	149 South Harrison St.	07018
Elizabeth.....	do	208 Main St.	07201
Hackensack.....	do	50 Main St.	07601
Irvington.....	do	1071 Springfield Ave.	07111
Jersey City.....	do	900 Bergen Ave.	07306
Morristown.....	do	136 South St.	07960
Newark.....	do	1016 Broad St.	07102
New Brunswick.....	Hearings and Appeals	970 Broad St.	08901
Passaic.....	District Office	167 New St.	07055
Paterson.....	do	63 Grove St.	07656
Perth Amboy.....	do	52 Church St.	08861
Trenton.....	do	93 Smith St.	08661
New Mexico			
Albuquerque.....	do	500 Gold Ave. SW, Post Office Box 2247	87103
Clovis.....	Branch Office	Giddings and 5th Sts.	88101
Farmington.....	District Office	501 Airport Dr., Post Office Box 1138	87401
Las Cruces.....	Branch Office	1480 North Main St.	88001
Roswell.....	District Office	Richardson Ave. and 5th St., Post Office Box 1378	88201
Santa Fe			
Santa Fe.....	do	Federal Bldg., Post Office Box 1508	87501
New York			
Albany.....	do	16 Park St.	12207
Auburn.....	Hearings and Appeals	11 North Pearl St.	12207
Batavia.....	District Office	2 Easterly Ave.	13021
Binghamton.....	do	17 Masse Pl.	14020
Bronx.....	do	107 Chennango St.	13092
do	do	1900 Westchester Ave.	10462
do	do	2339 Jerome Ave.	10468
do	do	151 East 151st St.	10451
do	Hearings and Appeals	349 East 149th St.	10451
Brooklyn.....	District Office	345 Adams St.	11201
do	do	730 Broadway	11206
do	do	333 Avenue X	11223
do	do	280 Roffat St.	11227
do	do	136 East 22d St.	11207
do	do	120 West Monhawk St.	14202
Buffalo.....	do	220 West Monhawk St.	14202
do	Hearings and Appeals	11 East Park Ave.	14252
do	District Office	152 Beldwin St.	14901
Corning.....	do	136-59 37th Ave.	14354
Elmira.....	do	9005 Horace Harding Expressway	11938
Flushing.....	Payroll Center	59 North Main St.	11520
Fresport.....	District Office	360 Exchange St.	14450
Geneva.....	do	65 Bay St.	12801
Glen Falls.....	do	52 South Main St.	12078
Gloversville.....	do	419 Warren St.	12534
Hudson.....	Branch Office	740 Walt Whitman Rd.	11746
Huntington.....	District Office	113 South Cayuga St.	14850
Ithaca.....	Branch Office	77-14 Roosevelt Ave.	11372
Jackson Heights.....	District Office	144-10 Jamaica Ave.	11435
Jamaica.....	do	80-31 161st St.	11432
do	Hearings and Appeals	Prendergost Ave. and 2d St.	14701
do	District Office	3600 Delaware Ave.	14217
Kenmore.....	do	57 Albany Ave.	12401
Kingston.....	do	30 Broadway	10006
Manhattan.....	do	1657 Broadway	10027
do	do	202 West 12th St.	10027
do	do	1387 St. Nicholas Ave.	10033
do	Hearings and Appeals	30 East 42d St.	10017
Mineola.....	District Office	1503 Kellum Pl.	11501
New Rochelle.....	do	70 Church St.	10905
Newburgh.....	do	473 Broadway	12550
New City.....	do	2 Congress Rd.	10956
Niagara Falls.....	do	1390 Pine Ave.	14301
Oranburg.....	do	308 Catherine St., Post Office Box 579	13669
Olean.....	do	153 North Union St., Post Office Box 406	14700
New York—Continued			
Oneonta.....	District Office	118 Main St.	13820
Oswego.....	do	East 1st and Bridge Sts.	13126
Pachogue.....	do	78 Oak St.	13126
Poughkeepsie.....	do	37-45 Elm St.	12602
Roseton.....	do	37-45 Elm St.	12602
Schenectady.....	do	107 Chennango St.	14804
State Island.....	do	530 Franklin Ave. North	12805
Syracuse.....	do	595 Forest Ave.	13210
Troy.....	do	840 Jones St.	12213
Utica.....	do	25 3d St.	12180
Watertown.....	do	287 Genesee St.	13801
White Plains.....	do	88 Public St., Post Office Box 440	13801
Yonkers.....	do	200 Mamaroneck Ave.	10601
North Carolina			
Asheville.....	do	45 South Broadway	10701
Charlotte.....	do	50 South French Broad Ave.	28801
do	Branch Office	408 Spring St., Post Office Box 1988	27215
do	District Office	2023 East Independence Blvd.	28205
Durham.....	Hearings and Appeals	517 Insurance Lane	28204
Elizabeth City.....	District Office	2022 Guess Rd., Post Office Box 2507	27705
Fayetteville.....	Branch Office	401 South Dyer St.	27909
Gastonia.....	do	301 Green St., Post Office Box 8	28031
Goldsboro.....	do	1320 East Franklin Ave., Post Office Box 3897	28053
Greensboro.....	do	311 East Walnut St., Post Office Box 8	27430
Greenville.....	do	1327 Beaman Pl., Post Office Box 9276	27634
Hickory.....	do	205 Boyd Ave.	28601
High Point.....	do	25 1st Ave. NE	27384
Kinston.....	Branch Office	422 North Wrenn St., Post Office Box 231	28501
Lumberton.....	do	810 West Vernon St.	28358
New Bern.....	District Office	500 Chestnut St., Post Office Box 1409	28561
North Wilkesboro.....	Branch Office	308 New St., Post Office Box 1290	28659
Raleigh.....	District Office	309 9th St.	27603
do	Hearings and Appeals	1122 Hillsboro St.	27705
Roanoke Rapids.....	do	1330 St. Mary's St.	27870
Rockingham.....	do	1100 Roanoke Ave., Post Office Box 10	27879
Rocky Mount.....	do	221-228 South Hancock St.	27862
Salisbury.....	District Office	226 Hill St., Post Office Box 1140	28674
Statesville.....	do	105 Corlier Ave.	28677
Wilmington.....	Branch Office	124 Court St.	28401
Winston-Salem.....	District Office	14 South 16th St., Post Office Box 3007	27101
North Dakota			
Bismarck.....	do	Federal Bldg., Post Office Box 018	58501
Fargo.....	do	408 Roberts St., Post Office Box 1348	58102
Grand Forks.....	do	401 Doernbecher Ave., Post Office Box 1678	58201
Minot.....	do	100 1st St. SW	58701
Ohio			
Akron.....	do	340 South Broadway	44308
Ashtabula.....	do	4314 Main Ave.	44004
Canton.....	do	1020 Market Ave.	44702
Chillicothe.....	do	606 Central Center	45601
Cincinnati.....	do	550 Main St.	45202
Cleveland.....	do	7885 Reading Rd.	45237
do	Hearings and Appeals	550 Main St.	45202
do	District Office	1240 East 9th St.	44199
do	do	10613 Euclid Ave.	44106
do	do	2012 West 25th St.	44113
Columbus.....	Hearings and Appeals	1240 East 9th St.	44114
do	District Office	170 North High St.	43215
Dayton.....	Hearings and Appeals	333 West 1st St.	45402
Defiance.....	do	5th St. and Clinton Ave.	43512
East Liverpool.....	do	740 Dresden Ave., Post Office Box 776	43920
Findlay.....	do	337 East Lincoln St.	45840
Hamilton.....	do	211 South Front St.	45011
Lancaster.....	Branch Office	212 South Broad St.	43130
Lima.....	District Office	640 West Market St.	43802
Lorain.....	do	203 8th St.	44052
Mansfield.....	do	165 West 3d St., Post Office Box 500	44901
Marion.....	do	331 4th St., Post Office Box 644	43750
Marion.....	do	126 South Main St.	43802
New Philadelphia.....	do	172 West High St.	44063
Newark.....	do	15 West Locust St.	43586
Piqua.....	do	219 West Ash St.	45586
Portsmouth.....	do	923 Findlay St., Post Office Box 1299	43962
Sandusky.....	do	158 Market St.	44870

	Type of office	Address	ZIP code
Ohio—Continued			
Springfield	District Office	15 East Pleasant St.	45501
Staubenville	do	630 Market St.	43952
Toledo	do	234 Summit St.	43604
Warren	do	558 High St. N.E., Post Office Box 1349	44482
Wooster	Branch Office	405 West Liberty St.	44691
Youngstown	District Office	85 Central Sq.	44503
Zanesville	do	3089 Maple Ave.	43701
Oklahoma:			
Ada	Branch Office	306 East 12th St., Post Office Box 128	74200
Ardmore	District Office	301 West Main St., Post Office Box 189	73401
Bartlesville	Branch Office	548 Southeast Washington St., Post Office Box 3191	74003
Clinton	do	2130 Freeway, Post Office Box 318	73901
Enid	District Office	2003 Lahoma Rd., Post Office Box 3207	73701
Lawton	do	615 West B Ave., Post Office Box 308	73501
McAlester	do	109 East Washington, Post Office Box 988	74501
Muskogee	do	505 West Okmulgee, Post Office Box 678	74401
Oklahoma City	do	24th and North Walker, Post Office Box 06489	73106
Ponca City	Hearings and Appeals	120 Robert S. Kerr Ave.	73106
Shawnee	Branch Office	222½ East Grand, Post Office Box 390	74801
Tulsa	District Office	1500 North Krickapoo	74103
Oregon:			
Coos Bay	Branch Office	269 North Broadway, Post Office Box 270	97420
Eugene	District Office	640 High St., Post Office Box 1337	97401
Klamath Falls	do	1020 Pine St., Post Office Box 649	97601
La Grande	do	1802 4th St., Post Office Box 327	97850
Medford	do	1017 North Riverside, Post Office Box 876	97501
Portland	do	1221 Southwest 12th St.	97235
Roseburg	Hearings and Appeals	1608 Southwest Morrison St.	97236
Salem	Branch Office	430 Southwest Morrison St.	97204
Salem	District Office	803 Southeast Stephens, Post Office Box 336	97470
Salem	do	702 Church St. N.E., Post Office Box 149	97398
Pennsylvania:			
Allentown	do	123-131 North 13th St.	18102
Altoona	do	1113 17th St.	16803
Altoona	do	339 Merchant St.	15003
Ambridge	do	1802 94 Walnut Ave.	19007
Bristol	do	401 South Main St.	19001
Butler	do	5th and Market Sts.	17201
Chambersburg	do	201 North Union St.	17003
Chester	do	101 North Main St.	19301
Du Bois	do	16 North 2d St.	15801
Easton	do	21 East Broad St.	16501
Greensburg	do	521 Philadelphia St.	15601
Harrisburg	do	225 West King St.	17101
Hazleton	do	Federal Bldg., Locust St. Entrance	17801
Indiana	do	225 West King St.	15901
Johnstown	do	840 Willow St.	15701
Lancaster	do	411 6th Ave.	17603
Lebanon	Branch Office	25 North Mill St.	17042
McKeesport	District Office	707 5th Ave.	15132
New Kensington	do	55 East Marshall St.	16101
Norristown	do	311 Seneca St.	19008
Oil City	do	1319 Filbert St.	19401
Philadelphia	do	5716 Greene St.	19107
Philadelphia	do	4739 Frankford Ave.	19144
Philadelphia	do	5131 Chestnut St.	19124
Philadelphia	do	1015 Chestnut St.	19139
Philadelphia	Hearings and Appeals	401 North Broad St.	19108
Pittsburgh	Payment Center	101 North Broad St.	15107
Pittsburgh	District Office	915 Penn Ave.	15222
Pittsburgh	do	121 South Highland Ave.	15226
Pittsburgh	Hearings and Appeals	1000 Liberty Ave.	15222
Pottsville	District Office	2001 East Arch St.	17801
Reading	do	533 Penn St.	19601
Scranton	do	North Washington Ave. and Linden St.	18501
Sharon	do	Shafan Bldg., Post Office Box B	16146
State College	do	346 East College Ave., Post Office Box 18	16801
Sunbury	do	230-A Market St., Post Office Box 206	17801
Uniontown	do	50 West Main St.	15401
Washington	do	355 Jefferson Ave.	15301
West Chester	do	High and Market Sts.	19380
Pennsylvania—Continued			
Wilkes-Barre	District Office	19 North Main St.	18701
Williamsport	Hearings and Appeals	19 North Main St.	18701
Williamsport	District Office	302 West Fourth St.	17701
York	do	229 South George St.	17403
Puerto Rico and Virgin Islands	do	521 Rotarians Ave., Post Office Box 675	00613
Arecibo	do	Calle Mari, No. 19	00619
Bayamon	do	Baldorioty St. and Vicecarando, Post Office Box 1145	00626
Caguas	do	do	00626
Mayaguez	do	96 McKinley St., Post Office Box 1630	00709
Ponce	do	104 Arocha St., Post Office Box 2113	00732
San Juan	do	102 Ponce de Leon Ave., Post Office Box 2468	00910
Sancti Spiritus	do	605 Condado Ave.	00908
Rhode Island	Branch Office	22 Crystal Glade, Post Office Box 118	00801
Pawtucket	do	15 High St.	02863
Providence	District Office	200 Dyer St.	02903
Woonsocket	do	Monument Sq.	02905
South Carolina:	do	do	29621
Anderson	do	114 West Greenville St.	29612
Bennettsville	Branch Office	124 South Liberty St.	29403
Charleston	District Office	334 Meeting St., Post Office Box 2306	29403
Columbia	do	1813 Main St.	29201
Conway	Hearings and Appeals	1226 Laurel St.	29526
Florence	Branch Office	905 3d Ave.	29501
Georgetown	District Office	237 South Warley St.	29440
Greenville	Branch Office	105 Screven St., Post Office Box 539	29603
Greenville	District Office	300 East Washington St., Post Office Drawer 10187	29603
Greenville	Hearings and Appeals	419 North Main St.	29601
Greenville	District Office	219 Magnolia Ave., Post Office Box 519	29647
Orangeburg	Branch Office	314 St. John St., Post Office Box 427	29115
Rock Hill	District Office	228 Hampton St., Post Office Box 431	29730
Spartanburg	do	141 Alabama St., Post Office Box 3127	29602
Sumter	Branch Office	101 South Main St., Post Office Box 1253	29151
South Dakota:	do	do	57401
Aberdeen	District Office	Post Office Bldg., Post Office Box 1360	57501
Huron	do	334 3d St. SW., Post Office Box 539	57301
Rapid City	do	916 Main St.	57102
Sioux Falls	do	512 South Dakota Ave.	57102
Tennessee:	do	do	37401
Chattanooga	Hearings and Appeals	1401 McCallie Ave., Post Office Box 991	37401
Clarksville	Branch Office	West 9th St.	37402
Cleveland	do	24 and Legion Sts.	37401
Columbia	District Office	Village Shopping Center	37401
Cookeville	do	601 North High St., Post Office Box 999	38402
Dyersburg	do	412 East Spring St., Post Office Box 699	38502
Greenville	do	Church and McCaughy Sts., Post Office Box 980	38024
Jackson	Branch Office	212-216 East Depot St., Post Office Box 241	37743
Johnson City	District Office	Post Office Bldg., Post Office Box 2507	38301
Kingsport	do	325 West Walnut St.	37601
Knoxville	Branch Office	Parkway Plaza Shopping Center	37601
Knoxville	District Office	1015 North Central Ave., Post Office Drawer 3447	37601
Knoxville	Hearings and Appeals	301 West Cumberland Ave.	37917
LaFollette	Branch Office	811 East Central St., Post Office Box 1470	37902
Memphis	District Office	307 North Main St., Post Office Box 688	38103
Morristown	Branch Office	103 West Main St., Post Office Box 1233	37814
Murfreesboro	do	1600 West 2nd St.	37130
Nashville	District Office	1717 W. End Ave.	37203
Paris	Hearings and Appeals	1005 East Wood St.	38242
Paris	Branch Office	West Lincoln St., Post Office Box 817	37388
Texas:	do	do	79004
Abilene	District Office	North 3rd and Pine Sts., Post Office Box 3258	79101
Amarillo	do	1006 Adams St.	79101
Austin	do	531 Barton Spring Rd.	78704
Beaumont	do	485 North 15th St., Post Office Box 5306	77706
Big Spring	do	1009 Gregg St.	77920
Brownsville	do	910 East Washington St., Post Office Box 1351	78521
Brownsville	Branch Office	315 North Center Ave., Post Office Box 700	78801
Bryan	District Office	307 North Main St., Post Office Box 793	77801
Corpus Christi	do	1802 South Staples St., Post Office Box 8606	78404
Corpus Christi	Branch Office	415 North 12th St., Post Office Box 1481	78110
Corpus Christi	District Office	3716 Rawlins St., Post Office Box 6556	78219
Dallas	Hearings and Appeals	311 South Akard St.	75202

	Type of office	Address	ZIP code
Texas—Continued	Branch Office	333 Monroe St., Post Office Box 1203	78832
	District Office	3211 Yandall Dr., Post Office Box 3346	79923
	do	819 Taylor St.	70102
	Hearings and Appeals	819 Taylor St.	70102
	District Office	419 Tremont St.	77850
	Branch Office	Corner of Wesley and Lee Sts., Post Office Box 157	75401
	District Office	515 Rust Ave.	77002
	Hearings and Appeals	515 Rust Ave., Post Office Box 6129	77002
	District Office	700 San Augustine Ave., Post Office Box 389	79431
	do	108 East South St., Post Office Box 871	75603
Lubbock	do	3428 Avenue H	79404
	do	Chesapeake Village Shopping Center, Post Office Box 98	79401
	do	504 South 12th St., Post Office Box 1180	78301
	do	700 East Grant St.	79280
	Branch Office	611 East Levey	75801
	District Office	1416 East Southmore Ave., Post Office Box 3009	75801
	Branch Office	1401 B. West 6th	75972
	District Office	1220 Clarksville St.	75465
	Branch Office	400 West Kingsmill St.	79665
	District Office	Austin and 5th Sts., Post Office Box 147	77641
Port Arthur	do	3000 West Harris Ave.	77601
	do	309 Dryer Ave.	78304
	do	315 West Mulberry, Post Office Box 848	75901
	do	121 College Dr., Post Office Box 1319	75901
	do	105 West Front St., Post Office Box 3427	75701
	Branch Office	1728 Fannin St., Post Office Box 1417	76384
	District Office	312 South Main St., Post Office Box 2298	77943
	do	3326 Franklin Ave., Post Office Box 299	76703
	do	Lamar and 10th Sts., Post Office Box 1650	76307
	do	304 25th St.	84401
Utah	do	170 North 2d St., Post Office Box 948	84601
	do	231 East 4th South St.	84111
	do	11 Elmwood Ave.	05402
	do	87 State St.	05601
	do	24 Evelyn St.	05701
	do	825 South Washington St., Post Office Box 118	22313
	do	2193 Euclid Ave.	24201
	do	2140 Barracks Rd., Post Office Box 5126	22903
	do	433 West Main St., Post Office Box 57	24426
	do	Arnett Blvd.	24540
Newport News	do	2600 Memorial Ave., Post Office Box 2247	24501
	do	8601 Marshall Ave.	23905
	do	220 West Brambleton Ave.	23510
	do	46 7th St.	23273
	do	200 North Sycamore St., Post Office Box 629	23804
	do	400 North 8th St.	23240
	do	400 West Campbell Ave.	24015
	do	925 South Jefferson St.	24015
	do	119 West Frederick St., Post Office Box 1020	24401
	do	20 South Cameron St., Post Office Box 436	23001
Roanoke	do	440 West Franklin St.	24332
	Branch Office	309 East Market St.	98329
	District Office	Magnolia and Cornwall Sts.	98225
	do	801 11th St., Post Office Box 29	98310
	do	1416 Broadway	98201
	Branch Office	1415 5th Ave., Post Office Box 1237	98332
	District Office	100 South Washington St., Post Office Box 608	98501
	Branch Office	1600 North Chase Ave., Post Office Box 2488	98302
	District Office	233 Fairview Ave.	98109
	Hearings and Appeals	1319 2d Ave.	98101
Seattle	District Office	420 Riverside Ave.	98201
	do	1016 West 1st St.	98405
	do	500 West 12th St., Post Office Box 249	98405
	do	335 South 2d St., Post Office Box 47	98660
	do	608 North Ocean St., Post Office Box 428	98362
	do	101 North 6th Ave., Post Office Box 2188	98001
	do		98902
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Spokane	District Office	401 South Elm St., Post Office Box 528	54911
	do	715 South Barstow St., Post Office Box 180	54701
	do	73 East 1st St., Post Office Box 147	54695
	do	325 East Walnut St.	54801
	do	306-08 West Milwaukee St., Post Office Box 779	53546
	do	2002 63d St., Post Office Box 949	53140
	do	149 South 5th St., Post Office Box 856	54601
	do	126 South Madison St.	53513
	do	325 University Ave.	53705
	do	300 North Wacker St.	54143
Wichita Falls	do	131 West Oklahoma Ave.	53201
	do	424 West Brandon Ave.	53219
	do	434 Washington St.	53219
	do	603 Madison St.	53401
	do	607 North Eighth St.	53761
	do	1810 Bell St., Post Office Box 108	54580
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	do	119 North St., Post Office Box 338	54186
	do	140 Johnson St., Post Office Box 343	54494
	do	606 South David St., Post Office Box 1771	82601
Wichita Falls	do	602 West 24th St., Post Office Box 948	82001
	do	516 Broadway, Post Office Box 1230	82991
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EXHIBIT X8-2

STATUTES, OTHER THAN THE SOCIAL SECURITY ACT, WHICH GIVE THE SECRETARY AUTHORITY RELATING TO THE MISSION OF THE SOCIAL SECURITY ADMINISTRATION

(a) Act of August 11, 1939 (Public Law 400, 76th Cong.), 53 Stat. 1420, sec. 2, 53 Stat. 1420.

(b) Act of August 13, 1940 (Public Law 764, 76th Cong.), 54 Stat. 786, sec. 5, 54 Stat. 787.

(c) Act of May 26, 1948 (Public Law 557, 80th Cong.), 62 Stat. 274, sec. 3(b)(5), 70 Stat. 980.

(d) Act of September 1, 1954 (Public Law 769, 83d Cong.), 68 Stat. 1142, as amended, September 26, 1961, Public Law 87-229, 75 Stat. 640.

(e) Civil Service Retirement Act, 46 Stat. 486, sec. 3(j), 70 Stat. 745, 75 Stat. 623, 80 Stat. 569.

(f) Federal Claims Collection Act of 1966 (Public Law 89-508), 80 Stat. 308, sec. 3(b), 80 Stat. 309.

(g) Immigration and Nationality Act, 66 Stat. 204, sec. 290(c), 66 Stat. 294.

(b) Internal Revenue Code of 1954, 68A Stat. 3, sec. 3121(k)(2), 68A Stat. 428, sec. 3121(l)(4), 68 Stat. 1095.

(i) International Organizations Immunities Act, 59 Stat. 669, sec. 5(b), 59 Stat. 671.

(j) Railroad Retirement Act of 1937, 50 Stat. 307, sec. 3(e), 50 Stat. 311, as amended, sec. 5(k)(2)(E), 65 Stat. 688, sec. 5(k)(3), 60 Stat. 732, 72 Stat. 1780, sec. 21(c), 79 Stat. 340.

(k) Social Security Act Amendments of 1939 (Public Law 779, 76th Cong.), 53 Stat. 1366, sec. 907, 53 Stat. 1402, 57 Stat. 45, 47, 58 Stat. 188, 63 Stat. 1085.

(l) Social Security Act Amendments of 1950 (Public Law 734, 81st Cong.), 64 Stat. 774, sec. 101(d), 64 Stat. 488, 66 Stat. 775, 77 Stat. 936, sec. 110, 64 Stat. 523.

(m) Social Security Amendments of 1954 (Public Law 781, 83d Cong.), 68 Stat. 1062, sec. 101(k), 68 Stat. 1060, sec. 102(e)(5), 68 Stat. 1068, 74 Stat. 966, sec. 109, 68 Stat. 1084, 74 Stat. 948, sec. 403(a), 68 Stat. 1088, 70 Stat. 856, 72 Stat. 938, 74 Stat. 944, sec. 404, 68 Stat. 1099.

(n) Social Security Amendments of 1956 (Public Law 880, 84th Cong.), 70 Stat. 807, 70 Stat. 807.

sec. 104(f), 70 Stat. 826, sec. 116, 70 Stat. 833, 74 Stat. 994.

(o) Social Security Amendments of 1958 (Public Law 85-840), 72 Stat. 1013, sec. 314(c)(2), 72 Stat. 1037, sec. 316, 72 Stat. 1040, 74 Stat. 935.

(p) Social Security Amendments of 1960 (Public Law 86-778), 74 Stat. 924, sec. 101(d), 74 Stat. 927, sec. 102(f)(3)(B), 74 Stat. 934, sec. 102(h), 74 Stat. 934, sec. 102(i), 74 Stat. 935, sec. 102(k), 74 Stat. 935, sec. 105(b), 74 Stat. 943, sec. 404(a), 74 Stat. 970.

(q) Social Security Amendments of 1965 (Public Law 89-97), 79 Stat. 286, sec. 102(b), 70 Stat. 332, sec. 103(c), 79 Stat. 334, sec. 109(b), 79 Stat. 340, sec. 316(c), 79 Stat. 386, sec. 319(c), 79 Stat. 391, sec. 331(c), 79 Stat. 402.

(r) Social Security Amendments of 1967 (Public Law 90-248), 81 Stat. 821, sec. 124(a), 81 Stat. 845, sec. 142, 81 Stat. 855, sec. 163, 81 Stat. 872, sec. 170, 81 Stat. 875.

(s) Other Social Security Act Amendments, Public Law 85-227 (Aug. 30, 1957), 71 Stat. 512, sec. 2, 71 Stat. 512; Public Law 85-239 (Aug. 30, 1957), 71 Stat. 521, sec. 3, 71 Stat. 522; Public Law 86-284 (Sept. 16, 1959), 73 Stat. 566, sec. 3, 73 Stat. 566; Public Law 87-878 (Oct. 24, 1962), 76 Stat. 1202.

(t) Title 38, United States Code (Public Law 85-857), 72 Stat. 1105, sec. 422, 72 Stat. 1132, 75 Stat. 566, sec. 3001, 72 Stat. 1225, sec. 3005, 72 Stat. 1226.

(u) Trading With the Enemy Act of 1917, 40 Stat. 411, sec. 36(a), 60 Stat. 925.

(Sec. 6, Reorganization Plan No. 1 of 1953)

Dated: April 5, 1968.

DONALD F. SIMPSON,
Assistant Secretary
for Administration.

[F.R. Doc. 68-4385; Filed, Apr. 15, 1968;
8:45 a.m.]

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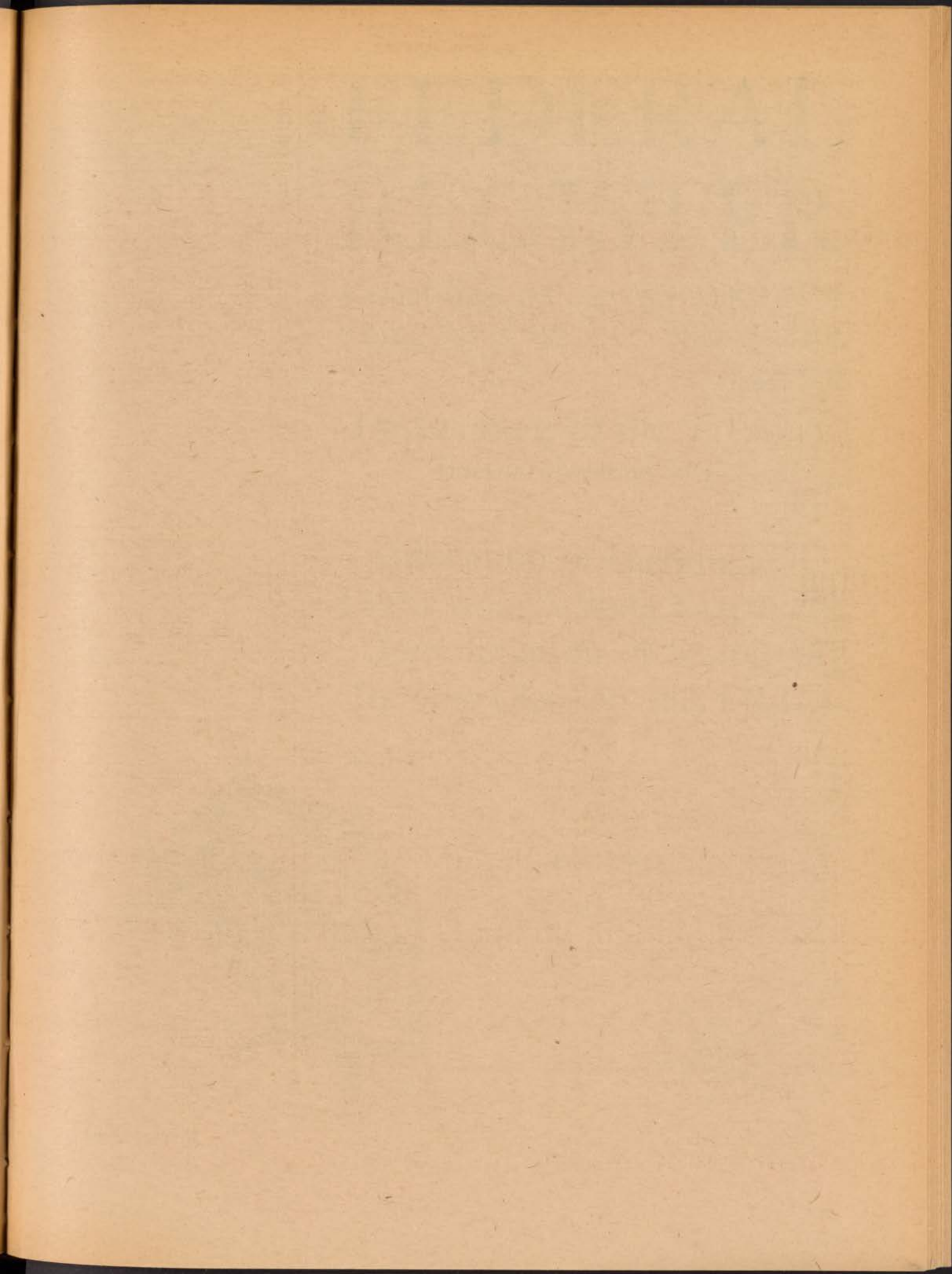
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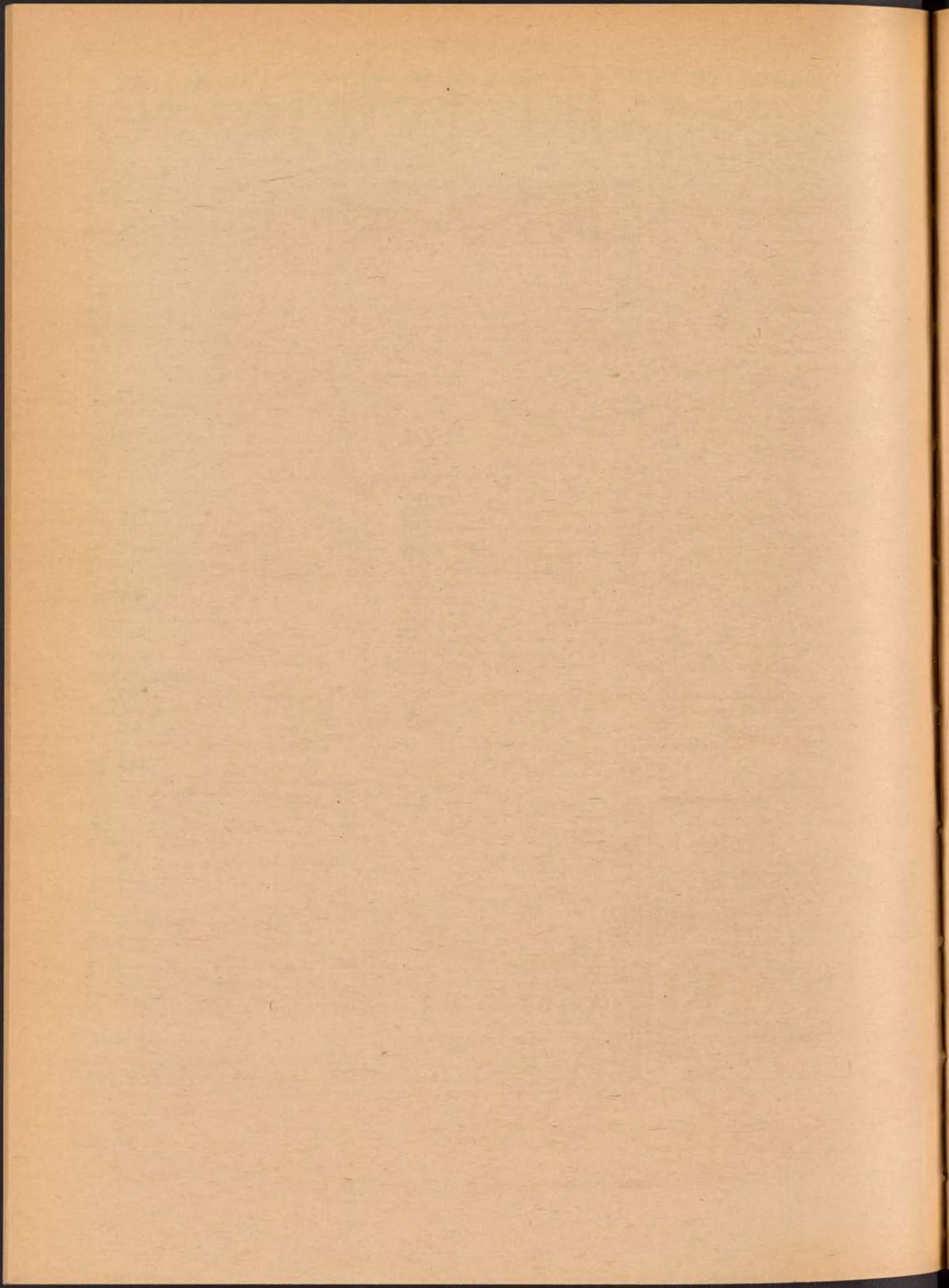
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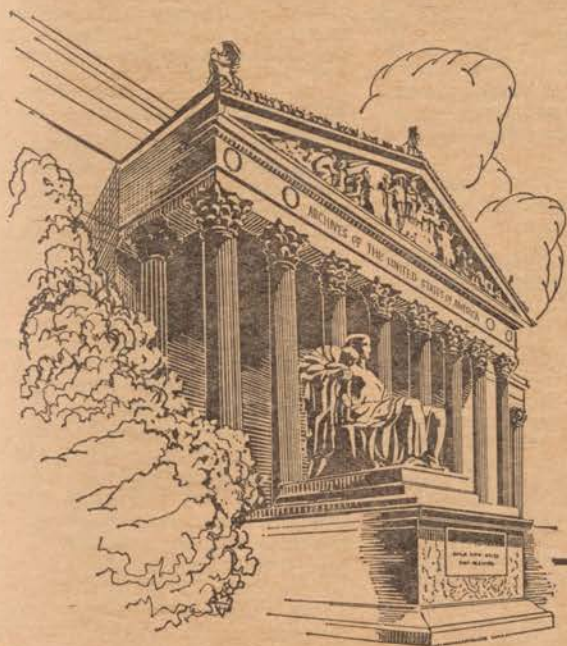
VOLUME 33 • NUMBER 74

Tuesday, April 16, 1968 • Washington, D.C.

PART II

Department of the Treasury
Internal Revenue Service

Allocation of Income and
Deductions Among Taxpayers;
Determination of Source of
Income (Section 482, I.R.C.)



Treasury Decision 6952
and
Notice of Proposed Rule Making



Title 26—INTERNAL REVENUE

Chapter I—Internal Revenue Service, Department of the Treasury

SUBCHAPTER A—INCOME TAX

[T.D. 6952]

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

Allocation of Income and Deductions Among Taxpayers

On April 1, 1965, notice of proposed rule making with respect to amendment of the Income Tax Regulations (26 CFR Part 1) under section 482 of the Internal Revenue Code of 1954 (relating to allocation of income and deductions among taxpayers) was published in the FEDERAL REGISTER (30 F.R. 4256). On August 2, 1966, the notice of April 1, 1965, was withdrawn and a new notice of proposed rule making with respect to amendment of the Income Tax Regulations under section 482 and with respect to amendment of the Income Tax Regulations under section 861 (relating to the determination of sources of income) was published in the FEDERAL REGISTER (31 F.R. 10394). After consideration of all such relevant matter as was presented by interested persons regarding the rules proposed, the amendment under section 482 is hereby adopted to read as set forth below. Section 1.861-8 continues in effect under notice of proposed rule making and will be given further consideration before final action is taken thereon.

§ 1.482-1 Allocation of income and deductions among taxpayers.

(a) *Definitions.* When used in this section and in § 1.482-2—

(d) *Method of allocation.* (1) The method of allocating, apportioning, or distributing income, deductions, credits, and allowances to be used by the district director in any case, including the form of the adjustments and the character and source of amounts allocated, shall be determined with reference to the substance of the particular transactions or arrangements which result in the avoidance of taxes or the failure to clearly reflect income. The appropriate adjustments may take the form of an increase or decrease in gross income, increase or decrease in deductions (including depreciation), increase or decrease in basis of assets (including inventory), or any other adjustment which may be appropriate under the circumstances. See § 1.482-2 for specific rules relating to methods of allocation in the case of several types of business transactions.

(2) Whenever the district director makes adjustments to the income of one member of a group of controlled taxpayers (such adjustments being referred to in this paragraph as "primary" adjustments) he shall also make appropriate correlative adjustments to the income of any other member of the group involved in the allocation. The correlative

adjustment shall actually be made if the U.S. income tax liability of the other member would be affected for any pending taxable year. Thus, if the district director makes an allocation of income, he shall not only increase the income of one member of the group, but shall decrease the income of the other member if such adjustment would have an effect on the U.S. income tax liability of the other member for any pending taxable year. For the purposes of this subparagraph, a "pending taxable year" is any taxable year with respect to which the U.S. income tax return of the other member has been filed by the time the allocation is made, and with respect to which a credit or refund is not barred by the operation of any law or rule of law. If a correlative adjustment is not actually made because it would have no effect on the U.S. income tax liability of the other member involved in the allocation for any pending taxable year, such adjustment shall nevertheless be deemed to have been made for the purpose of determining the U.S. income tax liability of such member for a later taxable year, or for the purposes of determining the U.S. income tax liability of any person for any taxable year. The district director shall furnish to the taxpayer with respect to which the primary adjustment is made a written statement of the amount and nature of the correlative adjustment which is deemed to have been made. For purposes of this subparagraph, a primary adjustment shall not be considered to have been made (and therefore a correlative adjustment is not required to be made) until the first occurring of the following events with respect to the primary adjustment:

- (i) The date of assessment of the tax following execution by the taxpayer of a Form 870 (Waiver of Restrictions on Assessment and Collection of Deficiency in Tax and Acceptance of Overassessment) with respect to such adjustment.
- (ii) Acceptance of a Form 870-AD (Offer of Waiver of Restriction on Assessment and Collection of Deficiency in Tax and Acceptance of Overassessment),
- (iii) Payment of the deficiency,
- (iv) Stipulation in the Tax Court of the United States, or
- (v) Final determination of tax liability by offer-in-compromise, closing agreement, or court action.

The principles of this subparagraph may be illustrated by the following examples in each of which it is assumed that X and Y are members of the same group of controlled entities and that they regularly compute their incomes on the basis of a calendar year:

Example (1). Assume that in 1968 the district director proposes to adjust X's income for 1966 to reflect an arm's length rental charge for Y's use of X's tangible property in 1966; that X consents to an assessment reflecting such adjustment by executing a Waiver, Form 870; and that an assessment of the tax with respect to such adjustment is made in 1968. The primary adjustment is therefore considered to have been made in 1968. Assume further that both X and Y are United States corporations and that Y had net operating losses in 1963, 1964, 1965, 1966,

and 1967. Although a correlative adjustment would not have an effect on Y's U.S. income tax liability for any pending taxable year, an adjustment increasing Y's net operating loss for 1966 shall be deemed to have been made for the purposes of determining Y's U.S. income tax liability for 1968 or a later taxable year to which the increased operating loss may be carried. The district director shall notify X in writing of the amount and nature of the adjustment which is deemed to have been made to Y.

Example (2). Assume that X and Y are United States corporations; that X is in the business of rendering engineering services; that in 1968 the district director proposes to adjust X's income for 1966 to reflect an arm's length fee for the rendition of engineering services by X in 1966 relating to the construction of Y's factory; that X consents to an assessment reflecting such adjustment by executing a Waiver, Form 870; and that an assessment of the tax with respect to such adjustment is made in 1968. Assume further that fees for such services would properly constitute a capital expenditure by Y, and that Y does not place the factory in service until 1969. Although a correlative adjustment (increase in basis) would not have an effect on Y's U.S. income tax liability for a pending taxable year, an adjustment increasing the basis of Y's assets for 1966 shall be deemed to have been made in 1968 for the purpose of computing allowable depreciation or gain or loss on disposition for 1969 and any future taxable year. The district director shall notify X in writing of the amount and nature of the adjustment which is deemed to have been made to Y.

Example (3). Assume that X is a U.S. taxpayer and Y is a foreign taxpayer not engaged in a trade or business in the United States; that in 1968 the district director proposes to adjust X's income for 1966 to reflect an arm's length interest charge on a loan made to Y; that X consents to an assessment reflecting such allocation by executing a Waiver, Form 870; and that an assessment of the tax with respect to such adjustment is made in 1968. Although a correlative adjustment would not have an effect on Y's U.S. income tax liability, an adjustment in Y's income for 1966 shall be deemed to have been made in 1968 for the purposes of determining the amount of Y's earnings and profits for 1966 and subsequent years, and of any other effect it may have on any person's U.S. income tax liability for any taxable year. The district director shall notify X in writing of the amount and nature of the allocation which is deemed to have been made to Y.

(3) In making distributions, apportionments, or allocations between two members of a group of controlled entities with respect to particular transactions, the district director shall consider the effect upon such members of an arrangement between them for reimbursement within a reasonable period before or after the taxable year if the taxpayer can establish that such an arrangement in fact existed during the taxable year under consideration. The district director shall also consider the effect of any other nonarm's length transaction between them in the taxable year which, if taken into account, would result in a set off against any allocation which would otherwise be made, provided the taxpayer is able to establish with reasonable specificity that the transaction was not at arm's length and the amount of the appropriate arm's length charge. For purposes of the preceding sentence, the term arm's length refers to the amount

which was charged or would have been charged in independent transactions with unrelated parties under the same or similar circumstances considering all the relevant facts and without regard to the rules found in § 1.482-2 by which certain charges are deemed to be equal to arm's length. For example, assume that one member of a group performs services which benefit a second member, which would in itself require an allocation to reflect an arm's length charge for the performance of such services. Assume further that the first member can establish that during the same taxable year the second member engages in other nonarm's length transactions which benefit the first member, such as by selling products to the first member at a discount, or purchasing products from the first member at a premium, or paying royalties to the first member in an excessive amount. In such case, the value of the benefits received by the first member as a result of the other activities will be set-off against the allocation which would otherwise be made. If the effect of the set-off is to change the characterization or source of the income or deductions, or otherwise distort taxable income, in such a manner as to affect the United States tax liability of any member, allocations will be made to reflect the correct amount of each category of income or deductions. In order to establish that a set-off to the adjustments proposed by the district director is appropriate, the taxpayer must notify the district director of the basis of any claimed set-off at any time before the expiration of the period ending 30 days after the date of a letter by which the district director transmits an examination report notifying the taxpayer of proposed adjustments or before July 16, 1968, whichever is later. The principles of this subparagraph may be illustrated by the following examples, in each of which it is assumed that P and S are calendar year corporations and are both members of the same group of controlled entities:

Example (1). P performs services in 1966 for the benefit of S in connection with S's manufacture and sale of a product. S does not pay P for such services in 1966, but in consideration for such services, agrees in 1966 to pay P a percentage of the amount of sales of the product in 1966 through 1970. In 1966 it appeared this agreement would provide adequate consideration for the services. No allocation will be made with respect to the services performed by P.

Example (2). P renders services to S in connection with the construction of S's factory. An arm's length charge for such services, determined under paragraph (b) of § 1.482-2, would be \$100,000. During the same taxable year P make available to S a machine to be used in such construction. P bills S \$125,000 for the services, but does not bill for the use of the machine. No allocation will be made with respect to the excessive charge for services or the undercharge for the machine if P can establish that the excessive charge services was equal to an arm's length charge for the use of the machine, and if the taxable income and income tax liabilities of P and S are not distorted.

Example (3). Assume the same facts as in example (2), except that, if P had reported \$25,000 as rental income and \$25,000 less

service income, it would have been subject to the tax on personal holding companies. Allocations will be made to reflect the correct amounts of rental income and service income.

(4) If the members of a group of controlled taxpayers engage in transactions with one another, the district director may distribute, apportion, or allocate income, deductions, credits, or allowances to reflect the true taxable income of the individual members under the standards set forth in this section and in § 1.482-2 notwithstanding the fact that the ultimate income anticipated from a series of transactions may not be realized or is realized during a later period. For example, if one member of a controlled group sells a product at less than an arm's length price to a second member of the group in one taxable year and the second member resells the product to an unrelated party in the next taxable year, the district director may make an appropriate allocation to reflect an arm's length price for the sale of the product in the first taxable year, notwithstanding that the second member of the group had not realized any gross income from the resale of the product in the first year. Similarly, if one member of a group lends money to a second member of the group in a taxable year, the district director may make an appropriate allocation to reflect an arm's length charge for interest during such taxable year even if the second member does not realize income during such year. The provisions of this subparagraph apply even if the gross income contemplated from a series of transactions is never, in fact, realized by the other members.

(5) Section 482 may, when necessary to prevent the avoidance of taxes or to clearly reflect income, be applied in circumstances described in sections of the Code (such as section 351) providing for nonrecognition of gain or loss. See, for example, "National Securities Corporation v. Commissioner of Internal Revenue", 137 F. 2d 600 (3d Cir. 1943), cert. denied 320 U.S. 794 (1943).

(6) If payment or reimbursement for the sale, exchange, or use of property, the rendition of services, or the advance of other consideration among members of a group of controlled entities was prevented, or would have been prevented, at the time of the transaction because of currency or other restrictions imposed under the laws of any foreign country, any distributions, apportionments, or allocations which may be made under section 482 with respect to such transactions may be treated as deferrable income or deductions, providing the taxpayer has, for the year to which the distributions, apportionments, or allocations relate, elected to use a method of accounting in which the reporting of deferrable income is deferred until the income ceases to be deferrable income. Under such method of accounting, referred to in this section as the deferred income method of accounting, any payments or reimbursements which were prevented or would have been prevented, and any deductions attributable directly or indirectly to such payments or reimbursements, shall be deferred until they cease to be deferrable

under such method of accounting. If such method of accounting has not been elected with respect to the taxable year to which the allocations under section 482 relate, the taxpayer may elect such method with respect to such allocations (but not with respect to other deferrable income) at any time before the first occurring of the following events with respect to the allocations:

(i) Execution by the taxpayer of Form 870 (Waiver of Restrictions on Assessment and Collection of Deficiency in Tax and Acceptance of Overassessment);

(ii) Expiration of the period ending 30 days after the date of a letter by which the district director transmits an examination report notifying the taxpayer of proposed adjustments reflecting such allocations or before July 16, 1968, whichever is later; or

(iii) Execution of a closing agreement or offer-in-compromise.

The principles of this subparagraph may be illustrated by the following example in which it is assumed that X, a domestic corporation, and Y, a foreign corporation, are members of the same group of controlled entities:

Example. X, which is in the business of rendering a certain type of service to unrelated parties, renders such services for the benefit of Y in 1965. The direct and indirect costs allocable to such services are \$80,000, and an arm's length charge for such services is \$100,000. Assume that the district director proposes to increase X's income by \$100,000, but that the country in which Y is located would have blocked payment in 1965 for such services. If, prior to the first occurring of the events described in subdivisions (i), (ii), or (iii) of this subparagraph, X elects to use the deferred income method of accounting with respect to such allocation, the \$100,000 allocation and the \$80,000 of costs are deferrable until such amounts cease to be deferrable under X's method of accounting.

§ 1.482-2 Determination of taxable income in specific situations.

(a) *Loans or advances*—(1) *In general.* Where one member of a group of controlled entities makes a loan or advance directly or indirectly to, or otherwise becomes a creditor of, another member of such group, and charges no interest, or charges interest at a rate which is not equal to an arm's length rate as defined in subparagraph (2) of this paragraph, the district director may make appropriate allocations to reflect an arm's length interest rate for the use of such loan or advance.

(2) *Arm's length interest rate.* For the purposes of this paragraph, the arm's length interest rate shall be the rate of interest which was charged, or would have been charged at the time the indebtedness arose, in independent transactions with or between unrelated parties under similar circumstances. All relevant factors will be considered, including the amount and duration of the loan, the security involved, the credit standing of the borrower, and the interest rate prevailing at the situs of the lender or creditor for comparable loans. If the creditor was not regularly engaged

in the business of making loans or advances of the same general type as the loan or advance in question to unrelated parties, the arm's length rate for purposes of this paragraph shall be—

(i) The rate of interest actually charged if at least 4 but not in excess of 6 percent per annum simple interest,

(ii) 5 percent per annum simple interest if no interest was charged or if the rate of interest charged was less than 4, or in excess of 6 percent per annum simple interest,

unless the taxpayer establishes a more appropriate rate under the standards set forth in the first sentence of this subparagraph. For purposes of the preceding sentence if the rate actually charged is greater than 6 percent per annum simple interest and less than the rate determined under the standards set forth in the first sentence of this subparagraph, or if the rate actually charged is less than 4 percent per annum simple interest and greater than the rate determined under the standards set forth in the first sentence of this subparagraph, then the rate actually charged shall be deemed to be a more appropriate rate under the standards set forth in the first sentence of this subparagraph. Notwithstanding the other provisions of this subparagraph if the loan or advance represents the proceeds of a loan obtained by the lender at the situs of the borrower the arm's length rate shall be equal to the rate actually paid by the lender increased by an amount which reflects the costs or deductions incurred by the lender in borrowing such amounts and making such loans, unless the taxpayer establishes a more appropriate rate under the standards set forth in the first sentence of this subparagraph.

(3) *Loans or advances to which subparagraph (1) applies.* Subparagraph (1) of this paragraph applies to all forms of bona fide indebtedness and includes:

(i) Loans or advances of money or other consideration (whether or not evidenced by a written instrument), and

(ii) Indebtedness arising in the ordinary course of business out of sales, leases, or the rendition of services by or between members of the group, or any other similar extension of credit.

Subparagraph (1) of this paragraph does not apply to alleged indebtedness which was in fact a contribution of capital or a distribution by a corporation with respect to its shares. The interest period shall commence at the date the indebtedness arises, except that with respect to indebtedness described in subdivision (ii) of this subparagraph that is not evidenced by a written instrument requiring payment of interest, the interest period shall not commence until a date 6 months after the date the indebtedness arises, or until a later date if the taxpayer is able to demonstrate that either it or others in its industry, as a regular trade practice, permit comparable balances in the case of similar transactions with unrelated parties to remain outstanding for a longer period without charging interest. For the purpose of determining the pe-

riod of time for which a balance is outstanding, payments or credits shall be applied against the earliest balance outstanding, unless the taxpayer applies such payments or credits in some other order on its books in accordance with an agreement or understanding of the parties if the taxpayer can demonstrate that either it or others in its industry, as a regular trade practice, enter into such agreements or understandings.

(b) *Performance of services for another—(1) General rule.* Where one member of a group of controlled entities performs marketing, managerial, administrative, technical, or other services for the benefit of, or on behalf of another member of the group without charge, or at a charge which is not equal to an arm's length charge as defined in subparagraph (3) of this paragraph, the district director may make appropriate allocations to reflect an arm's length charge for such services.

(2) *Benefit test.* (i) Allocations may be made to reflect arm's length charges with respect to services undertaken for the joint benefit of the members of a group of controlled entities, as well as with respect to services performed by one member of the group exclusively for the benefit of another member of the group. Any allocations made shall be consistent with the relative benefits intended from the services, based upon the facts known at the time the services were rendered, and shall be made even if the potential benefits anticipated are not realized. No allocations shall be made if the probable benefits to the other members were so indirect or remote that unrelated parties would not have charged for such services. In general, allocations may be made if the service, at the time it was performed, related to the carrying on of an activity by another member or was intended to benefit another member, either in the member's overall operations or in its day-to-day activities. The principles of this subdivision may be illustrated by the following examples in each of which it is assumed that X and Y are corporate members of the same group of controlled entities:

Example (1). X's International Division engages in a wide range of sales promotion activities. Although most of these activities are undertaken exclusively for the benefit of X's international operations, some are intended to jointly benefit both X and Y and others are undertaken exclusively for the benefit of Y. The district director may make an allocation to reflect an arm's length charge with respect to the activities undertaken for the joint benefit of X and Y consistent with the relative benefits intended as well as with respect to the services performed exclusively for the benefit of Y.

Example (2). X operates an international airline, and Y owns and operates hotels in several cities which are serviced by X. X, in conjunction with its advertising of the airline, often pictures Y's hotels and mentions Y's name. Although such advertising was primarily intended to benefit X's airline operations, it was reasonable to anticipate that there would be substantial benefits to Y resulting from patronage by travelers who responded to X's advertising. Since an unrelated hotel operator would have been charged for such advertising, the

district director may make an appropriate allocation to reflect an arm's length charge consistent with the relative benefits intended.

Example (3). Assume the same facts as in Example (2) except that X's advertising neither mentions nor pictures Y's hotels. Although it is reasonable to anticipate that increased air travel attributable to X's advertising will result in some benefit to Y due to increased patronage by air travelers, the district director will not make an allocation with respect to such advertising since the probable benefit to Y was so indirect and remote that an unrelated hotel operator would not have been charged for such advertising.

(ii) Allocations will generally not be made if the service is merely a duplication of a service which the related party has independently performed or is performing for itself. In this connection, the ability to independently perform the service (in terms of qualification and availability of personnel) shall be taken into account. The principles of this subdivision may be illustrated by the following examples, in each of which it is assumed that X and Y are corporate members of the same group of controlled entities:

Example (1). At the request of Y, the financial staff of X makes an analysis to determine the amount and source of the borrowing needs of Y. Y does not have personnel qualified to make the analysis, and it does not undertake the same analysis. The district director may make an appropriate allocation to reflect an arm's length charge for such analysis.

Example (2). Y, which has a qualified financial staff, makes an analysis to determine the amount and source of its borrowing needs. Its report, recommending a loan from a bank, is submitted to X. X's financial staff reviews the analysis to determine whether X should advise Y to reconsider its plan. No allocation should be made with respect to X's review.

(3) *Arm's length charge.* For the purpose of this paragraph an arm's length charge for services rendered shall be the amount which was charged or would have been charged for the same or similar services in independent transactions with or between unrelated parties under similar circumstances considering all relevant facts. However, except in the case of services which are an integral part of the business activity of either the member rendering the services or the member receiving the benefit of the services, the arm's length charge shall be deemed to be equal to the costs or deductions incurred with respect to such services by the member or members rendering such services unless the taxpayer establishes a more appropriate charge under the standards set forth in the first sentence of this subparagraph.

(4) *Costs or deductions to be taken into account.* (i) Where the amount of an arm's length charge for services is determined with reference to the costs or deductions incurred with respect to such services, it is necessary to take into account on some reasonable basis all the costs or deductions which are directly or indirectly related to the service performed.

(ii) Direct costs or deductions are those identified specifically with a particular service. These include, but are not limited to, costs or deductions for compensation, bonuses, and travel expenses attributable to employees directly engaged in performing such services, for material and supplies directly consumed in rendering such services, and for other costs such as the cost of overseas cables in connection with such services.

(iii) Indirect costs or deductions are those which are not specifically identified with a particular activity or service but which relate to the direct costs referred to in subdivision (ii) of this subparagraph. Indirect costs or deductions generally include costs or deductions with respect to utilities, occupancy, supervisory and clerical compensation, and other overhead burden of the department incurring the direct costs or deductions referred to in subdivision (ii) of this subparagraph. Indirect costs or deductions also generally include an appropriate share of the costs or deductions relating to supporting departments and other applicable general and administrative expenses to the extent reasonably allocable to a particular service or activity. Thus, for example, if a domestic corporation's advertising department performs services for the direct benefit of a foreign subsidiary, in addition to direct costs of such department, such as salaries of employees and fees paid to advertising agencies or consultants, which are attributable to such foreign advertising, indirect costs must be taken into account on some reasonable basis in determining the amount of costs or deductions with respect to which the arm's length charge to the foreign subsidiary is to be determined. These generally include depreciation, rent, property taxes, other costs of occupancy, and other overhead costs of the advertising department itself, and allocations of costs from other departments which service the advertising department, such as the personnel, accounting, payroll, and maintenance departments, and other applicable general and administrative expenses including compensation of top management.

(5) *Costs and deductions not to be taken into account.* Costs or deductions of the member rendering the services which are not to be taken into account in determining the amount of an arm's length charge for services include—

(i) Interest expense on indebtedness not incurred specifically for the benefit of another member of the group,

(ii) Expenses associated with the issuance of stock and maintenance of shareholder relations, and

(iii) Expenses of compliance with regulations or policies imposed upon the member rendering the services by its government which are not directly related to the service in question.

(6) *Methods.* (i) Where an arm's length charge for services rendered is determined with reference to costs or deductions, and a member has allocated and apportioned costs or deductions to reflect arm's length charges by employing in a consistent manner a method of

allocation and apportionment which is reasonable and in keeping with sound accounting practice, such method will not be disturbed. If the member has not employed a method of allocation and apportionment which is reasonable and in keeping with sound accounting practice, the method of allocating and apportioning costs or deductions for the purpose of determining the amount of arm's length charges shall be based on the particular circumstances involved.

(ii) The methods of allocation and apportionment referred to in this subparagraph are applicable both in allocating and apportioning indirect costs to a particular activity or service (see subparagraph (4) (iii) of this paragraph), and in allocating and apportioning the total costs (direct and indirect) of a particular activity or service where such activity or service is undertaken for the joint benefit of two or more members of a group (see subparagraph (2) (i) of this paragraph). While the use of one or more bases may be appropriate under the circumstances, in establishing the method of allocation and apportionment, appropriate consideration should be given to all bases and factors, including, for example, total expenses, asset size, sales, manufacturing expenses, payroll, space utilized, and time spent. The costs incurred by supporting departments may be apportioned to other departments on the basis of reasonable overall estimates, or such costs may be reflected in the other departments' costs by means of application of reasonable departmental overhead rates. Allocations and apportionments of costs or deductions must be made on the basis of the full cost as opposed to the incremental cost. Thus, if an electronic data processing machine, which is rented by the taxpayer, is used for the joint benefit of itself and other members of a controlled group, the determination of the arm's length charge to each member must be made with reference to the full rent and cost of operating the machine by each member, even if the additional use of the machine for the benefit of the other members did not increase the cost to the taxpayer.

(iii) Practices actually employed to apportion costs or expenses in connection with the preparation of statements and analyses for the use of management, creditors, minority shareholders, joint venturers, clients, customers, potential investors, or other parties or agencies in interest shall be considered by the district director. Similarly, in determining the extent to which allocations are to be made to or from foreign members of a controlled group, practices employed by the domestic members of a controlled group in apportioning costs between themselves shall also be considered if the relationships with the foreign members of the group are comparable to the relationships between the domestic members of the group. For example, if, for purposes of reporting to public stockholders or to a governmental agency, a corporation apportions the costs attributable to its executive officers among the domestic members of a controlled group on a reasonable and consistent basis, and such

officers exercise comparable control over foreign members of such group, such domestic apportionment practice will be taken into consideration in determining the amount of allocations to be made to the foreign members.

(7) [Reserved]

(8) *Services rendered in connection with the transfer of property.* Where tangible or intangible property is transferred, sold, assigned, loaned, leased, or otherwise made available in any manner by one member of a group to another member of the group and services are rendered by the transferor to the transferee in connection with the transfer, the amount of any allocation that may be appropriate with respect to such transfer shall be determined in accordance with the rules of paragraph (c), (d), or (e) of this section whichever is appropriate and a separate allocation with respect to such services under this paragraph shall not be made. Services are rendered in connection with the transfer of property where such services are merely ancillary and subsidiary to the transfer of the property or to the commencement of effective use of the property by the transferee. Whether or not services are merely ancillary and subsidiary to a property transfer is a question of fact. Ancillary and subsidiary services could be performed, for example, in promoting the transaction by demonstrating and explaining the use of the property, or by assisting in the effective "starting-up" of the property transferred, or by performing under a guarantee relating to such effective starting-up. Thus, where an employee of one member of a group, acting under the instructions of his employer, reveals a valuable secret process owned by his employer to a related entity, and at the same time supervises the integration of such process into the manufacturing operation of the related entity, such services could be considered to be rendered in connection with the transfer, and, if so considered, shall not be the basis for a separate allocation. However, if the employee continues to render services to the related entity by supervising the manufacturing operation after the secret process has been effectively integrated into such operation, a separate allocation with respect to such additional services may be made in accordance with the rules of this paragraph.

(c) *Use of tangible property.*—(1) *General rule.* Where possession, use, or occupancy of tangible property owned or leased by one member of a group of controlled entities (referred to in this paragraph as the owner) is transferred by lease or other arrangement to another member of such group (referred to in this paragraph as the user) without charge or at a charge which is not equal to an arm's length rental charge (as defined in subdivision (1) of subparagraph (2) of this paragraph), the district director may make appropriate allocations to properly reflect such arm's length charge. Where possession, use, or occupancy of only a portion of such property is transferred, the determination of the arm's length charge and the

allocation shall be made with reference to the portion transferred.

(2) *Arm's length charge.* (i) For the purposes of this paragraph, an arm's length rental charge shall be the amount of rent which was charged, or would have been charged for the use of the same or similar property, during the time it was in use, in independent transactions with or between unrelated parties under similar circumstances considering the period and location of the use, the owner's investment in the property or rent paid for the property, expenses of maintaining the property, the type of property involved, its condition, and all other relevant facts. If neither the owner nor the user was engaged in the trade or business of renting property, the arm's length rental charge for the taxable year shall be deemed to be equal to the amount specified in subdivision (ii) or (iii) of this subparagraph, whichever is appropriate, unless the taxpayer establishes a more appropriate charge under the standards set forth in the first sentence of this subdivision. For purposes of this subdivision, an owner or user shall be considered to be in the trade or business of renting property if it engages in the trade or business of renting property of the same general type as the property in question to unrelated parties. An owner or user will not be considered to be engaged in the trade or business of renting property of the same general type solely on the basis of casual or infrequent rentals of property which is predominantly used in its trade or business.

(ii) Except as otherwise provided in subdivision (iii) of this subparagraph the amount referred to in subdivision (i) of this subparagraph for the taxable year shall be equal to the sum of the following amounts attributable to the property:

(a) The amount which bears the same ratio to the depreciable basis of the property divided by the total useful life of the property in the hands of the owner as the number of days which the property is owned by the owner (in the taxable year) bears to 365. For this purpose, the depreciable basis of the property shall be the original cost or other basis of the property in the hands of the owner adjusted by items properly chargeable to capital account (as provided in § 1.1016-2) and reduced by estimated salvage value, but without adjustment for exhaustion, wear and tear, obsolescence, etc. (as provided in § 1.1016-3). For this purpose, total useful life, depreciable basis, and salvage value shall be estimated on the basis of facts and circumstances known to exist at the time that possession, use, or occupancy of the property was transferred to the user. However, if substantial adjustments to the adjusted basis other than for exhaustion, wear and tear, obsolescence, etc., are made, total useful life, depreciable basis, and salvage value shall be redetermined on the basis of the facts and circumstances known to exist as of the time at which such adjustments become substantial. For purposes of the preceding sentence, adjustments shall be

considered substantial if at any time the total adjustments subsequent to the time at which the property was transferred to the user or subsequent to the most recent redetermination under this subdivision (a), whichever is later, exceeds 25 percent of the depreciable basis of the property.

(b) The amount which bears the same ratio to 3 percent of the depreciable basis of the property (as determined in subdivision (ii) (a) of this subparagraph) as the number of days which the property is owned by the owner (in the taxable year) bears to 365.

(c) The amount of all expenses directly and indirectly connected with the property paid or accrued by the owner of the property during the taxable year. Such expenses include real estate, personal property, or other taxes on the property, expenses of maintenance and repair, cost of utilities, management expenses, and other similar expenses. Such amount does not include interest expense.

(d) The amount of all expenses directly and indirectly connected with the possession, use, or occupancy of the property by the user paid or accrued by the owner during the taxable year. Such expenses include services rendered in connection with the transfer of the property within the meaning of paragraph (b) (8) of this section and other similar expenses. For purposes of this subdivision any capital expenditures, within the meaning of section 263 of the Code, with respect to the possession, use or occupancy of the property by the user incurred in any taxable year shall be deemed to be expenses paid or accrued by the owner during the taxable year to the extent that they may be properly amortized for the taxable year.

If the property was used by more than one party (whether related or unrelated) during the taxable year of the owner, then only a portion of the sum of the amounts provided in (a) through (c) of this subdivision shall be taken into account with respect to each user. Such portion is that proportion of such sum which the number of days (in the taxable year) the property was actually used by the user bears to the number of days (in the taxable year) the property was actually used by all parties (whether related or unrelated), unless it appears that some other measure (such as hours of use) is more appropriate. There must also be taken into account with respect to each user those expenses which are included in the amount provided in (d) of this subdivision which are attributable to the possession, use, or occupancy of the property by the particular user during the taxable year of the owner.

(iii) Where possession, use, or occupancy of tangible property leased by the owner (lessee) is transferred by sublease or other arrangement to the user, the amount referred to in subdivision (i) of this subparagraph shall be equal to all the deductions claimed by the owner (lessee) which are attributable to the property for the period such property is used by the user. Where only a portion of such property was transferred, any

allocations shall be made with reference to the portion transferred. The deductions to be considered include the rent paid or accrued by the owner (lessee) during the period of use and all other deductions directly and indirectly connected with the property paid or accrued by the owner (lessee) during such period. Such deductions include deductions for maintenance and repair, utilities, management, and other similar deductions.

(d) *Transfer or use of intangible property.* (1) *In general.* (i) Except as otherwise provided in subparagraph (4) of this paragraph, where intangible property or an interest therein is transferred, sold, assigned, loaned, or otherwise made available in any manner by one member of a group of controlled entities (referred to in this paragraph as the transferor) to another member of the group (referred to in this paragraph as the transferee) for other than an arm's length consideration, the district director may make appropriate allocations to reflect an arm's length consideration for such property or its use. Subparagraph (2) of this paragraph provides rules for determining the form an amount of an appropriate allocation, subparagraph (3) of this paragraph provides a definition of "intangible property", and subparagraph (4) of this paragraph provides rules with respect to certain cost-sharing arrangements in connection with the development of intangible property. For purposes of this paragraph, an interest in intangible property may take the form of the right to use such property.

(ii) (a) In the absence of a bona fide cost-sharing arrangement (as defined in subparagraph (4) of this paragraph), where one member of a group of related entities undertakes the development of intangible property as a developer within the meaning of (c) of this subdivision, no allocation with respect to such development activity shall be made under the rules of this paragraph or any other paragraph of this section (except as provided in (b) of this subdivision) until such time as any property developed, or any interest therein, is or is deemed to be transferred, sold, assigned, loaned, or otherwise made available in any manner by the developer to a related entity in a transfer subject to the rules of this paragraph. Where a member of the group other than the developer acquires an interest in the property developed by virtue of obtaining a patent or copyright, or by any other means, the developer shall be deemed to have transferred such interest in such property to the acquiring member in a transaction subject to the rules of this paragraph. For example, if one member of a group (the developer) undertakes to develop a new patentable product and the costs of development are incurred by that entity over a period of 3 years, no allocation with respect to that entity's activity shall be made during such period. The amount of any allocation that may be appropriate at the expiration of such development period when, for example, the patent on the product is transferred, or deemed transferred, to a related entity for other than

an arm's length consideration, shall be determined in accordance with the rules of this paragraph.

(b) Where one member of a group renders assistance in the form of loans, services, or the use of tangible or intangible property to a developer in connection with an attempt to develop intangible property, the amount of any allocation that may be appropriate with respect to such assistance shall be determined in accordance with the rules of the appropriate paragraph or paragraphs of this section. Thus, where one entity allows a related entity, which is the developer, to use tangible property, such as laboratory equipment, in connection with the development of intangible property, the amount of any allocation that may be appropriate with respect to such use shall be determined in accordance with the rules of paragraph (c) of this section. In the event that the district director does not exercise his discretion to make allocations with respect to the assistance rendered to the developer, the value of the assistance shall be allowed as a set-off against any allocation that the district director may make under this paragraph as a result of the transfer of the intangible property to the entity rendering the assistance.

(c) The determination as to which member of a group of related entities is a developer and which members of the group are rendering assistance to the developer in connection with its development activities shall be based upon all the facts and circumstances of the individual case. Of all the facts and circumstances to be taken into account in making this determination, greatest weight shall be given to the relative amounts of all the direct and indirect costs of development and the corresponding risks of development borne by the various members of the group, and the relative values of the use of any intangible property of members of the group which is made available without adequate consideration for use in connection with the development activity, which property is likely to contribute to a substantial extent in the production of intangible property. For this purpose, the risk to be borne with respect to development activity is the possibility that such activity will not result in the production of intangible property or that the intangible property produced will not be of sufficient value to allow for the recovery of the costs of developing it. A member will not be considered to have borne the costs and corresponding risks of development unless such member is committed to bearing such costs in advance of, or contemporaneously with, their incurrence and without regard to the success of the project. Other factors that may be relevant in determining which member of the group is the developer include the location of the development activity, the capabilities of the various members to carry on the project independently, and the degree of control over the project exercised by the various members.

(d) The principles of this subdivision (ii) may be illustrated by the following

examples in which it is assumed that X and Y are corporate members of the same group:

Example (1). X, at the request of Y, undertakes to develop a new machine which will function effectively in the climate in which Y's factory is located. Y agrees to bear all the direct and indirect costs of the project whether or not X successfully develops the machine. Assume that X does not make any of its own intangible property available for use in connection with the project. The machine is successfully developed and Y obtains possession of the intangible property necessary to produce such machine. Based on the facts and circumstances as stated, Y shall be considered to be the developer of the intangible property and, therefore, Y shall not be treated as having obtained the property in a transfer subject to the rules of this paragraph. Any amount which may be allocable with respect to the assistance rendered by X shall be determined in accordance with the rules of (b) of this subdivision.

Example (2). Assume the same facts as in example (1) except that Y agrees to reimburse X for its costs only in the event that the property is successfully developed. In such case X is the developer and Y is deemed to have received the property in a transfer subject to the rules of this paragraph. Therefore, the district director may make an allocation to reflect an arm's length consideration for such property.

Example (3). In 1967 X undertakes to develop product M in its research and development department. X incurs direct and indirect costs of \$1 million per year in connection with the project in 1967, 1968, and 1969. In connection with the project, X employs the formula for compound N, which it owns, and which is likely to contribute substantially to the success of the project. The value of the use of the formula for compound N in connection with this project is \$750,000. In 1968, 4 chemists employed by Y spend 6 months working on the project in X's laboratory. The salary and other expenses connected with the chemists' employment for that period (\$100,000) are paid by Y, for which no charge is made to X. In 1969, product M is perfected and Y obtains patents thereon. X is considered to be the developer of product M since, among other things, it bore the greatest relative share of the costs and risks incurred in connection with this project and made available intangible property (formula for compound N) which was likely to contribute substantially in the development of product M. Accordingly, no allocation with respect to X's development activity should be made before 1969. The property is deemed to have been transferred to Y at that time by virtue of the fact that Y obtained the patent rights to product M. In such case the district director may make an allocation to reflect an arm's length consideration for such transfer. In the event that the district director makes such an allocation and he has not made or does not make an allocation for 1968 with respect to the services of the chemists in accordance with the principles of paragraph (b) of this section, the value of the assistance shall be allowed as a set-off against the amount of the allocation reflecting an arm's length consideration for the transfer of the intangible property.

(2) *Arm's length consideration.* (i) An arm's length consideration shall be in a form which is consistent with the form which would be adopted in transactions between unrelated parties under the same circumstances. To the extent appropriate, an arm's length consideration may take any one or more of the following forms: (a) Royalties based on

the transferee's output, sales, profits, or any other measure; (b) lump-sum payments; or (c) any other form, including reciprocal licensing rights, which might reasonably have been adopted by unrelated parties under the circumstances, provided that the parties can establish that such form was adopted pursuant to an arrangement which in fact existed between them. However, where the transferee pays nominal or no consideration for the property or interest therein and where the transferor has retained a substantial interest in the property, an allocation shall be presumed not to take the form of a lump-sum payment.

(ii) In determining the amount of an arm's length consideration, the standard to be applied is the amount that would have been paid by an unrelated party for the same intangible property under the same circumstances. Where there have been transfers by the transferor to unrelated parties involving the same or similar intangible property under the same or similar circumstances the amount of the consideration for such transfers shall generally be the best indication of an arm's length consideration.

(iii) Where a sufficiently similar transaction involving an unrelated party cannot be found, the following factors, to the extent appropriate (depending upon the type of intangible property and the form of the transfer), may be considered in arriving at the amount of the arm's length consideration:

(a) The prevailing rates in the same industry or for similar property.

(b) The offers of competing transferors or the bids of competing transferees.

(c) The terms of the transfer, including limitations on the geographic area covered and the exclusive or nonexclusive character of any rights granted.

(d) The uniqueness of the property and the period for which it is likely to remain unique.

(e) The degree and duration of protection afforded to the property under the laws of the relevant countries.

(f) Value of services rendered by the transferor to the transferee in connection with the transfer within the meaning of paragraph (b) (8) of this section.

(g) Prospective profits to be realized or costs to be saved by the transferee through its use or subsequent transfer of the property.

(h) The capital investment and start-up expenses required of the transferee.

(i) The next subdivision is (j).

(j) The availability of substitutes for the property transferred.

(k) The arm's length rates and prices paid by unrelated parties where the property is resold or sublicensed to such parties.

(l) The costs incurred by the transferor in developing the property, and

(m) Any other fact or circumstance which unrelated parties would have been likely to consider in determining the

amount of an arm's length consideration for the property.

(3) *Definition of intangible property.*

(i) Solely for the purposes of this section, intangible property shall consist of the items described in subdivision (ii) of this subparagraph, provided that such items have substantial value independent of the services of individual persons.

(ii) The items referred to in subdivision (i) of this subparagraph are as follows:

(a) Patents, inventions, formulas, processes, designs, patterns, and other similar items;

(b) Copyrights, literary, musical, or artistic compositions, and other similar items;

(c) Trademarks, trade names, brand names, and other similar items;

(d) Franchises, licenses, contracts, and other similar items;

(e) Methods, programs, systems, procedures, campaigns, surveys, studies, forecasts, estimates, customer lists, technical data, and other similar items.

(4) *Sharing of costs and risks.* Where a member of a group of controlled entities acquires an interest in intangible property as a participating party in a bona fide cost sharing arrangement with respect to the development of such intangible property, the district director shall not make allocations with respect to such acquisition except as may be appropriate to reflect each participant's arm's length share of the cost and risks of developing the property. A bona fide cost sharing arrangement is an agreement, in writing, between two or more members of a group of controlled entities providing for the sharing of the costs and risks of developing intangible property in return for a specified interest in the intangible property that may be produced. In order for the arrangement to qualify as a bona fide arrangement, it must reflect an effort in good faith by the participating members to bear their respective shares of all the costs and risks of development on an arm's length basis. In order for the sharing of costs and risks to be considered on an arm's length basis, the terms and conditions must be comparable to those which would have been adopted by unrelated parties similarly situated had they entered into such an arrangement.

(e) *Sales of tangible property.*—(1) *In general.* (i) Where one member of a group of controlled entities (referred to in this paragraph as the "seller") sells or otherwise disposes of tangible property to another member of such group (referred to in this paragraph as the "buyer") at other than an arm's length price (such a sale being referred to in this paragraph as a "controlled sale"), the district director may make appropriate allocations between the seller and the buyer to reflect an arm's length price for such sale or disposition. An arm's length price is the price that an unrelated party would have paid under the same circumstances for the property involved in the controlled sale. Since unrelated parties normally sell products at a profit, an arm's length price normally involves a profit to the seller.

(ii) Subparagraphs (2), (3), and (4) of this paragraph describe three methods of determining an arm's length price and the standards for applying each method. They are, respectively, the comparable uncontrolled price method, the resale price method, and the cost plus method. If there are comparable uncontrolled sales as defined in subparagraph (2) of this paragraph, the comparable uncontrolled price method must be utilized because it is the method likely to result in the most accurate estimate of an arm's length price (for the reason that it is based upon the price actually paid by unrelated parties for the same or similar products). If there are no comparable uncontrolled sales, then the resale price method must be utilized if the standards for its application are met because it is the method likely to result in the next most accurate estimate in such instances (for the reason that, in such instances, the arm's length price determined under such method is based more directly upon actual arm's length transactions than is the cost plus method). A typical situation where the resale price method may be required is where a manufacturer sells products to a related distributor which, without further processing, resells the products in uncontrolled transactions. If all the standards for the mandatory application of the resale price method are not satisfied, then, as provided in subparagraph (3)(ii) of this paragraph, either that method or the cost plus method may be used, depending upon which method is more feasible and is likely to result in a more accurate estimate of an arm's length price. A typical situation where the cost plus method may be appropriate is where a manufacturer sells products to a related entity which performs substantial manufacturing, assembly, or other processing of the product or adds significant value by reason of its utilization of its intangible property prior to resale in uncontrolled transactions.

(iii) Where the standards for applying one of the three methods of pricing described in subdivision (ii) of this subparagraph are met, such method must, for the purposes of this paragraph, be utilized unless the taxpayer can establish that, considering all the facts and circumstances, some method of pricing other than those described in subdivision (ii) of this subparagraph is clearly more appropriate. Where none of the three methods of pricing described in subdivision (ii) of this subparagraph can reasonably be applied under the facts and circumstances as they exist in a particular case, some appropriate method of pricing other than those described in subdivision (ii) of this subparagraph, or variations on such methods, can be used.

(iv) The methods of determining arm's length prices described in this section are stated in terms of their application to individual sales of property. However, because of the possibility that a taxpayer may make controlled sales of many different products, or many separate sales of the same product, it may be impractical to analyze every sale for the purposes of determining the

arm's length price. It is therefore permissible to determine or verify arm's length prices by applying the appropriate methods of pricing to product lines or other groupings where it is impractical to ascertain an arm's length price for each product or sale. In addition, the district director may determine or verify the arm's length price of all sales to a related entity by employing reasonable statistical sampling techniques.

(2) *Comparable uncontrolled price method.* (i) Under the method of pricing described as the "comparable uncontrolled price method", the arm's length price of a controlled sale is equal to the price paid in comparable uncontrolled sales, adjusted as provided in subdivision (ii) of this subparagraph.

(ii) "Uncontrolled sales" are sales in which the seller and the buyer are not members of the same controlled group. These include (a) sales made by a member of the controlled group to an unrelated party, (b) sales made to a member of the controlled group by an unrelated party, and (c) sales made in which the parties are not members of the controlled group and are not related to each other. However, uncontrolled sales do not include sales at unrealistic prices, as for example where a member makes uncontrolled sales in small quantities at a price designed to justify a nonarm's length price on a large volume of controlled sales. Uncontrolled sales are considered comparable to controlled sales if the physical property and circumstances involved in the uncontrolled sales are identical to the physical property and circumstances involved in the controlled sales, or if such properties and circumstances are so nearly identical that any differences either have no effect on price, or such differences can be reflected by a reasonable number of adjustments to the price of uncontrolled sales. For this purpose, differences can be reflected by adjusting prices only where such differences have a definite and reasonably ascertainable effect on price. If the differences can be reflected by such adjustment, then the price of the uncontrolled sale as adjusted constitutes the comparable uncontrolled sale price. Some of the differences which may affect the price of property are differences in the quality of the product, terms of sale, intangible property associated with the sale, time of sale, and the level of the market and the geographic market in which the sale takes place. Whether and to what extent differences in the various properties and circumstances affect price, and whether differences render sales noncomparable, depends upon the particular circumstances and property involved. The principles of this subdivision may be illustrated by the following examples, in each of which it is assumed that X makes both controlled and uncontrolled sales of the identical property:

Example (1). Assume that the circumstances surrounding the controlled and the uncontrolled sales are identical, except for the fact that the controlled sales price is a delivered price and the uncontrolled sales are made f.o.b. X's factory. Since differences in terms of transportation and insurance

generally have a definite and reasonably ascertainable effect on price, such differences do not normally render the uncontrolled sales noncomparable to the controlled sales.

Example (2). Assume that the circumstances surrounding the controlled and uncontrolled sales are identical, except for the fact that X affixes its valuable trademark in the controlled sales, and does not affix its trademark in uncontrolled sales. Since the effects on price of differences in intangible property associated with the sale of tangible property, such as trademarks, are normally not reasonably ascertainable, such differences would normally render the uncontrolled sales noncomparable.

Example (3). Assume that the circumstances surrounding the controlled and uncontrolled sales are identical except for the fact that X, a manufacturer of business machines, makes certain minor modifications in the physical properties of the machines to satisfy safety specifications or other specific requirements of a customer in controlled sales, and does not make these modifications in uncontrolled sales. Since minor physical differences in the product generally have a definite and reasonably ascertainable effect on prices, such differences do not normally render the uncontrolled sales noncomparable to the controlled sales.

(iii) Where there are two or more comparable uncontrolled sales susceptible of adjustment as defined in subdivision (ii) of this subparagraph, the comparable uncontrolled sale or sales requiring the fewest and simplest adjustments provided in subdivision (ii) of this subparagraph should generally be selected. Thus, for example, if a taxpayer makes comparable uncontrolled sales of a particular product which differ from the controlled sale only with respect to the terms of delivery, and makes other comparable uncontrolled sales of the product which differ from the controlled sale with respect to both terms of delivery and terms of payment, the comparable uncontrolled sales differing only with respect to terms of delivery should be selected as the comparable uncontrolled sale.

(iv) One of the circumstances which may affect the price of property is the fact that the seller may desire to make sales at less than a normal profit for the primary purpose of establishing or maintaining a market for his products. Thus, a seller may be willing to reduce the price of a product, for a time, in order to introduce his product into an area or in order to meet competition. However, controlled sales may be priced in such a manner only if such price would have been charged in an uncontrolled sale under comparable circumstances. Such fact may be demonstrated by showing that the buyer in the controlled sale made corresponding reductions in the resale price to uncontrolled purchasers, or that such buyer engaged in substantially greater sales promotion activities with respect to the product involved in the controlled sale than with respect to other products. For example, assume X, a manufacturer of batteries, commences to sell car batteries to Y, a subsidiary of X, for resale in a new market. In its existing markets X's batteries sell to independent retailers at \$20 per unit, and X sells them to wholesalers at \$17 per unit. Y also sells X's batteries to independent

retailers at \$20 per unit. X's batteries are not known in the new market in which Y is operating. In order to engage competitively in the new market Y incurs selling and advertising costs substantially higher than those incurred for its sales of other products. Under these circumstances X may sell to Y, for a time, at less than \$17 to take into account the increased selling and advertising activities of Y in penetrating and establishing the new market. This may be done even though it may result in a transfer price from X to Y which is below X's full costs of manufacturing the product.

(3) *Resale price method.* (i) Under the pricing method described as the "resale price method", the arm's length price of a controlled sale is equal to the applicable resale price (as defined in subdivision (iv) or (v) of this subparagraph), reduced by an appropriate markup, and adjusted as provided in subdivision (ix) of this subparagraph. An appropriate markup is computed by multiplying the applicable resale price by the appropriate markup percentage as defined in subdivision (vi) of this subparagraph. Thus, where one member of a group of controlled entities sells property to another member which resells the property in controlled sales, if the applicable resale price of the property involved in the controlled sale is \$100 and the appropriate markup percentage for resales by the buyer is 20 percent, the arm's length price of the controlled sale is \$80 (\$100 minus 20 percent x \$100), adjusted as provided in subdivision (ix) of this subparagraph.

(ii) The resale price method must be used to compute an arm's length price of a controlled sale if all the following circumstances exist:

(a) There are no comparable uncontrolled sales as defined in subparagraph (2) of this paragraph.

(b) An applicable resale price, as defined in subdivision (iv) or (v) of this subparagraph, is available with respect to resales made within a reasonable time before or after the time of the controlled sale.

(c) The buyer (reseller) has not added more than an insubstantial amount to the value of the property by physically altering the product before resale. For this purpose packaging, repackaging, labeling, or minor assembly of property does not constitute physical alteration.

(d) The buyer (reseller) has not added more than an insubstantial amount to the value of the property by the use of intangible property. See § 1.482-2(d)(3) for the definition of intangible property.

(iii) Notwithstanding the fact that one or both of the requirements of subdivision (ii) (c) or (d) of this subparagraph may not be met, the resale price method may be used if such method is more feasible and is likely to result in a more accurate determination of an arm's length price than the use of the cost plus method. Thus, even though one of the requirements of such subdivision is not satisfied, the resale price method may nevertheless be more appropriate

than the cost plus method because the computations and evaluations required under the former method may be fewer and easier to make than under the latter method. In general, the resale price method is more appropriate when the functions performed by the seller are more extensive and more difficult to evaluate than the functions performed by the buyer (reseller). The principle of this subdivision may be illustrated by the following examples in each of which it is assumed that corporation X developed a valuable patent covering product M which it manufactures and sells to corporation Y in a controlled sale, and for which there is no comparable uncontrolled sale:

Example (1). Corporation Y adds a component to product M and resells the assembled product in an uncontrolled sale within a reasonable time after the controlled sale of product M. Assume further that the addition of the component added more than an insubstantial amount to the value of product M, but that Y's function in purchasing the component and assembling the product prior to sale was subject to reasonably precise valuation. Although the controlled sale and resale does not meet the requirements of subdivision (ii) (c) of this subparagraph, the resale price method may be used under the circumstances because that method involves computations and evaluations which are fewer and easier to make than under the cost plus method. This is because X's use of a patent may be more difficult to evaluate in determining an appropriate gross profit percentage under the cost plus method, than is evaluation of Y's assembling function in determining the appropriate markup percentage under the resale price method.

Example (2). Corporation Y resells product M in an uncontrolled sale within a reasonable time after the controlled sale after attaching its valuable trademark to it. Assume further that it can be demonstrated through comparison with other uncontrolled sales of Y that the addition of Y's trademark to a product usually adds 25 percent to the markup on its sales. On the other hand, the effect of X's use of its patent is difficult to evaluate in applying the cost plus method because no reasonable standard of comparison is available. Although the controlled sale and resale does not meet the requirements of subdivision (ii) (d) of this subparagraph, the resale price method may be used because that method involves computations and evaluations which are fewer and easier to make than under the cost plus method. This is because, under the circumstances, X's use of a patent is more difficult to evaluate in determining an appropriate gross profit percentage under the cost plus method, than is evaluation of the use of Y's trademark in determining the appropriate markup percentage under the resale price method.

(iv) For the purposes of this subparagraph the "applicable resale price" is the price at which it is anticipated that property purchased in the controlled sale will be resold by the buyer in an uncontrolled sale. The "applicable resale price" will generally be equal to either the price at which current resales of the same property are being made or the resale price of the particular item of property involved.

(v) Where the property purchased in the controlled sale is resold in another controlled sale, the "applicable resale price" is the price at which such property is finally resold in an uncontrolled sale, providing that the series of sales as a

whole meets all the requirements of subdivision (ii) of this subparagraph or that the resale price method is used pursuant to subdivision (iii) of this subparagraph. In such case, the determination of the appropriate markup percentage shall take into account the function or functions performed by all members of the group participating in the series of sales and resales. Thus, if X sells a product to Y in a controlled sale, Y sells the product to Z in a controlled sale, and Z sells the product in an uncontrolled sale, the resale price method must be used if Y and Z together have not added more than an insubstantial amount to the value of the product through physical alteration or the application of intangible property, and the final resale occurs within a reasonable time of the sale from X to Y. In such case, the applicable resale price is the price at which Z sells the product in the uncontrolled sale, and the appropriate markup percentage shall take into account the functions performed by both Y and Z.

(vi) For the purposes of this subparagraph, the appropriate markup percentage is equal to the percentage of gross profit (expressed as a percentage of sales) earned by the buyer (reseller) or another party on the resale of property which is both purchased and resold in an uncontrolled transaction, which resale is most similar to the applicable resale of the property involved in the controlled sale. The following are the most important characteristics to be considered in determining the similarity of resales:

(a) The type of property involved in the sales. For example: machine tools, men's furnishings, small household appliances.

(b) The functions performed by the reseller with respect to the property. For example: packaging, labeling, delivering, maintenance of inventory, minor assembly, advertising, selling at wholesale, selling at retail, billing, maintenance of accounts receivable, and servicing.

(c) The effect on price of any intangible property utilized by the reseller in connection with the property resold. For example: patents, trademarks, trade names.

(d) The geographic market in which the functions are performed by the reseller.

In general, the similarity to be sought relates to the probable effect upon the markup percentage of any differences in such characteristics between the uncontrolled purchases and resales on the one hand and the controlled purchases and resales on the other hand. Thus, close physical similarity of the property involved in the sales compared is not required under the resale price method since a lack of close physical similarity is not necessarily indicative of dissimilar markup percentages.

(vii) Whenever possible, markup percentages should be derived from uncontrolled purchases and resales of the buyer (reseller) involved in the controlled sale, because similar characteristics are more likely to be found among different resales of property made by

the same reseller than among sales made by other resellers. In the absence of resales by the same buyer (reseller) which meet the standards of subdivision (vi) of this subparagraph, evidence of an appropriate markup percentage may be derived from resales by other resellers selling in the same or a similar market in which the controlled buyer (reseller) is selling, providing such resellers perform comparable functions. Where the function performed by the reseller is similar to the function performed by a sales agent which does not take title, such sales agent will be considered a reseller for the purpose of determining an appropriate markup percentage under this subparagraph and the commission earned by such sales agent, expressed as a percentage of the sales price of the goods, may constitute the appropriate markup percentage. If the controlled buyer (reseller) is located in a foreign country and information on resales by other resellers in the same foreign market is not available, then markup percentages earned by United States resellers performing comparable functions may be used. In the absence of data on markup percentages of particular sales or groups of sales, the prevailing markup percentage in the particular industry involved may be appropriate.

(viii) In calculating the markup percentage earned on uncontrolled purchases and resales, and in applying such percentage to the applicable resale price to determine the appropriate markup, the same elements which enter into the computation of the sales price and the costs of goods sold of the property involved in the comparable uncontrolled purchases and resales should enter into such computation in the case of the property involved in the controlled purchases and resales. Thus, if freight-in and packaging expense are elements of the cost of goods sold in comparable uncontrolled purchases, then such elements should also be taken into account in computing the cost of goods sold of the controlled purchase. Similarly, if the comparable markup percentage is based upon net sales (after reduction for returns and allowances) of uncontrolled resellers, such percentage must be applied to net sales of the buyer (reseller).

(ix) In determining an arm's length price appropriate adjustment must be made to reflect any material differences between the uncontrolled purchases and resales used as the basis for the calculation of the appropriate markup percentage and the resales of property involved in the controlled sale. The differences referred to in this subdivision are those differences in functions or circumstances which have a definite and reasonably ascertainable effect on price. The principles of this subdivision may be illustrated by the following example:

Example. Assume that X and Y are members of the same group of controlled entities and that Y purchases electric mixers from X and electric toasters from uncontrolled entities. Y performs substantially similar functions with respect to resales of both the mixers and the toasters, except that it does not warrant the toasters, but does pro-

vide a 90-day warranty for the mixers. Y normally earns a gross profit on toasters of 20 percent of gross selling price. The 20 percent gross profit on the resale of toasters is an appropriate markup percentage, but the price of the controlled sale computed with reference to such rate must be adjusted to reflect the difference in terms (the warranty).

(4) *Cost plus method.* (i) Under the pricing method described as the "cost plus method", the arm's length price of a controlled sale of property shall be computed by adding to the cost of producing such property (as computed in subdivision (ii) of this subparagraph), an amount which is equal to such cost multiplied by the appropriate gross profit percentage (as computed in subdivision (iii) of this subparagraph), plus or minus any adjustments as provided in subdivision (v) of this subparagraph.

(ii) For the purposes of this subparagraph, the cost of producing the property involved in the controlled sale, and the costs which enter into the computation of the appropriate gross profit percentage shall be computed in a consistent manner in accordance with sound accounting practices for allocating or apportioning costs, which neither favors nor burdens controlled sales in comparison with uncontrolled sales. Thus, if the costs used in computing the appropriate gross profit percentage are comprised of the full cost of goods sold, including direct and indirect costs, then the cost of producing the property involved in the controlled sales must be comprised of the full cost of goods sold, including direct and indirect costs. On the other hand, if the costs used in computing the appropriate gross profit percentage are comprised only of direct costs, the cost of producing the property involved in the controlled sale must be comprised only of direct costs. The term "cost of producing", as used in this subparagraph, includes the cost of acquiring property which is held for resale.

(iii) For the purposes of this subparagraph, the appropriate gross profit percentage is equal to the gross profit percentage (expressed as a percentage of cost) earned by the seller or another party on the uncontrolled sale or sales of property which are most similar to the controlled sale in question. The following are the most important characteristics to be considered in determining the similarity of the uncontrolled sale or sales:

(a) The type of property involved in the sales. For example: machine tools, men's furnishings, small household appliances.

(b) The functions performed by the seller with respect to the property sold. For example: contract manufacturing, product assembly, selling activity, processing, servicing, delivering.

(c) The effect of any intangible property used by the seller in connection with the property sold. For example: patents, trademarks, trade names.

(d) The geographic market in which the functions are performed by the seller.

In general, the similarity to be sought relates to the probable effect upon the margin of gross profit of any differences in such characteristics between the uncontrolled sales and the controlled sale. Thus, close physical similarity of the property involved in the sales compared is not required under the cost plus method since a lack of close physical similarity is not necessarily indicative of dissimilar profit margins. See subparagraph (2) (iv) of this paragraph, relating to sales made at less than a normal profit for the primary purpose of establishing or maintaining a market.

(iv) Whenever possible, gross profit percentages should be derived from uncontrolled sales made by the seller involved in the controlled sale, because similar characteristics are more likely to be found among sales of property made by the same seller than among sales made by other sellers. In the absence of such

sales, evidence of an appropriate gross profit percentage may be derived from similar uncontrolled sales by other sellers whether or not such sellers are members of the controlled group. Where the function performed by the seller is similar to the function performed by a purchasing agent which does not take title, such purchasing agent will be considered a seller for the purpose of determining an appropriate gross profit percentage under this subparagraph and the commission earned by such purchasing agent, expressed as a percentage of the purchase price of the goods, may constitute the appropriate gross profit percentage. In the absence of data on gross profit percentages of particular sales or groups of sales which are similar to the controlled sale, the prevailing gross profit percentages in the particular industry involved may be appropriate.

(v) Where the most similar sale or sales from which the appropriate gross

profit percentage is derived differ in any material respect from the controlled sale, the arm's length price which is computed by applying such percentage must be adjusted to reflect such differences to the extent such differences would warrant an adjustment of price in uncontrolled transactions. The differences referred to in this subdivision are those differences which have a definite and reasonably ascertainable effect on price.

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

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

Approved: April 9, 1968.

STANLEY S. SURREY,
*Assistant Secretary of
the Treasury.*

[F.R. Doc. 68-4480; Filed Apr. 15, 1968;
3:30 p.m.]

DEPARTMENT OF THE TREASURY

Internal Revenue Service

[26 CFR Part 1]

ALLOCATION OF INCOME AND DEDUCTIONS AMONG TAXPAYERS

Notice of Proposed Rule Making

Notice is hereby given that the regulations set forth in tentative form below are proposed to be prescribed by the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury or his delegate. Prior to the final adoption of such regulations, consideration will be given to any comments or suggestions pertaining thereto which are submitted in writing in duplicate, to the Commissioner of Internal Revenue, Attention: CC:LR:T, Washington, D.C. 20224, within the period of 30 days from the date of publication of this notice in the FEDERAL REGISTER. Any written comments or suggestions not specifically designated as confidential in accordance with 26 CFR 601.601(b) may be inspected by any person upon written request. Any person submitting written comments or suggestions who desires an opportunity to comment orally at a public hearing on these proposed regulations should submit his request, in writing, to the Commissioner within the 30-day period. In such case, a public hearing will be held, and notice of the time, place and date will be published in a subsequent issue of the FEDERAL REGISTER. The proposed regulations are to be issued under the authority contained in section 7805 of the Internal Revenue Code of 1954 (68A Stat. 917; 26 U.S.C. 7805).

[SEAL]

SHELDON S. COHEN,
Commissioner of Internal Revenue.

In order to provide more specific rules for the allocation of income and deductions among taxpayers, the Income Tax Regulations (26 CFR Part 1) under section 482 of the Internal Revenue Code of 1954, relating to allocation of income and deductions, are amended as follows:

Paragraph (b) of § 1.482-2 is amended by revising subparagraph (3) and adding a new subparagraph (7). These amended and added provisions read as follows:

§ 1.482-2 Determination of taxable income in specific situations.

(b) Performance of services for another. * * *

(3) *Arm's length charge.* For the purpose of this paragraph an arm's length charge for services rendered shall be the amount which was charged or would have been charged for the same or similar services in independent transactions with or between unrelated parties under similar circumstances considering all relevant facts. However, except in the case of services which are an integral part of the business activity of either the member rendering the services or the member receiving the benefit of the services as described in subparagraph (7) of this

paragraph, the arm's length charge shall be deemed to be equal to the costs or deductions incurred with respect to such services by the member or members rendering such service unless the taxpayer establishes a more appropriate charge under the standards set forth in the first sentence of this subparagraph.

(7) *Certain services.* An arm's length charge shall not be deemed equal to costs or deductions with respect to services which are an integral part of the business activity of either the member rendering the services or the member receiving the benefit of the services. For purposes of this paragraph, services rendered by one member of a group of controlled entities for the benefit, or on behalf, of another member of the group shall be considered to be services which are an integral part of the business activity of a member of a group of controlled entities only in the following cases:

(i) Where services are rendered by or to a member of the group which member is engaged in the trade or business of rendering similar services to unrelated parties,

(ii) Where services are rendered by a member of the group which member, as one of its principal activities, renders such services to related parties,

(iii) Where the renderer is peculiarly capable of rendering the services and such services are a principal element in the operations of the recipient, or

(iv) Where services are rendered to a member of the group which member has received the benefit of a substantial amount of services from related entities during the taxable year.

For purposes of subdivision (iv) of this subparagraph, services rendered by related entities shall be considered substantial in amount if the total costs incurred by the entity or entities rendering such services which are directly or indirectly related to such services (within the meaning of subparagraph (4) of this paragraph) exceed an amount equal to 25 percent of the total costs incurred by the recipient of such services during the taxable year including the costs incurred by related entities in rendering services and excluding any amounts paid or payable to related entities for such services and excluding any amounts paid or payable for materials the cost of which is properly reflected in the cost of goods sold by the recipient. The principles of this subparagraph may be illustrated by the following examples in each of which it is assumed that X and Y are members of the same group of controlled entities:

Example (1). Y is engaged in the business of selling merchandise and X is a printing company regularly engaged in printing and mailing advertising literature for unrelated parties. X also prints flyers advertising Y's products, mails the flyers to potential customers of Y, and, in addition, performs the art work involved in the preparation of the flyers. Since the printing, mailing, and art work services rendered by X to Y are similar to the printing and mailing services rendered by X as X's trade or business, the services rendered to Y are an integral part of the

business activity of X as described in subdivision (i) of this subparagraph.

Example (2). Corporations V and W are members of the same group of controlled entities as X and Y. V, W, and Y are construction companies. X is regularly engaged in rendering wrecking services to V, W, and Y and, in addition, sells building materials to unrelated parties. Since X renders wrecking services to related parties as one of its principal activities, such services are an integral part of the business activity of X as described in subdivision (ii) of this subparagraph.

Example (3). X is a finance company engaged in financing automobile loans. In connection with such loans it requires the borrower to have life insurance in the amount of the loan. Although X's borrowers are not required to take out life insurance from any particular insurance company, at the same time that the loan agreement is being completed X's employees suggest that the borrower take out life insurance from Y, which is an agency for life insurance companies. Since there would be a delay in the processing of the loan if some other company were selected by the borrower, almost all of X's borrowers take out life insurance through Y. Because of the position of X to its borrowers, X is peculiarly capable of rendering selling services to Y and, since a substantial amount of Y's business is derived from X's borrowers, such selling services are a principal element in the operation of Y's insurance business. Thus, the selling services rendered by X to Y are an integral part of the business activity of Y as described in subdivision (iii) of this subparagraph.

Example (4). X is a manufacturer of product D. Through years of research a team of employees of X has developed, by use of a secret process, an additive by which product D is adapted to extremely humid areas. No other manufacturer has been able to develop a comparable process. Y, a manufacturer of product E, which is used primarily in humid areas, uses the services of X for the development of a similar process for an additive for product E. Because of the value and exclusiveness of the process and the possibility of its application in a varied form to product E, X is peculiarly capable of rendering research services in this area which services are a principal element in the operations of Y. Thus, the research and development services rendered by X to Y are an integral part of the business activity of Y as described in subdivision (iii) of this subparagraph.

Example (5). X is a large manufacturing concern. X's accounting department has, for many years, maintained the financial records of Y, a distributor of X's products. Although X is thoroughly familiar with the operations of Y, X is not peculiarly capable of rendering the accounting services to Y within the meaning of subdivision (iii) of this subparagraph, since the capability of X is based solely on X's knowledge of the composition and functions of Y, which knowledge is the result of the prior rendition of services to Y by X. Furthermore, under these circumstances, the accounting services are supporting in nature and, therefore, the services rendered by X are not a principal element in the operations of Y. Thus, assuming the accounting services rendered by X for Y are not described within subdivisions (i), (ii), or (iii) of this subparagraph, the accounting services rendered by X to Y are not an integral part of the business activity of either X or Y within the meaning of this subparagraph.

Example (6). Corporation Z is a member of the same group of controlled entities as X and Y. X is a manufacturer and Y and Z are distributors of X's products. X provides a variety of services to Y including billing,

shipping, accounting, and other general and administrative services. During the taxable year, on several occasions, Z renders selling and other promotional services to Y. Y's total costs incurred during the taxable year (exclusive of amounts paid to X and Z for services rendered and amounts paid for goods purchased for resale) are \$1,600,000. The total direct and indirect costs of X and Z for services rendered to Y during the taxable year are as follows:

Services provided by X:	
Billing	\$50,000
Shipping	250,000
Accounting	150,000
Other	200,000
Services provided by Z:	
Selling	500,000
Total costs.....	\$1,150,000

Since the total costs incurred by X and Z in rendering services to Y exceed the amount equal to 25 percent of the total costs incurred by Y during the taxable year (exclusive of amounts paid to X and Z for the services rendered and amounts paid for goods purchased for resale) plus the total costs incurred by X and Z in rendering services to Y.

\$1,150,000

$$\frac{\$1,150,000}{\$1,600,000 + \$1,150,000} = 41.8\%$$

the services rendered by X and Z to Y are substantial within the meaning of subdivision (iv) of this subparagraph. Thus, the services rendered by X and Z to Y are an integral part of the business activity of Y as described in subdivision (iv) of this subparagraph.

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