

(ii) *Excess taxable income.* For purposes of this paragraph, the term "excess taxable income" means the excess of the controlled organization's taxable income over the amount of such taxable income which, if derived directly by the controlling organization, would not be unrelated business taxable income.

(iii) *Examples.* This subparagraph may be illustrated by the following examples:

Example (1). A, an exempt university described in section 501(c)(3), owns all the stock of M, a nonexempt organization. During 1971, M leases a factory and a dormitory from A for a total annual rental of \$100,000. During the taxable year, M has \$500,000 of taxable income, disregarding the rent paid to A: \$150,000 from a dormitory for students of A university, and \$350,000 from the operation of a factory which is a business unrelated to A's exempt purpose. A's deductions for 1971 with respect to the leased property are \$4,000 for the dormitory and \$16,000 for the factory. Under these circumstances, \$56,000 of the rent paid by M will be included by A as net rental income in determining its unrelated business taxable income, computed as follows:

M's taxable income (disregarding rent paid to A).....	\$500,000
Less taxable income from dormitory	150,000
Excess taxable income.....	\$350,000
Ratio (\$350,000/\$500,000).....	$\frac{7}{10}$
Total rent paid to A.....	\$100,000
Total deductions (\$4,000+\$16,000) ..	20,000
Rental income treated as gross income from an unrelated trade or business ($\frac{7}{10}$ of \$100,000).....	\$70,000
Less deductions directly connected with such income ($\frac{7}{10}$ of \$20,000) ..	\$14,000
Net rental income included by A in computing its unrelated business taxable income.....	\$56,000

Example (2). Assume the facts as stated in example (1), except that M's taxable income (disregarding rent paid to A) is \$300,000, consisting of \$350,000 from the operation of the factory and a \$50,000 loss from the operation of the dormitory. Thus, M's "excess taxable income" is also \$300,000, since none of M's taxable income would be excluded from the computation of A's unrelated business taxable income if received directly by A. The ratio of M's "excess taxable income" to its taxable income is therefore one (\$300,000/\$300,000). Thus, all the rent received by A from M (\$100,000), and all the deductions directly connected therewith (\$20,000), are included in the computation of A's unrelated business taxable income.

(4) *Control.*—(i) *In general.* For purposes of this paragraph—

(a) *Stock corporation.* In the case of an organization which is a stock corporation, the term "control" means ownership by an exempt organization of stock possessing at least 80 percent of the total combined voting power of all classes of stock entitled to vote and at least 80 percent of the total number of shares of all other classes of stock of such corporation.

(b) *Nonstock organization.* In the case of a nonstock organization, the term "control" means that at least 80 percent of the directors or trustees of such organization are either representatives of or

directly or indirectly controlled by an exempt organization. A trustee or director is a representative of an exempt organization if he is a trustee, director, agent, or employee of such exempt organization. A trustee or director is controlled by an exempt organization if such organization has the power to remove such trustee or director and designate a new trustee or director.

(ii) *Gain or loss of control.* If control of an organization (as defined in subdivision (i) of this subparagraph) is acquired or relinquished during the taxable year, only the interest, annuities, royalties, and rents paid or accrued to the controlling organization in accordance with its method of accounting for that portion of the taxable year it has control shall be subject to the tax on unrelated business income.

(5) *Amounts taxable under other provisions of the Code.*—(i) *In general.* Section 512(b)(15) and this paragraph do not apply to amounts which are included in the computation of unrelated business taxable income by operation of any other section of the Code. However, amounts which are not included in unrelated business taxable income by operation of section 512(a)(1), or which are excluded by operation of section 512(b)(1), (2), or (3), may be included in unrelated business taxable income by operation of section 512(b)(15) and this paragraph.

(ii) *Debt-financed property.* Rents derived from the lease of debt-financed property by a controlling organization to a controlled organization are subject to the rules contained in section 512(b)(15) and this paragraph. Thus, if a controlling organization leases debt-financed property to a controlled organization, the amount of rents includible in the controlling organization's unrelated business taxable income shall first be determined under section 512(b)(15) and this paragraph, and only the portion of such rents not taken into account by operation of section 512(b)(15) are taken into account by operation of section 514. See example (3) of § 1.514(b)-1(b)(3).

[FR Doc.72-5371 Filed 4-7-72;8:45 am]

[T.D. 7179]

PART 13—TEMPORARY INCOME TAX REGULATIONS UNDER THE TAX REFORM ACT OF 1969

Trusts—Election Regarding Amounts Distributed in First 65 Days of Taxable Year

In order to clarify the rules relating to the election by the fiduciary of a trust to treat certain amounts distributed by the trust during the first 65 days following the close of a taxable year as distributed on the last day of such taxable year, subparagraph (1) of paragraph (a) of § 13.6 of the Temporary Income Tax Regulations under the Tax Reform Act of 1969 (26 CFR Part 13) is amended to read as follows:

§ 13.6 Accumulation trusts; 65 day election; "first taxable year in which income is accumulated."

(a) *Election regarding distributions in first 65 days of taxable year.*—(1) *In general.* With respect to taxable years beginning after December 31, 1968, the fiduciary of a trust may elect under section 663(b) to treat any amount or portion thereof that is properly paid or credited to a beneficiary within the first 65 days following the close of the taxable year as an amount that was properly paid or credited on the last day of such taxable year. An election is effective only with respect to the taxable year for which the election is made. In the case of distributions made after May 8, 1972, the amount to which the election applies shall not exceed—

(i) The amount of income of the trust (as defined in § 1.643(b)-1) of this chapter for the taxable year for which the election is made, or

(ii) The amount of distributable net income of the trust (as defined in §§ 1.643(a)-1 through 1.643(a)-7 of this chapter) for such taxable year, if greater.

reduced by any amounts paid, credited, or required to be distributed in such taxable year other than those amounts considered paid or credited in a preceding taxable year by reason of section 663(b) and this section. An election shall be made for each taxable year for which the treatment is desired. The application of this paragraph may be illustrated by the following example:

Example. X Trust, a calendar year trust, has \$1,000 of income (as defined in § 1.643(b)-1) and \$800 of distributable net income (as defined in § 1.643(a)-1 through 1.643(a)-7) in 1972. The trust properly pays \$550 to A, a beneficiary, on January 15, 1972, which the trustee elects to treat under section 663(b) as paid on December 31, 1971. The trust also properly pays to A \$600 on July 19, 1972, and \$450 on January 17, 1973. For 1972, the maximum amount to which the election made under this paragraph may apply is \$400 (\$1,000-\$600). The \$550 paid on January 15, 1972, does not reduce the maximum amount to which the election may apply because that amount is treated as properly paid on December 31, 1971.

Because of the need for immediate guidance with respect to the provisions contained in this Treasury decision, it is found impracticable to issue it with notice and public procedure thereon under subsection (b) of section 553 of Title 5 of the United States Code or subject to the effective date limitation of subsection (d) of that section.

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

[SEAL] JOHNNIE M. WALTERS,
Commissioner of Internal Revenue.

Approved: April 4, 1972.

FREDERIC W. HICKMAN,
Acting Assistant Secretary of
the Treasury.

[FR Doc.72-5393 Filed 4-7-72;8:49 am]

Title 38—PENSIONS, BONUSES, AND VETERANS' RELIEF

Chapter 1—Veterans Administration

PART 3—ADJUDICATION

Subpart A—Pension, Compensation, and Dependency and Indemnity Compensation

INCOME EXCLUSIONS FOR PENSION PURPOSES

This amendment provides for the exclusion from consideration as income for

purposes of the pension program amounts paid to a retired employee by his former employer as reimbursement for premiums he has paid for medicare.

In § 3.261(a), subparagraph (22) is amended to read as follows:

§ 3.261 Character of income; exclusions and estates.

The following factors will be considered in determining whether a claimant meets the requirements of §§ 3.250, 3.251, and 3.252 with reference to dependency, income limitations and corpus of estate:

	Dependency (parents)	Dependency and indemnity compensation (parents)	Pension; protected (veterans, widows and children)	Pension; Public Law 86-211 (veterans, widows and children)	See—
(a) Income.	***	***	***	***	***
(22) Contributions by a public or private employer to a:					
Public or private health or hospitalization plan for an active or retired employee.	Excluded...	Excluded...	Excluded...	Excluded.	
Retired employee as reimbursement for premiums for supplementary medical insurance benefits under the Social Security Program (Public Law 91-588; 84 Stat. 1880).	Included....	Included....	Excluded...	Excluded.	
	***	***	***	***	***

(72 Stat. 1114; 38 U.S.C. 210)

This VA Regulation is effective the date of approval.

Approved: April 3, 1972.

By direction of the Administrator.

[SEAL]

FRED B. RHODES,
Deputy Administrator.

[FR Doc.72-5493 Filed 4-7-72; 8:50 am]

Title 41—PUBLIC CONTRACTS AND PROPERTY MANAGEMENT

Chapter 114—Department of the Interior

MISCELLANEOUS AMENDMENTS TO CHAPTER

Pursuant to the authority of the Secretary of the Interior contained in 5 U.S.C. 301, Parts 114-1, 114-25, and 114-26 of Chapter 114, Title 41 of the Code of Federal Regulations, are hereby amended as set forth below.

These changes will become effective on the date of their publication in the FEDERAL REGISTER (4-8-72).

WARREN F. BRECHT,
Deputy Assistant Secretary
of the Interior.

APRIL 4, 1972.

PART 114-1—INTRODUCTION

Subpart 114-1.1—Regulation System

§ 114-1.109-50 [Amended]

In § 114-1.109-50 the reference to "114L—Office of Territories" is amended to read "114L—Reserved".

PART 114-25—GENERAL

Subpart 114-25.3—Use Standards

The table of contents for Subpart 114-25.3 is amended by the addition of the following:

Sec.
114-25.300-50 Standard lettering for bench marks and corner markers.

Subpart 114-25.3 is amended by the addition of the following section:

§ 114-25.300-50 Standard lettering for bench marks and corner markers.

The minimum standard lettering to be used to identify all bench mark tables is as follows:

U.S. DEPARTMENT OF THE INTERIOR

Height of lettering: $\frac{1}{4}$ inch.
Width of letters at surface: .040 inch.

UNLAWFUL TO DISTURB

Height of lettering: $\frac{5}{32}$ inch.
Width of letters at surface: .032 inch.

Exceptions to the use of the foregoing lettering will be granted only where special circumstances warrant exemption. Requests for such exemption shall be transmitted through Bureau Channels to the Director, Office of Management Operations, Office of the Assistant Secretary—Management and Budget.

PART 114-26—PROCUREMENT SOURCES AND PROGRAMS

Subpart 114-26.4—Purchase of Items From Federal Supply Schedule Contractors

§ 114-26.406-d [Amended]

Section 114-26.406-2(d) is amended by deleting "Office of Territories—040 through 059 inclusive" and inserting in lieu thereof the following:

Reserved—040 through 059 inclusive.

Subpart 114-26.6—Procurement Sources Other Than GSA

The table of contents is amended by deleting the reference to § 114-26.600-51 *Procurement of bench marks and corner markers* and inserting in lieu thereof the following:

Sec.
114-26.600-51 Other procurement from the Defense Supply Agency.

Section 114-26.600-51, *Procurement of bench marks and corner markers*, is deleted in its entirety and the following substituted therefor:

§ 114-26.600-51 Other procurement from the Defense Supply Agency.

(a) The Defense Supply Agency has been assigned the supply responsibility for certain items as provided in FPMR 101-26.6. As to the procurement of other items, it is the policy of the Defense Supply Agency that its Defense Supply Centers will honor such supply requests from civilian agencies only when a formal interagency agreement is in effect covering supply support for the materiel requested. As a rule, there are no exceptions to this policy except in an emergency (e.g., hurricane, flood, epidemic, etc.).

(b) Pursuant to a DOD/GSA agreement governing supply management relationships, the Defense Supply Agency will furnish supply management services to all Federal agencies in those instances where:

(1) The General Services Administration determines that Governmentwide economies and improved effectiveness can be gained through DSA support, and

(2) The Defense Supply Agency determines that support of civilian agencies will not impair DSA's capability to support military units in war and peace, and will not significantly increase DSA's operating costs or inventory investment.

(c) DSA supply support arrangements with civilian agencies will be consistent with DSA procurement and supply management practices, and supply support will normally be limited to items or services which DSA provides to DOD activities.

(d) The Defense Supply Agency looks to the General Services Administration as the coordinator for all civilian agency procurement and supply support requests to assure consistency of policy and procedures governing civilian agency use of DSA support and to assure civilian

agency knowledge and use of DOD/DSA systems and procedures.

(e) When there is a requirement for DSA supply support, the General Services Administration will provide assistance in making appropriate arrangements for the implementing actions required to develop, coordinate, and exercise an interagency agreement for such support.

(f) Requests for DSA supply support should be prepared for the signature of the Director of Management Operations and addressed to:

Assistant Commissioner, Office of National Supply Policies and Programs, Federal Supply Service, General Services Administration, Washington, D.C. 20405.

Each request must include full particulars regarding the support required, location, duration of need, etc.

[FR Doc. 72-5404 Filed 4-7-72; 8:46 am]

Title 42—PUBLIC HEALTH

Chapter I—Public Health Service, Department of Health, Education, and Welfare

SUBCHAPTER D—GRANTS

PART 59—GRANTS FOR FAMILY PLANNING

Family Planning Services Training

Notice of proposed rule making, public rule making procedures and postponement of effective date have been omitted in the issuance of the following Subpart C of Part 59, which relates solely to grants for family planning services training pursuant to section 1003 of the Public Health Service Act (42 U.S.C. 300a-1) because for good cause it has been found that such notice, public participation, and delay would be contrary to the public interest in light of the need to provide adequate lead time for the development of project proposals, the need for the orderly and efficient consideration of such proposals, and the limited time for which funds are available for these purposes. Written comments concerning the regulations are invited from interested persons. Inquiries may be addressed, and data, views, and arguments relating to the proposed regulations may be presented in writing, in triplicate, to the Director, National Center for Family Planning Services, Health Services and Mental Health Administration, 5600 Fishers Lane, Rockville, MD 20852. All comments received in response to this publication will be available for public inspection in the Office of the Grants and Contracts Officer, National Center for Family Planning Services, Room 12A-54, Parklawn Building, 5600 Fishers Lane, Rockville, MD, weekdays between 9 a.m. and 5 p.m. All relevant material received not later than 30 days after publication of these regulations in the FEDERAL REGISTER will be considered. The following regulations shall become

effective on the date of publication in the FEDERAL REGISTER (4-8-72).

Dated: March 21, 1972.

VERNON E. WILSON,
Administrator, Health Services
and Mental Health Admin-
istration.

Approved: April 3, 1972.

ELLIOT L. RICHARDSON,
Secretary.

Subpart B—[Reserved]

Subpart C—Grants for Family Planning Services Training

- | | |
|--------|--|
| Sec. | |
| 59.201 | Applicability. |
| 59.202 | Definitions. |
| 59.203 | Eligibility. |
| 59.204 | Application for a grant. |
| 59.205 | Project requirements. |
| 59.206 | Evaluation and grant award. |
| 59.207 | Payments. |
| 59.208 | Use of project funds. |
| 59.209 | Civil rights. |
| 59.210 | Inventions or discoveries. |
| 59.211 | Publications and copyright. |
| 59.212 | Grantee accountability. |
| 59.213 | Records, reports, inspection, and audit. |
| 59.214 | Additional conditions. |
| 59.215 | Early termination and withholding of payments. |

AUTHORITY: The provisions of this Subpart C issued under sec. 6(c), 84 Stat. 1507, 42 U.S.C. 300a-4; sec. 6(c), 84 Stat. 1507, 42 U.S.C. 300a-1.

Subpart B—[Reserved]

Subpart C—Grants for Family Planning Service Training

§ 59.201 Applicability.

The regulations in this subpart are applicable to the award of grants pursuant to section 1003 of the Public Health Service Act (42 U.S.C. 300a-1) to provide the training for personnel to carry out family planning service programs described in sections 1001 and 1002 of the Public Health Service Act (42 U.S.C. 300, 300a).

§ 59.202 Definitions.

As used in this subpart:

(a) "Act" means the Public Health Service Act.

(b) "State" means one of the 50 States, the District of Columbia, Puerto Rico, Guam, the Virgin Islands, American Samoa, or the Trust Territory of the Pacific Islands.

(c) "Nonprofit" private entity means a private entity no part of the net earnings of which inures, or may lawfully inure, to the benefit of any private shareholder or individual.

(d) "Secretary" means the Secretary of Health, Education, and Welfare and any other officer or employee of the Department of Health, Education, and Welfare to whom the authority involved has been delegated.

(e) "Training" means job-specific skill development, the purpose of which is to promote and improve the delivery of family planning services.

§ 59.203 Eligibility.

(a) *Eligible applicants.* Any public or nonprofit private entity located in a State is eligible to apply for a grant under this subpart.

(b) *Eligible projects.* Grants pursuant to section 1003 of the Act and this subpart may be made to eligible applicants for the purpose of providing programs, not to exceed 3 months in duration, for training family planning or other health services delivery personnel in the skills, knowledge, and attitudes necessary for the effective delivery of family planning services.

§ 59.204 Application for a grant.

(a) An application for a grant under this subpart shall be submitted to the Secretary at such time and in such form and manner as the Secretary may prescribe. The application shall contain a full and adequate description of the project and of the manner in which the applicant intends to conduct the project and carry out the requirements of this subpart, and a budget and justification of the amount of grant funds requested, and such other pertinent information as the Secretary may require.

(b) The application shall be executed by an individual authorized to act for the applicant and to assume for the applicant the obligations imposed by the regulations of this subpart and any additional conditions of the grant.

§ 59.205 Project requirements.

An approvable application must contain each of the following unless the Secretary determines that the applicant has established good cause for its omission:

(a) Assurances that:

(1) No portion of the Federal funds will be used to train personnel for programs where abortion is a method of family planning.

(2) No portion of the Federal funds will be used to provide professional training to any student as part of his education in pursuit of an academic degree.

(3) No project personnel or trainees shall on the grounds of sex, religion, or creed be excluded from participation in, be denied the benefits of, or be subjected to discrimination under the project.

(b) Provision of a methodology to assess the particular training (e.g., skills, attitudes, or knowledge) that prospective trainees in the area to be served need to improve their delivery of family planning services.

(c) Provision of a methodology to define the objectives of the training program in light of the particular needs of trainees defined pursuant to paragraph (b) of this section.

¹ Applications and instructions may be obtained from the Program Director, Family Planning Services, at the Regional Office of the Department of Health, Education, and Welfare for the region in which the project is to be conducted, or the Office of the Director, National Center for Family Planning Services, Health Services and Mental Health Administration, Rockville, MD 20852 for national programs.