

Example 4. (i) Facts. The facts are the same as in *Example 3* except that C began business in 1989. A, B, and C had qualified research expenses for the credit year 1999, qualified research expenses for the period 1984 through 1988, gross receipts for the period 1984 through 1988, and average annual gross receipts for the four years preceding the credit year as follows:

	A	B	C	Total
Credit year qualified research expenses	\$200x	\$20x	\$50x	\$270x
1984–1988 qualified research expenses	55x	15x	0	70x
1984–1988 gross receipts	1,000x	400x	0	1,400x
Average annual gross receipts for 4 years preceding credit year	1,200x	200x	1,000x	2,400x

(ii) *Computation of the group credit.* (A) The group research credit is computed as if the three corporations are one taxpayer. The research credit is equal to 20 percent of the excess of the group's aggregate credit year qualified research expenses over the group's base amount.

(B) The group's base amount equals the greater of: fifty percent of the group's credit year qualified research expenses (the minimum base amount), or, the group's fixed-base percentage times the group's average annual gross receipts for the four taxable years preceding the credit year. The group's fixed-base percentage is the ratio that the group's aggregate qualified research expenses for the taxable years beginning after December 31, 1983, and before January 1, 1989 bear to its aggregate gross receipts for the same period. Therefore, the group's fixed-base percentage is 70x/1400x or 5% and the group's base amount is \$135x, the greater of 50% of \$270x or 5% of \$2,400x.

(C) The group's research credit is equal to 20 percent of the excess of the group's aggregate credit year qualified research expenses over the group's base amount. That is 20% of (\$270x–\$135x) or \$27x.

(iii) *Allocation of the group credit.* The group research credit of \$27x is allocated to the members of the group based on the ratio that the member's increase in its qualified research expenses over the member's base amount bears to the sum of the member increases in qualified research expenses over their base amounts. The member's base amount is computed by multiplying the group fixed-base percentage of 5% by the member's average annual gross receipts for the four preceding tax years. The \$27x credit is allocated as follows:

Member	Credit year qualified research expenses	Member base amount	Change	Ratio	Credit
A	\$200x	\$60x	\$140x	14/15	\$25.2x
B	20x	10x	10x	1/15	1.8x
C	50x	50x	0	0	0

(b) *For taxable years beginning before January 1, 1990.* For taxable years beginning before January 1, 1990, see § 1.41–8 in effect prior to December 29, 1999 as contained in 26 CFR part 1 revised April 1, 1999.

(c) *Tax accounting periods used—(1) In general.* The credit allowable to a member of a controlled group of corporations or of a group of trades or businesses under common control is that member's share of the aggregate credit computed as of the end of such member's taxable year. In computing the aggregate credit in the case of a group whose members have different taxable years, a member shall generally treat the taxable year of another member that ends with or within the credit year of the computing member as the credit year of that other member. In computing the aggregate base amount, the gross receipts taken into account with respect to another member shall include that other member's gross receipts for the four taxable years of that other member preceding the credit year of that other member.

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John M. Dalrymple,
Acting Deputy Commissioner of Internal Revenue.

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DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 301

[REG–116704–99]

RIN 1545–AX69

Disclosures of Return Information to Officers and Employees of the Department of Agriculture for Certain Statistical Purposes and Related Activities

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Notice of proposed rulemaking by cross-reference to temporary regulations.

SUMMARY: This document provides a proposed regulation relating to the disclosure of return information to officers and employees of the Department of Agriculture for certain statistical purposes and related activities. The proposed regulation would permit the IRS to disclose return information to the Department of Agriculture to structure, prepare, and conduct the Census of Agriculture. The text of the temporary regulation published in the Rules and Regulations section of this issue of the **Federal Register** also serves as the text of this proposed regulation.

DATES: Written and electronic comments and requests for a public hearing must be received by April 3, 2000.

ADDRESSES: Send submissions to: CC:DOM:CORP:R (REG–116704–99), room 5226, Internal Revenue Service, POB 7604, Ben Franklin Station, Washington, DC 20044. Submissions may be hand delivered Monday through Friday between the hours of 8 a.m. and 5 p.m. to: CC:DOM:CORP:R (REG–116704–99), Courier's Desk, Internal Revenue Service, 1111 Constitution Avenue, NW., Washington, DC. Alternatively, taxpayers may submit comments electronically via the Internet by selecting the "Tax Regs" option on the IRS Home Page, or by submitting comments directly to the IRS Internet site: <http://www.irs.gov/taxregs/regslst.html>.

FOR FURTHER INFORMATION CONTACT: Concerning the proposed regulations,

Jennifer S. McGinty, (202) 622-4570; concerning submissions of comments, Guy Traynor (202) 622-7180 (not toll-free numbers).

SUPPLEMENTARY INFORMATION:

Background

Temporary regulations in the Rules and Regulations section of this issue of the **Federal Register** amend the Procedure and Administration Regulations (26 CFR Part 301) relating to section 6103(j)(5). The temporary regulations contain rules relating to the disclosure of return information to officers and employees of the Department of Agriculture for certain statistical purposes and related activities.

The text of the temporary regulations also serves as the text of these proposed regulations. The preamble to the temporary regulations explains the temporary regulations and these proposed regulations.

Special Analyses

It has been determined that this notice of proposed rulemaking is not a significant regulatory action as defined in Executive Order 12866. Therefore, a regulatory assessment is not required. It has also been determined that section 553(b) of the Administrative Procedure Act (5 U.S.C. chapter 5) does not apply to this regulation, and because this regulation does not impose a collection of information on small entities, the Regulatory Flexibility Act (5 U.S.C. chapter 6) does not apply. Pursuant to section 7805(f) of the Code, this proposed regulation will be submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on its impact on small businesses.

Comments and Requests for a Public Hearing

Before this proposed regulation is adopted as a final regulation, consideration will be given to any electronic and written comments (a signed original and eight (8) copies) that are submitted timely to the IRS. Additionally, the IRS and Treasury Department specifically request comments on the clarity of the proposed regulation and how it can be made easier to understand. All comments will be available for public inspection and copying. A public hearing may be scheduled if requested in writing by a person that timely submits comments. If a public hearing is scheduled, notice of the date, time, and place for the hearing will be published in the **Federal Register**.

Drafting Information: The principal author of this regulation is Jennifer S. McGinty, Office of the Assistant Chief Counsel (Disclosure Litigation), IRS. However, other personnel from the IRS and Treasury Department participated in its development.

List of Subjects in 26 CFR Part 301

Employment taxes, Estate taxes, Excise taxes, Gift taxes, Income taxes, Penalties, Reporting and recordkeeping requirements.

Proposed Amendments to the Regulations

Accordingly, 26 CFR part 301 is proposed to be amended as follows:

PART 301—PROCEDURE AND ADMINISTRATION

Paragraph 1. The authority citation for part 301 is amended by adding an entry in numerical order to read in part as follows:

Authority: 26 U.S.C. 7805 * * *

Section 301.6103(j)(5)-1 also issued under 26 U.S.C. 6103(j)(5); * * *

Par. 2. Section 301.6103(j)(5)-1 is added to read as follows:

§ 301.6103(j)(5)-1 Disclosures of return information to officers and employees of the Department of Agriculture for certain statistical purposes and related activities.

[The text of this proposed section is the same as the text of § 301.6103(j)(5)-1T published elsewhere in this issue of the **Federal Register**.]

Robert E. Wenzel,

Acting Commissioner of Internal Revenue.

[FR Doc. 00-55 Filed 1-3-00; 8:45 am]

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POSTAL SERVICE

39 CFR Part 111

Preparation Changes for Palletized Standard Mail (A) and Bound Printed Matter and for Standard Mail (A) and Standard Mail (B) Claimed at DBMC Rates

AGENCY: Postal Service, USPS.

ACTION: Proposed rule.

SUMMARY: The USPS proposes changes to the Domestic Mail Manual (DMM) that would require mailers to utilize one Labeling List (L605) for Standard Mail (A) packages of flats, letter trays, and sacks prepared on pallets, regardless of whether the mail is prepared for entry at destination bulk mail center (DBMC) rates; to require mailers to utilize Labeling List L605 for Standard Mail (A)

and Standard Mail (B) machinable parcels prepared in sacks or on pallets when mail for auxiliary service facility (ASF) service areas is prepared for and claimed at DBMC rates; to implement package reallocation between ASFs and BMCs for Standard Mail (A) packages of flats placed on pallets; and to utilize Labeling List L605 for the preparation of all Standard Mail (B) when mail for ASF service areas is prepared for and claimed at DBMC rates and for Bound Printed Matter other than machinable parcels prepared on pallets.

DATES: Comments must be received on or before February 3, 2000.

ADDRESSES: Mail or deliver written comments to the Manager, Mail Preparation and Standards, USPS Headquarters, 475 L'Enfant Plaza SW, Room 6800, Washington DC 20260-2405. Copies of all written comments will be available for inspection and photocopying between 9 a.m. and 4 p.m., Monday through Friday at USPS Headquarters Library, 475 L'Enfant Plaza SW, 11th Floor N, Washington, DC.

FOR FURTHER INFORMATION CONTACT: Karen A. Magazino, (202) 268-3854 or Barry Elliott, (202) 268-2731.

SUPPLEMENTARY INFORMATION: Two labeling lists currently are used by mailers to prepare Standard Mail (A) machinable parcels and all Standard Mail (A) placed on pallets. Generally, when a mailing is being prepared, either DMM Labeling List L601 or Labeling List L602 is used to sort the mail, depending on whether or not the mailer is planning to claim DBMC rates. Regardless of which list is used, the overall result is less than optimal because L601 does not include the ASFs as a separate sort level and L602 does not include ZIP Codes for offshore destinations. L601 also is used to sort Standard Mail (B) machinable parcels. ASFs are not included on L601 because the Postal Service wants to direct machinable parcels to BMCs, where they are processed on parcel sorting machines. Consequently, when Standard Mail (A) flats, letter trays, and sacks are not being prepared for drop shipment at DBMC rates and Labeling List L601 is used, the beneficial ASF pallets are not prepared, even when there is sufficient volume (e.g., 500 pounds) to prepare such pallets. Consequently, the mail for the ASF service area is placed on a BMC service area pallet and must be processed by the parent BMC.

Labeling List L602 is used to define DBMC rate eligibility for Standard Mail. Because mail for offshore destinations is not entitled to DBMC rates, these ZIP