Development, 451 Seventh Street, S.W., Washington, D.C. 20410.
Communications should refer to the above docket number and title. All relevant material received on or before October 27, 1980 will be considered before adoption of a final rule. A copy of each communication submitted will be available for public inspection during regular business hours at the above address.

FOR FURTHER INFORMATION CONTACT: Julius M. Williams, Director, Single Family Loan Servicing Division, Office of Single Family Housing, Department of Housing and Urban Development, 451 Seventh Street, S.W., Washington, D.C. 20410, (202) 755–6700. This is not a toll free number.

SUPPLEMENTARY INFORMATION: This interim rule will redefine the conditions under which the Department will accept a conveyance of fire damaged property (or accept an assignment of the mortgage on such property) when the fire insurance policy has been terminated or renewal refused by the carrier and the mortgagee has been unable to obtain insurance adequate to protect its continuing interest at reasonable rates. Such conveyance (or assignment) will be accepted without deduction from the mortgage insurance benefits for such damages, except to the extent that the mortgagee has received a recovery from an insurance carrier. In order to qualify for this, the mortgagee must certify that at the time the mortgage was insured the property was covered by adequate fire insurance, that adequate coverage was later cancelled or renewal refused and that the mortgagee made a diligent but unsuccessful effort to secure replacement coverage or coverage under a FAIR Plan (as defined in 24 CFR Section 1905.1(i)) which was adequate to protect the mortgagee's continuing interest. The rule will remove the current requirement that the mortgagee notify the Commissioner within 30 days of the cancellation of the insurance or refusal to renew. The rule also will define "reasonable rate" and "sufficient to protect the mortgagee's continuing interest."

This interim rule will make no change in Section 203.379(a) of the current regulations applicable to conveyances of property by the mortgagee subject to a deduction for the cost of repair or the insurance recovery received, whichever is greater. The interim rule will delete the reference in the current rule to "hazard insurance."

Both Sections 203.402(c) and Section 204.322(c) will be amended to cite 203.379(c). These are technical changes.

A Finding of Inapplicability respecting the National Environmental Policy Act of 1969 has been made in accordance with HUD procedures. A copy of this Finding of Inapplicability will be available for public inspection during regular business hours in the Office of the Rules Docket Clerk at the address listed above.

The Department is issuing this as an Interim Rule after determining that it would not be contrary to the public interest to do so. Mortgagees have long claimed, with good cause, that the present rules have resulted in substantial financial losses where the mortgagee has, despite its best efforts, been unable to secure sufficient insurance coverage. Those present rules and procedures also have imposed an unnecessary reporting burden upon mortgagees and reviewing burden upon HUD field offices.

This rule is not listed in the Department's semiannual agenda of significant rules, published pursuant to Executive Order 12044. Accordingly, the Department will amend Chapter II of Title 24 CFR Sections 203.379, 203.402(c), and 204.322(c) as follows:

* * * * *

§ 203.379 Adjustment for damage or neglect.

If the property has been damaged by fire, flood, earthquake, or tornado, or, for mortgages insured on or after January 1, 1977, the property has suffered damage due to failure of the mortgagee to take action as required by Section 203.377, such damage shall be repaired prior to conveyance of the property or assignment of the mortgage to the Secretary, except under the following conditions:

(a) If the prior approval of the Commissioner is obtained, there shall be deducted from the insurance benefits the Commissioner's estimate of the cost of repairing such damage or any insurance recovery received by the mortgagee, whichever amount is the greater.

(b) If the property has been damaged by fire and was not covered by fire insurance at the time of the damage, or the amount of insurance coverage was inadequate to protect the mortgagee's continuing interest, only the amount of insurance recovery received by the mortgagee, if any, shall be deducted from the insurance benefits, provided the mortgagee certifies that:

(1) At the time the mortgage was insured, the property was covered by fire insurance in an amount and under such terms sufficient to protect the mortgagee's continuing interest, and

(2) Coverage in such amount or under such terms was later cancelled (for reasons other than nonpayment of premium) or renewal was refused by the insuring company, or the mortgagee was unable to secure coverage sufficient to protect its continuing interest, and

(3) The mortgagee has made diligent, though unsuccessful, efforts, within 30 days and at least annually thereafter, to secure replacement coverage or coverage under a FAIR Plan, as defined in 24 CFR Section 1905.1(i), administered by the Federal Emergency Management Agency and coverage in such amount and under such terms was not available at a reasonable rate, and

(4) The mortgagee took such actions as were required by Section 203.377.

(c) As used in this section "reasonable rate" shall mean a rate which is not in excess of the rate or advisory rate set by the principal State-licensed rating organization for essential property insurance in the voluntary market, or if coverage is available under a FAIR Plan, the FAIR Plan rate.

(d) As used in this section "sufficient to protect the mortgagee's continuing interest" shall mean an amount which will permit recovery of not less than the amount necessary to repair the damage in the case of a partial loss or to pay the mortgage in full in the case of a total loss.

* * * * *

§ 203.402 Items included in payment-conveyed properties.

* * * * *

(c) Hazard insurance premiums on the mortgaged property not in excess of a "reasonable rate" as defined in Section 203.379(c).

* * * * *

§ 204.322 Items included in payment.

* * * * *

(c) Hazard insurance premiums on the mortgaged property not in excess of a "reasonable rate" as defined in Section 203.379(c), prorated to the date of disposition of the property.

* * * * *

(Sections 203 and 211 of the National Housing Act, as amended; 12 USC 1709 and 1715b.)

Issued at Washington, D.C. on July 8, 1980.

Lawrence B. Simons,

Assistant Secretary for Housing—Federal Housing Commissioner.

[FR Doc. 80-25833 Filed 8-25-80; 8:45 am]

BILLING CODE 4210-01-M

DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Parts 1 and 54

[T.D. 7714]

Individual Retirement Arrangements

AGENCY: Internal Revenue Service, Treasury.

ACTION: Correction to final rule.

SUMMARY: This document contains a correction to the **Federal Register** publication beginning at 45 FR 52782 (August 8, 1980) of the full text of the regulations which were the subject of Treasury Decision 7714 relating to individual retirement arrangements under sections 219, 402, 403, 408, 4973 and 4974 of the Internal Revenue Code of 1954.

EFFECTIVE DATE: The regulations are effective for taxable years beginning after December 31, 1974. This correction is to be effective the same date.

FOR FURTHER INFORMATION CONTACT: William E. Gibbs of the Employee Plans and Exempt Organizations Division, Office of Chief Counsel, Internal Revenue Service, 1111 Constitution Avenue, N.W., Washington, D.C. 20224, 202–566–3430, not a toll-free call.

SUPPLEMENTARY INFORMATION:

Background

On February 21, 1975, the **Federal Register** published a notice of proposed rulemaking (40 FR 7661) which proposed amendments to the Income Tax Regulations (26 CFR Part 1) under sections 219, 402, 403 and 408 of the Internal Revenue Code of 1954. A new part, containing regulations under Code sections 4973 and 4974, Pension Excise Taxes (26 CFR Part 54), was also proposed. A correction was published in the **Federal Register** on March 5, 1975 (40 FR 10187). A supplemental notice was published on November 19, 1975 (40 FR 53593). A notice which withdrew and reproposed part of the notice of February 21, 1975, was published in the **Federal Register** on March 23, 1979 (44 FR 17754). The amendments were proposed to conform the regulations to section 2002 of the Employee Retirement Income Security Act of 1974. The purpose of these amendments made by the Treasury decision was to provide guidance to the public for compliance with the law, and affect individuals who maintain IRA's and institutions which sponsor IRA's.

Need For a Correction

As published, the full text of the regulations which were the subject of Treasury Decision 7714 contained an error relating to the approval by the IRS as being a determination of the form of an account, annuity, or endowment contract and not a determination of merits.

Correction of Publication

Accordingly, the publication of the full text of the regulations which were the subject of FR Doc 80–24001 (45 FR 52782, August 8, 1980) is amended by the following correction:

Section 1.408–6(d)(4)(iii)(B)(11), at 45 FR 52797, is corrected by revising it to read as follows:

§ 1.408–6 Disclosure statements for individual retirement arrangements.

* * * * *

(d) *Requirements.* * * *

(4) *Disclosure statements.* * * *

(iii) * * *

(B) * * *

(11) The Internal Revenue Service approval is a determination only as to the form of the account, annuity, or endowment contract, and does not represent a determination of the merits of such account, annuity, or endowment contract.

George H. Jelly,

Director, Employee Plans and Exempt Organizations Division.

[FR Doc. 80–26130 Filed 8–25–80; 8:45 am]

BILLING CODE 4830–01–M

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26 CFR Part 53

[T.D. 7715]

Foundation Excise Taxes; Taxable Years Beginning After December 31, 1975; Reduction in Value for Blockage or Similar Factors

AGENCY: Internal Revenue Service Treasury.

ACTION: Final regulations.

SUMMARY: This document provides final regulations relating to the use of blockage or similar factors in determining the value of private foundation's noncharitable assets consisting of listed securities issues for purposes of determining the amount foundations must distribute annually for charitable purposes. Changes to the applicable tax law were made by the Tax Reform Act of 1976. The regulations provide foundation managers with the guidance needed to comply with that Act and affect all foundations that hold listed securities issues for which reductions in value due to blockage or related factors are appropriate.

EFFECTIVE DATE: Taxable years beginning after December 31, 1975.

FOR FURTHER INFORMATION CONTACT: David E. Dickinson of the Legislation and Regulations Division, Office of Chief Counsel, Internal Revenue Service, 1111 Constitution Avenue, NW., Washington, D.C. 20224 (Attention: CC:LR:T) (202–566–3218).

SUPPLEMENTARY INFORMATION:

Background

On March 12, 1980, the **Federal Register** published proposed amendments to the Foundation Excise Tax Regulations (26 CFR Part 53) under section 4942(e)(2)(B) of the Internal Revenue Code of 1954 (45 FR 15945). These amendments were proposed to conform the regulations to section 1303(a) of the Tax Reform Act of 1976 (90 Stat. 1715). No public hearing was requested or held. After consideration of the two comments received in response to the notice of proposed rulemaking, those amendments are adopted by this Treasury decision with the change described below.

Explanation of Provisions

Old Law

Under section 4942(e)(2) as it existed prior to the Tax Reform Act of 1976 and § 53.4942(a)–2(c)(4)(i)(*b*) of the regulations, estate tax valuation methods were to be used to value noncharitable assets of private foundations consisting of listed securities issues.

New Law

Section 4942(e)(2)(B) established certain new, more explicit rules for valuing a private foundation's noncharitable assets consisting of listed securities issues. In determining the value of such securities for minimum charitable expenditures purposes, their fair market value (determined without regard to any reduction in value) is not to be reduced unless, and only to the extent that, a private foundation establishes that as a result of a certain factor or combination of factors enumerated in the statutory provision, the securities could not be liquidated within a reasonable period of time except at a price less than such fair market value. Any reduction in value is to be made only for one or more of these reasons and must not in the aggregate exceed 10 percent of the fair market value of the securities.

Final Regulations

These amendments to the regulations explain that the new law applies only to assets that are securities issues described in § 53.4942(a)–2(c)(4)(i)(*a*) (generally, securities issues for which

quotations are readily available, referred to in this preamble as "listed securities issues"). See § 53.4942(a)–2(c)(4)(i)(*c*).

They give as an example of a "forced or distressed sale" under section 4942(e)(2)(B)(iii) of the Code the situation where securities cannot be sold on the open market without first being registered under the Securities Act of 1933. See § 53.4942(a)–2(c)(4)(i)(*c*)(*3*).

One public comment received objects to this rule, which requires unregistered shares of a listed securities issue to be valued first by reference to market quotations for the listed issue and then discounted under section 4942(e)(2)(B), if applicable, to reflect the fact that the shares are unregistered. Instead, as the comment is understood, the lack of registration should first be taken into account in determining the "fair market value" of the shares before applying factors, such as blockage, listed in section 4942(e)(2)(B) (i), (ii), and (iii).

It is clear that enactment of section 4942(e)(2)(B) responded to congressional concerns that excessive discounts were being claimed in making valuations of listed securities issues. It is believed that the valuation mechanism contemplated in section 4942(e)(2)(B) must begin with undiscounted market quotations for the listed issue and then allows reductions in this beginning value to the extent but only to the extent, permitted by section 4942(e)(2)(B) (i), (ii), or (iii) and subject to the overall discount limitation of 10 percent. Adoption of this commentator's suggestion would only continue opportunities for excessive discounts which Congress sought to prevent in enacting section 4942(e)(2)(B).

Further, the commentator's suggested formula would necessarily involve an initial calculation based solely upon lack of registration and completely ignore the size of the block of unregistered stock, the size of the block being a factor to take into account only later under section 4942(e)(2)(B)(i). It is seriously doubted that such a calculation reasonably could be made.

The regulations, as proposed, effectively provide that if a private foundation owns unlisted securities of a corporation (issuer) that owns assets comprising listed securities issues, those underlying listed securities issues are to be valued using market quotations or in accordance with the new rules, if applicable. The second commentator objected to this rule as contrary to the statute, which on its face applies to listed securities issues owned by the private foundation as opposed to an intermediate holding company. The commentator did, however, correctly suggest that the reason for this rule was to prevent foundation's avoiding section 4942(e)(2)(B) simply by incorporating its investment portfolio as a holding company. While the commentator had no objection to a regulatory rule which addressed this potential avoidance situation, it objected to application of the rule to cases where the private foundation held only a small minority interest in the unlisted holding company.

In response to this comment, the final regulations amending § 53.4942(a)–2(c)(iv)(*a*) provide that if a private foundation owns voting stock of an unlisted issuer and has, or together with disqualified persons or another private foundation has, effective control of the unlisted issuer within the meaning of § 53.4943–3(b)(3)(ii), then to the extent that the issuer's assets consist of listed securities issues, such assets are to be valued monthly on the basis of market quotations or in accordance with section 4942(e)(2)(B), if applicable, in determining the net worth of the issuer.

Finally, the final regulations revoke the obsolete version of section 4942 from the CFR and set forth the effective date of the new and old rules. See § 53.4942(a)–2(c)(4)(i)(*b*), new last two sentences.

Drafting Information

The principal author of these proposed regulations was David E. Dickinson of the Legislation and Regulations Division of the Office of Chief Counsel, Internal Revenue Service. However, personnel from other offices of the Internal Revenue Service and Treasury Department participated in developing the regulations, both on matters of substance and style.

Adoption of Amendments to the Regulations

Accordingly, the regulations proposed to be prescribed as final Foundation Excise Tax Regulations (26 CFR Part 53) published as a notice of proposed rulemaking in the **Federal Register** for March 12, 1980 (45 FR 15945) are hereby adopted as proposed with the following change:

Paragraph 4 is revised to read as follows:

Par. 4. Two sentences are inserted between the second and third sentences of § 53.4942(a)–2(c)(4)(iv)(*a*), as follows:

§ 53.4942(a)–2 Computation of undistributed income.

* * * * *

(c) *Minimum investment return.* * * *

(4) *Valuation of assets*— * * *

(iv) *Other assets.* * * *

(*a*) * * * If, however, a private foundation owns voting stock of an issuer of unlisted securities and has, or together with disqualified persons or another private foundation has, effective control of the issuer (within the meaning of § 53.4943–3(b)(3)(ii)), then to the extent that the issuer's assets consist of shares of listed securities issues, such assets shall be valued monthly on the basis of market quotations or in accordance with section 4942(e)(2)(B), if applicable. Thus, for example, if a private foundation and a disqualified person together own all of the unlisted voting stock of a holding company which in turn holds a portfolio of securities of issues which are listed on the New York Stock Exchange, in determining the net worth of the holding company, the underlying portfolio securities are to be valued monthly by reference to market quotations for their issues unless a decrease in such value is authorized in accordance with section 4942(e)(2)(B). * * *

* * * * *

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

Jerome Kurtz,

Commissioner of Internal Revenue.

Approved: August 8, 1980.

Donald C. Lubick,

Assistant Secretary of the Treasury.

Accordingly, 26 CFR Part 53 is amended as follows:

PART 53—FOUNDATIONS AND SIMILAR EXCISE TAXES

§ 53.4942 [Revoked]

Paragraph 1. Section 53.4942 is revoked.

Par. 2. Two sentences are added to the end of § 53.4942(a)–2(c)(4)(i)(*b*) to read as follows:

§ 53.4942(a)–2 Computation of undistributed income.

* * * * *

(c) *Minimum investment return.* * * *

(4) Valuation of assets—(i) *Certain securities.* * * *

(*b*) * * * This paragraph (c)(4)(i)(*b*) applies only for taxable years beginning before January 1, 1976. See section 4942(e)(2)(B) and paragraph (c)(4)(i)(*c*) of this section for special valuation rules that apply for subsequent taxable years.

* * * * *

Par. 3. Sections 53.4942(a)–2(c)(4)(i)(*c*) and 53.4942(a)–2(c)(4)(i)(*d*) are redesignated as §§ 53.4942(a)–2(c)(4)(i)(*d*) and 53.4942(a)–2(c)(4)(i)(*e*), respectively, and a new § 53.4942(a)–2(c)(4)(i)(*c*) is added to read as follows:

§ 53.4942(a)–2 Computation of undistributed income.

* * * * *

(c) *Minimum investment return.* * * *

(4) *Valuation of assets*—(i) *Certain securities.* * * *

(*c*) For purposes of this subdivision (i) and with respect to taxable years

beginning after December 31, 1975, if the private foundation can show that the value of securities determined on the basis of market quotations as provided by subdivision (i)(*a*) does not reflect the fair market value thereof because—

(*1*) The securities constitute a block of securities so large in relation to the volume of actual sales on the existing market that it could not be liquidated in a reasonable time without depressing the market.

(*2*) The securities are securities in a closely held corporation and sales are few or of a sporadic nature, and, or

(*3*) The sale of the securities would result in a forced or distress sale because the securities could not be offered to the public for sale without first being registered under the Securities Act of 1933 or because of other factors,

then the price at which the securities could be sold as such outside the usual market, as through an underwriter, may be a more accurate indication of value than market quotations. On the other hand, if the securities to be valued represents a controlling interest, either actual or effective, in a going business, the price at which other lots change hands may have little relation to the true value of the securities. No decrease in the fair market value of any given class of securities determined on the basis of market quotations as provided by subdivision (i)(*a*) shall be allowed except as authorized by this subdivision, and no such decrease shall in the aggregate exceed 10 percent of the fair market value of such class of securities so determined on the basis of market quotations and without regard to this subdivision.

* * * * *

Par. 4. Two sentences are inserted between the second and third sentences of § 53.4942(a)–2(c)(4)(iv)(*a*), as follows:

§ 53.4942(a)–2 Computation of undistributed income.

* * * * *

(c) *Minimum investment return.* * * *

(4) *Valuation of assets*—* * *

(iv) *Other assets.* * * *

(*a*) * * * If, however, a private foundation owns voting stock of an issuer of unlisted securities and has, or together with disqualified persons or another private foundation has, effective control of the issuer (within the meaning of § 53.4943–3(b)(3)(ii), then to the extent that the issuer's assets consist of shares of listed securities issues, such assets shall be valued monthly on the basis of market quotations or in accordance with section 4942(e)(2)(B), if applicable. Thus, for example, if a private foundation and a disqualified person together own all of the unlisted voting stock of a holding company which in turn holds a portfolio of securities of issues which are listed on the New York Stock Exchange, in determining the net worth of the holding company, the underlying portfolio securities are to be valued monthly by reference to market quotations for their issues unless a decrease in such value is authorized in accordance with section 4942(e)(2)(b).

[FR Doc. 80–26131 Filed 8–25–80; 8:45 am]

BILLING CODE 4830–01–M

EQUAL EMPLOYMENT OPPORTUNITY COMMISSION

29 CFR Part 1601

706 Agencies; Designation of Certain State and Local Fair Employment Practices Agencies

AGENCY: Equal Employment Opportunity Commission.

ACTION: Final rule.

SUMMARY: The Equal Employment Opportunity Commission amends its regulations on designation of certain State and local fair employment practices agencies so that they may handle employment discrimination charges within their jurisdiction, filed with the Commission. This amendment adds the Bloomington, (Illinois) Human Relations Commission to the list of 706 agencies.

Additionally, changes in nomenclature are being made with regard to two previously designated agencies.

EFFECTIVE DATE: August 26, 1980.

FOR FURTHER INFORMATION CONTACT: Franklin F. Chow, Equal Employment Opportunity Commission, Office of Field Services, State and Local Division, 2401 E St., N.W., Washington, D.C. 20506, telephone 202/634–6040.

SUPPLEMENTARY INFORMATION: Publication of this amendment to Sec. 1601.74(a) effectuates the designation of the following agency as a 706 Agency: Bloomington (Illinois) Human Relations Commission.

In addition to the new designation, changes are being made regarding two previously designated Agencies. The name "Illinois Fair Employment Practices Commission" is changed to read "Illinois Department of Human Rights," and the "California Fair Employment Practices Commission" is changed to read "California Department of Fair Employment and Housing."

With the addition of the above mentioned agency and noted corrections 29 CFR § 1601.74 (a) and (b) are amended as follows:

§ 1601.74 Designation and notice agencies.

(c) The designated 706 agencies are:

Alaska Commission for Human Rights
Alexandria (Va.) Human Rights Office
Allentown (Pa.) Human Relations Commission
Anchorage (Alaska) Equal Rights Commission
Arizona Civil Rights Division
Augusta/Richmond County (Ga.) Human Relations Commission
Austin (Tex.) Human Relations Commission
Baltimore (Md.) Community Relations Commission
Bloomington (Ill.) Human Relations Commission
Bloomington (Ind.) Human Rights Commission
Broward County (Fla.) Human Relations Commission
California Department of Fair Employment and Housing
Charleston (W. Va.) Human Rights Commission
Clearwater (Fla.) Office of Community Relations
Colorado Civil Rights Commission
Colorado State Personnel Board
Commonwealth of Puerto Rico Department of Labor
Connecticut Commission on Human Rights and Opportunity
Corpus Christi (Tex.) Human Relations Commission
Dade County (Fla.) Fair Housing and Employment Commission
Delaware Department of Labor
District of Columbia Office of Human Rights
East Chicago (Ind.) Human Relations Commission
Evansville (Ind.) Human Relations Commission
Fairfax County (Va.) Human Rights Commission
Florida Commission on Human Relations
Fort Wayne (Ind.) Metropolitan Human Relations Commission
Fort Worth (Tex.) Human Relations Commission
Gary (Ind.) Human Relations Commission
Georgia Office of Fair Employment Practices
Howard County (Md.) Human Rights Commission
Hawaii Department of Labor and Industrial Relations
Huntington (W. Va.) Human Relations Commission
Idaho Commission on Human Rights
Illinois Department of Human Rights
Indiana Civil Rights Commission