Within the Boundaries of an Incorporated City because it is obsolete.

EFFECTIVE DATE: This rescission is effective December 16, 1983.

FOR FURTHER INFORMATION CONTACT: Curtis L. Shufflebarger, Office of Engineering, Federal-Aid Division, (202) 426-0404, or Raymond W. Cuprill, Office of the Chief Counsel, (202) 426-0754, Federal Highway Administration, 400 Seventh Street, SW., Washington, D.C. 20590. Office hours are from 7:45 a.m. to 4:15 p.m., Monday through Friday.

SUPPLEMENTARY INFORMATION: The regulation contained in 23 CFR Part 476, Subpart G was issued to prescribe procedures for carrying out the provisions of section 110(b) of the Federal-Aid Highway Act of 1973 (Pub. L. 93-87, 87 Stat. 256). The regulation permitted an incorporated city to pay for the nonfederal share of the cost of constructing certain Interstate segments, provided that specified deadlines and other requirements were satisfied. The State in which the segment was located was then required to undertake construction in accordance with normal Federal-aid procedures or to delegate the responsibility for construction to the city. The deadlines as prescribed by the regulation have lapsed and there are no currently designated Interstate segments meeting the regulatory requirements. The regulation is considered obsolete and, therefore, is rescinded.

The FHWA has determined that this document contains neither a major rule under Executive Order 12291 nor a significant regulation under the regulatory policies and procedures of the Department of Transportation. No economic impacts are anticipated as a result of this action. Accordingly, a full regulatory evaluation is not required.

For the reasons stated above, the FHWA finds good cause to rescind the regulation in 23 CFR Part 476, Subpart G, without prior notice and opportunity for comment and without the 30-day delay in effective date required under the Administrative Procedure Act since public comment is impracticable and unnecessary. In addition, notice and opportunity for comment are not required under the regulatory policies and procedures of the Department of Transportation because it is not anticipated that such action would result in the receipt of useful information, nor are they required under the Administrative Procedure Act because the matters affected relate to grants, benefits, or contracts, pursuant to 5 U.S.C. 553(a)(2). Accordingly, this rescission is effective upon publication in the **Federal Register**.

PART 476—REGULATIONS FOR STATE CONSTRUCTION OF INTERSTATE SEGMENTS LOCATED ENTIRELY WITHIN THE BOUNDARIES OF AN INCORPORATED CITY—[REMOVED]

In consideration of the foregoing, the FHWA hereby removes Part 476, Subpart G, "Regulations for State Construction of Interstate Segments Located Entirely Within the Boundaries of an Incorporated City" from title 23, Code of Federal Regulations.

(Catalog of Federal Domestic Assistance Program Number 20.205, Highway Research, Planning, and Construction. The regulations implementing Executive Order 12373 regarding intergovernmental consultation on Federal programs and activities apply to this program)

List of Subjects in 23 CFR Part 476

Grant programs—transportation, Highways and roads.

(23 U.S.C. 103(h), 315; 49 CFR 1.48(b))

Issued on: December 9, 1983.

L. P. Lamm,

Deputy Administrator, Federal Highway Administration.

[FR Doc. 83-33462 Filed 12-15-83; 8:45 am]

BILLING CODE 4910-22-M

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23 CFR Part 663

Bicycle Grant Program; Rescission of Regulation

AGENCY: Federal Highway Administration (FHWA), DOT.

ACTION: Rescission of regulation.

SUMMARY: This document rescinds the FHWA regulation on the Bicycle Grant Program because it is obsolete.

EFFECTIVE DATE: This rescission is effective December 16, 1983.

FOR FURTHER INFORMATION CONTACT: John C. Wasley, Office of Engineering, Design Division, (202) 426-0306, or Raymond W. Cuprill, Office of the Chief Counsel, (202) 426-0754, Federal Highway Administration, 400 Seventh Street, SW., Washington, D.C. 20590. Office hours are from 7:45 a.m. to 4:15 p.m., Monday through Friday.

SUPPLEMENTARY INFORMATION: The regulation contained in 23 CFR Part 663 was issued to prescribe procedures to implement the Bicycle Grant Program authorized by section 141(c) of the Surface Transportation Assistance Act of 1978 (Pub. L. 95-599, 92 Stat. 2711). Authorization for funding under the program has expired, and funds authorized have either been obligated, or have lapsed as of September 30, 1982. Since all Bicycle Grant projects have been selected, approved, and funded, the provisions of Part 663 are no longer necessary and the regulation is, therefore, rescinded. Projects that are not yet completed will continue to be administered in accordance with the project agreement and the provisions of Part 663 which were in effect at the time such projects were approved. The rescission of Part 663 will not affect bicycle transportation projects authorized by section 217 of Title 23, United States Code, and 23 CFR Part 652, which provide Federal funds to State and local governments for projects that will enhance bicycle transportation as a part of the regular Federal-aid highway program.

The FHWA has determined that this document contains neither a major rule under Executive Order 12291 nor a significant regulation under the regulatory policies and procedures of the Department of Transportation. No economic impacts are anticipated as a result of this action. Accordingly, a full regulatory evaluation is not required.

For the reasons stated above, the FHWA finds good cause to rescind the regulations contained in 23 CFR Part 663 without notice and opportunity for comment and without a 30-day delay in effective date required under the Administrative Procedure Act since public comment is impracticable and unnecessary. In addition, notice and opportunity for comment are not required under the regulatory policies and procedures of the Department of Transportation because it is not anticipated that such action would result in the receipt of useful information nor are they required under the Administrative Procedure Act because the matters affected relate to grants, benefits, or contracts, pursuant to 5 U.S.C. 553(a)(2). Accordingly, this rescission is effective upon publication in the **Federal Register**.

PART 663—BICYCLE GRANT PROGRAM—[REMOVED]

In consideration of the foregoing, the FHWA hereby removes Part 663 "Bicycle Grant Program" from Title 23, Code of Federal Regulations.

(Catalog of Federal Domestic Assistance Program Number 20.205, Highway Research, Planning, and Construction. The regulations implementing Executive Order 12372 regarding intergovernmental consultation on Federal programs and activities apply to this program)

List of Subjects in 23 CFR Part 663

Bicycles, Grant programs—transportation, Highways and roads.

(23 U.S.C. 315; 49 CFR 1.48(b))

Issued on December 9, 1983.

L. P. Lamm,

Deputy Administrator, Federal Highway Administration.

[FR Doc. 83-33483 Filed 12-15-83; 8:45 am]

BILLING CODE 4910-22-M

DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

[T.D. 7928; LR-57-81]

Source of Income From Certain Leased Aircraft, Vessels, and Spacecraft

AGENCY: Internal Revenue Service, Treasury.

ACTION: Final regulations.

SUMMARY: This document amends the Income Tax Regulations under section 861(e) of the Internal Revenue Code of 1954, relating to the source of income with respect to certain aircraft, vessels, and spacecraft that are or have been leased to a United States person. This amendment conforms the regulations to the amendment of section 861(e) by the Miscellaneous Revenue Act of 1980. This amendment will affect owners of such craft that are used outside the United States.

DATE: This amendment is effective for income with respect to craft that are first leased after December 28, 1980.

FOR FURTHER INFORMATION CONTACT: Mary Frances Pearson of the Legislation and Regulations Division, Office of the Chief Counsel, Internal Revenue Service, 1111 Constitution Avenue, NW., Washington, D.C. 20224, Attention: CC:LR:T, 202-566-3289, not a toll-free call.

SUPPLEMENTARY INFORMATION:

Background

On May 5, 1983, the **Federal Register** published proposed amendments to the Income Tax Regulations (26 CFR Part 1) under section 861 of the Internal Revenue Code of 1954 (48 FR 20244). These amendments were proposed to conform the regulations to changes made to section 861(e) by section 104 of the Miscellaneous Revenue Act of 1980 (94 Stat. 3523). There were no written comments or requests for a public hearing. Therefore, the regulations are being published as they appeared in the notice of proposed rulemaking except for minor clarifying changes.

Section 861(e), as amended, provides that income with respect to aircraft, vessels, and spacecraft that are section 38 property (as defined in section 48) and that are manufactured or constructed in the United States will be treated as income from sources within the United States after the craft is leased to a United States person. Income with respect to a craft includes payments for use of the craft and gain on the sale or exchange of the craft. Section 861(e) alters the general statutory rules that (1) payments under a lease of personal property are considered to be from sources within the United States only if the leased property is used within the United States and (2) gain or loss on the sale or exchange of personal property is treated as from sources within the country in which the transfer of title takes place. Thus, this provision modifies the rules for determining the source of income with respect to certain craft that are used or sold outside the United States.

Section 861(e) does not apply if the lessor and the lessee are members of the same controlled group of corporations. For purposes of this section, if either the lessor or the lessee is a partnership at least 80 percent of which is owned by members of a controlled group of corporations, that partnership is considered to be member of the controlled group.

Prior law applies to the income with respect to aircraft and vessels first leased on or before December 28, 1980. Those rules allowed taxpayers to elect to treat the subject income as from sources within the United States. The Miscellaneous Revenue Act of 1980 changed this treatment from elective to mandatory and expanded the scope of the provision to include spacecraft. The statutory source rule was made mandatory to insure that the lease payments from a United States person to the lessor were subject to income taxation by some country. In this regard, see H.R. Rep. No. 96-1278, 96th Cong., 2d Sess. 24 (1980); S. Rep. No. 96-1036, 96th Cong., 2d Sess. 16-17 (1980).

The regulations describe the craft covered by section 861(e) in § 1.861-9A(b). The craft must be section 38 property, that is, property for which an investment tax credit is available. The regulations treat a craft as manufactured or constructed within the United States if at least 50 percent of the basis of the craft on the date it is leased to a United States person is attributable to value added within the United States.

The regulations require that later income with respect to a craft be treated as U.S. source income even after the craft is no longer leased to a United States person or the property ceases to be section 38 property. Under § 1.861-9A(e) this treatment as U.S. source income also continues when the craft is transferred or distributed if the basis of the craft in the hands of the recipient is determined by reference to the basis it had in the hands of the transferor or distributor.

Drafting Information

The principal author of these regulations is Mary Frances Pearson 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.

Regulatory Flexibility Act and Executive Order 12291

These regulations are not subject to the Regulatory Flexibility Act because they are interpretative and thus the notice and public comment procedure requirements of 5 U.S.C. 553 do not apply. The Commissioner of Internal Revenue has determined that these regulations are not subject to Executive Order 12291.

List of Subjects

26 CFR 1.861-1 through 1.997-1

Income taxes, Aliens, Exports, DISC, Foreign investment in U.S., Foreign tax credit, Sources of income, United States investments abroad.

Adoption of Amendments to the Regulations

Accordingly, 26 CFR Part 1 is amended as follows:

PART 1—[AMENDED]

Paragraph 1. Section 1.861-1(a)(4) is revised to read as follows:

§ 1.861-1 Income from sources within the United States.

(a) *Categories of income.* * * *

(4) *Exceptions.* An owner of certain aircraft or vessels first leased on or before December 28, 1980, may elect to treat income in respect of these aircraft or vessels as income from sources within the United States for purposes of sections 861(a) and 862(a). See § 1.861-9. An owner of certain aircraft, vessels, or spacecraft first leased after December 28, 1980, must treat income in respect of these craft as income from sources within the United States for purposes of sections 861(a) and 862(a). See § 1.861-9A.

* * * * *

Par. 2. Section § 1.861-9 is amended as follows:

1. The title of the section is revised to read "Income from certain aircraft or vessels first leased on or before December 28, 1980.".

2. The second sentence of paragraph (a) is amended by adding after the word "date", the phrase "of aircraft or vessels first leased by the taxpayer on or before December 28, 1980.

3. A new paragraph (g)(6) is added immediately after paragraph (g)(5), the new paragraph to read as follows:

* * * * *

(g) * * *

(6) *Revocation or termination after December 28, 1980.* The rules in paragraph (g)(1) through (g)(5) continue to apply with respect to any election made pursuant to this section even through the revocation or termination may occur after December 28, 1980.

Par. 3. Section 1.861-9A is added immediately after § 1.861-9, to read as follows:

§ 1.861-9A. Income from certain craft first leased after December 28, 1980.

(a) *General rule.* If a taxpayer—

(1) Owns a qualified craft (as defined in paragraph(b) of this section),

(2) Leases such qualified craft after December 28, 1980, to a United States person that is not a member of the same controlled group of corporations as the taxpayer, and

(3) The lease is the taxpayer's first lease of the craft and the taxpayer is not considered to have made an election with respect to the craft under § 1.861-9(e)(2),

then the taxpayer shall treat all amounts includible in gross income with respect to the qualified craft as income from sources within the United States for each taxable year ending after commencement of the lease. If this section applies to income with respect to a craft, it applies to all such amounts that are includible in the taxpayer's gross income, whether or not includible during or after the period of a lease to a United States person. Amounts derived by the taxpayer with respect to the qualified craft include any gain from the sale, exchange, or other disposition of the qualified craft. If this section applies to income with respect to a craft and there is a loss with respect to that craft (either due to the allowance of expenses and other deductions or due to a sale, exchange, or other disposition of the qualified craft), such loss is treated as allocable or apportionable to sources within the United States. The fact that a craft ceases to be section 38 property, ceases to be leased by the taxpayer to a United States person, or is leased or subleased for any period of time to a person who is not a United States person will not terminate the application of this section.

(b) *Qualified craft*—(1) *In general.* A qualified craft is a vessel, aircraft, or spacecraft that—

(i) Is section 38 property (or would be section 38 property but for section 48(a)(5), relating to use by governmental units), and

(ii) Is manufactured or constructed in the United States.

(2) *Vessel.* The term "vessel" includes every type of watercraft capable of being used as a means of transportation on water, and any items of property that are affixed in a permanent fashion or are integral to the vessel. A vessel that is used predominately outside the United States must be described in section 48(a)(2)(B)(iii) and § 1.48-1(g)(2)(iii), relating to vessels documented for use in the foreign or domestic commerce of the United States, to be a qualified craft.

(3) *Aircraft.* An aircraft used predominantly outside the United States must be described in section 48(a)(2)(B)(i) and § 1.48-1(g)(2)(i), relating to aircraft registered by the Administrator of the Federal Aviation Agency, and operated to and from the United States or operated under contract with the United States, to be a qualified craft.

(4) *Spacecraft.* A spacecraft must be described in section 48(a)(2)(B)(viii) and § 1.48-1(g)(2)(viii), relating to communications satellites, or any interest therein, of a United States person, to be a qualified craft.

(5) *United States manufacture or construction.* A craft will be considered to be manufactured or constructed in the United States if 50 percent or more of the basis of the craft on the date of the lease to a United States person is attributable to value added within the United States.

(c) *United States person.* For purposes of this section, the term "United States person" includes those persons described in section 7701(a)(30) and individuals with respect to whom an election under section 6013 (g) or (h) (relating to nonresident alien individuals married to United States citizens or residents) is in effect.

(d) *Controlled group.* For purposes of paragraph (a)(2) of this section, whether a taxpayer and a United States person are members of the same controlled group of corporations is determined under section 1563. Solely for purposes of this section, if at least 80% of the capital interest, or the profits interest, in a partnership is owned, directly or indirectly, by a member or members of a controlled group of corporations, then the partnership shall be considered a member of that controlled group of corporations. In addition, if at least 80% of the capital interest, or the profits interest, in a partnership is owned, directly or indirectly, by a corporation, then the partnership and that corporation shall be considered members of a controlled group of corporations.

(e) *Certain transfers and distributions*—(1) *Transfers and distributions involving carryover of basis.* If—

(i) The income with respect to a craft is subject to this section,

(ii) The taxpayer transfers or distributes such craft, and

(iii) The basis of such craft in the hands of the transferee or distributee is determined by reference to its basis in the hands of the transferor or distributor,

then this section will apply to the income with respect to the craft includible in the gross income of the transferee or distributee. This paragraph (e)(1) applies even though the transferor or distributor recognizes an amount of gain that increases basis in the hands of the transferee or distributee and even though the transferee or distributee is a nonresident alien or foreign corporation. For example, if a corporation distributes a craft the income of which is subject to this section to its parent corporation in a complete liquidation described in section 332(b), the parent corporation will be treated as if it satisified the requirements of paragraph (a) of this section with respect to such craft if the basis of the property in the hands of the parent corporation is determined under section 334(b) (relating to the general rule on carryover of basis in liquidations). In further illustration, if a corporation distributes a craft the income of which is subject to this section, in a distribution to which section 301(a) applies, the distributee will be treated as if it satisfied the requirements of paragraph (a) of this section with respect to such craft if its basis is determined under section 301(d)(2) (relating to basis of corporate distributees) even though the basis may be the fair market value of the craft under section 301(d)(2)(A).

(2) *Partnerships.* If a partnership satisfies the requirements of paragraph (a) (1), (2), and (3) of this section, each partner shall treat all amounts includible in gross income with respect to the craft as income from sources within the United States for any taxable year of the partnership ending after commencement of the lease. In addition,

if a partnership distributes a craft the income of which is subject to this section, to a partner, the partner will be treated as if he or she satisfied the requirements of paragraph (a) of this section with respect to such craft.

(3) *Affiliated groups.* If a member of a group of corporations that files a consolidated return transfers a craft, the income of which is subject to this section, to another member of that same group, the transferee will be treated as if it satisfied the requirements of paragraph (a) of this section with respect to the craft.

Par. 4. Section 1.862–1(c) is revised to read as follows:

§ 1.862–1 Income specifically from sources without the United States.

* * * * *

(c) *Income from certain property.* For provisions permitting a taxpayer to elect to treat amounts of gross income attributable to certain aircraft or vessels first leased on or before December 28, 1980, as income from sources within the United States which would otherwise be treated as income from sources without the United States under paragraph (a) of this section, see § 1.861–9. For provisions requiring amounts of gross income attributable to certain aircraft, vessels, or spacecraft first leased by the taxpayer after December 28, 1980, to be treated as income from sources within the United States which would otherwise be treated as income from sources without the United States under paragraph (a) of this section, see § 1.861–9A.

This Treasury decision is issued under the authority contained in section 7805 of the Internal Revenue Code of 1954 (68A Stat. 917; 26 U.S.C. 7805).

Roscoe L. Egger, Jr.,

Commissioner of Internal Revenue.

Approved:

John E. Chapoton,

Assistant Secretary of the Treasury.

[FR Doc. 83–33537 Filed 12–15–83; 8:45 am]

BILLING CODE 4830–01–M

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26 CFR Part 1

[T. D. 7926]

Income Tax; Taxable Years Beginning After December 31, 1953; Income Tax—Return Regarding Corporate Liquidation Within One Calendar Month

AGENCY: Internal Revenue Service, Treasury.

ACTION: Final regulations.

SUMMARY: This document contains final regulations eliminating a requirement that additional information be included in the information return of a corporation liquidating within one calendar month. The burden of the requirement is not justified by the use that is made of the additional information.

DATES: These regulations are effective as of December 16, 1983.

FOR FURTHER INFORMATION CONTACT: Charles W. Culmer of the Legislation and Regulations Division, Office of Chief Counsel, Internal Revenue Service, 1111 Constitution Avenue, N.W., Washington, D.C. 20224 (Attn: CC:LR:T) (202–566–4336; not a toll-free number).

SUPPLEMENTARY INFORMATION:

Explanation of Provisions

This document contains final amendments to the Income Tax Regulations (26 CFR Part 1) under section 6043(a)(1) of the Internal Revenue Code of 1954. The amendments eliminate paragraph (b)(2) from § 1.6043–1. Paragraph (b)(2) specifies additional information required to be included in the section 6043(a)(1) information return of a corporation liquidating pursuant to section 333 (Form 966). The amendments will permit the deletion of Item 11 from the existing Form 966.

The Internal Revenue Service has determined that paragraph (b)(2) imposes a burden on taxpayers which is not justified by the use which the Service makes of the additional information.

Omission of Notice

Issuance of these regulations was not preceded by publication in the **Federal Register** of a notice of proposed rulemaking and request for comments. These steps were dispensed with as unnecessary because it is believed that these regulations, which liberalize existing requirements, are beneficial to all interested parties.

Executive Order 12291 and Regulatory Flexibility Act

The Commissioner of Internal Revenue has determined that this final rule is not a major rule as defined in Executive Order 12291 and that a Regulatory Impact Analysis is therefore not required. The Internal Revenue Service has concluded that the regulations contained herein are interpretative and that the notice and public procedure requirements of 5 U.S.C. 553 do not apply. Accordingly, these final regulations do not constitute regulations subject to the Regulatory Flexibility Act (5 U.S.C. Chapter 6).

Drafting Information

The principal author of this Treasury decision is Charles W. Culmer 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 drafting this Treasury decision, both on matters of substance and style.

List of Subjects in 26 CFR 1.6001–1—1.6109–2

Income taxes, Administration and procedure, Filing requirements.

Adoption of Amendments to the Regulations

Accordingly, 26 CFR Part 1 is amended as follows:

PART 1—[AMENDED]

§ 1.6043–1 [Amended]

Section 1.6043–1 is amended by removing paragraph (b)(2) and renumbering paragraph (b)(3) as paragraph (b)(2).

This Treasury decision liberalizes existing rules with respect to information required to be included in the section 6043(a)(1) information return of a corporation liquidating pursuant to section 333. This change does not affect the tax liability of any taxpayer and is considered to be beneficial to all interested parties. For these reasons, it is found unnecessary to issue this Treasury decision with notice and public procedure under 5 U.S.C. 553.

This Treasury decision is issued under the authority contained in Code sections 6043(a)(1) (68A Stat. 746, 26 U.S.C. 6043(a)(1)) and 7805 (68A Stat. 917, 26 U.S.C. 7805).

Roscoe L. Egger, Jr.,

Commissioner of Internal Revenue.

Approved: December 2, 1983.

John E. Chapoton,

Assistant Secretary of the Treasury.

[FR Doc. 83–33541 Filed 12–15–83; 8:45 am]

BILLING CODE 4830–01–M

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26 CFR Parts 1 and 15b

[T.D. 7927]

Income Tax; Taxable Years Beginning After December 31, 1953; Amortization of Reforestation Expenditures

AGENCY: Internal Revenue Service, Treasury.

ACTION: Final regulations.