standards should govern the operation of electronic information systems and how information systems should be developed in accordance with those standards. We would also like comment on how the cost of system development and use should be recovered.

Questions Regarding Standards and System Development

12. What standard information should be included in the datasets to be exchanged electronically? What standard definitions and units should be used for this information?

13. What standard record formats and identification codes are needed to exchange the information associated with comparable access?

14. What standard codes should be used to identify facilities, interconnection points, and other locations?

15. What standard protocol(s) should be developed to download and upload files, or to exchange information across the information network?

16. Should a regional or national information system be developed?

17. If some regional development of information systems is desirable, what regional entities should develop and maintain the system? Do these entities currently exist? If they do not exist, how should they be developed?

18. What system development and usage costs should be borne by all transmission users, and what costs should be paid for only by users of the information system?

[FR Doc. 95–8553 Filed 4–6–95; 8:45 am]

BILLING CODE 6717–01–P

SOCIAL SECURITY ADMINISTRATION

20 CFR Chapter III

Review of Social Security Administration Regulations

AGENCY: Social Security Administration.

ACTION: Notice with Request for Comments.

SUMMARY: In accordance with President Clinton's memorandum of March 4, 1995 to heads of Departments and Agencies which announced a government-wide Regulatory Reinvention Initiative, we are soliciting comments on Social Security Administration (SSA) regulations which mandate burdens on States, other governmental agencies or the private sector and suggestions to reduce or eliminate any such mandated burden.

DATES: To be sure your comments are considered, we must receive them no later than May 8, 1995.

ADDRESSES: Comments should be submitted in writing to the Commissioner of Social Security, P.O. Box 1585, Baltimore, Maryland 21235, sent by telefax to (410) 966–2830, sent by E-mail to ''regulations@ssa.gov,'' or delivered to the Division of Regulations and Rulings, Social Security Administration, 3–B–1 Operations Building, 6401 Security Boulevard, Baltimore, Maryland 21235, between 8:00 a.m. and 4:30 p.m. on regular business days. Comments may be inspected during these same hours by making arrangements with the contact person shown below.

FOR FURTHER INFORMATION CONTACT: Henry D. Lerner, Legal Assistant, Division of Regulations and Rulings, Social Security Administration, 6401 Security Boulevard, Baltimore, MD 21235, telephone (410) 965–1762.

SUPPLEMENTARY INFORMATION: The Regulatory Reinvention Initiative announced by the President on March 4, 1995 is designed to provide to all Americans the benefits of effective regulation while minimizing burdens on States and members of the public. The initiative is aimed primarily at regulatory agencies which impose mandatory burdens on States, other governmental entities and the private sector as part of their core business processes.

While SSA is not generally regarded as a ''regulatory agency,'' SSA does issue regulations. However, SSA regulations usually serve only to amplify Congressional direction in administering the social insurance and assistance programs for which we are responsible. While we have some program rules which may create a burden on the public in terms of forms completion or other activities concerning information collection, we generally do not impose mandatory burdens on States, other governmental entities or the private sector.

We recognize that members of the public may have a very different view of the burdens imposed by SSA regulations than the views of those who administer the programs. In the hope of obtaining the widest possible span of viewpoints, we issue this invitation for public comments on any SSA regulations which mandate actions by States, other governmental entities, or the private sector. We are requesting that the public assist us in identifying any SSA regulation which creates such a burden, along with suggested changes to lessen or eliminate the burden. We request further that commenters provide specific details regarding the regulation which imposes the burden, the nature of the burden, and the recommended solution.

We do not consider as part of this initiative SSA regulations which provide the rules we use to determine entitlement to retirement, survivors, disability insurance or supplemental security income benefits since they do not, by their very nature, impose mandatory burdens. Also, we view as outside the scope of this initiative our internal operating procedures in which members of the public do not have a direct role, including the statutory relationship under which State Disability Determination Services make disability determinations on behalf of SSA.

We do consider ''burdens'' on individuals and other segments of the public as needing our attention. However, in accord with the principles of the National Performance Review we initiated a process that allows customers to provide input on such matters. By means of focus groups, customer surveys, comment cards, and other means, we have in place a process for determining the needs of the public we serve. We will address burdens on individuals through a separate initiative to provide ''world class service'' to the public. This is a long-term project related to one of the Agency's major goals. Accordingly, we are restricting this request for comments to those SSA regulations which appear to impose mandatory burdens on States, other governmental entities, or the private sector.

Dated: April 4, 1995.

Shirley Chater,

Commissioner of Social Security.

[FR Doc. 95–8751 Filed 4–6–95; 8:45 am]

BILLING CODE 4190–29–P

DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

[FI–33–94]

RIN 1545–AS76

Debt Instruments with Original Issue Discount; Annuity Contracts

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Notice of proposed rulemaking and notice of public hearing.

SUMMARY: This document contains proposed regulations relating to the

federal income tax treatment of annuity contracts not issued by insurance companies. Under the proposed regulations, certain annuity contracts are taxed as debt instruments for purposes of the original issue discount provisions of the Internal Revenue Code. The proposed regulations provide guidance to sellers and buyers of these contracts. This document also provides a notice of a public hearing on the proposed regulations.

DATES: Written comments must be received by Tuesday, July 18, 1995. Requests to appear and outlines of topics to be discussed at the public hearing scheduled for Tuesday, August 8, 1995, at 10 a.m. also must be received by Tuesday, July 18, 1995.

ADDRESSES: Send submissions to: CC:DOM:CORP:T:R (FI–33–94), room 5228, Internal Revenue Service, POB 7604, Ben Franklin Station, Washington, DC 20044. In the alternative, submissions may be hand delivered between the hours of 8 a.m. and 5 p.m. to: CC:DOM:CORP:T:R (FI–33–94), Courier's Desk, Internal Revenue Service, 1111 Constitution Avenue NW., Washington, DC. A public hearing has been scheduled for Tuesday, August 8, 1995, at 10 a.m. in the Auditorium, Internal Revenue Building, 1111 Constitution Avenue NW., Washington, DC.

FOR FURTHER INFORMATION CONTACT: Concerning the regulations, Andrew C. Kittler, (202) 622–3940, or Jeffrey W. Maddrey, (202) 622–3940; concerning submissions and the hearing, Michael Slaughter, (202) 622–7190 (not toll-free numbers).

SUPPLEMENTARY INFORMATION:

Background

Sections 163(e) and 1271 through 1275 of the Internal Revenue Code of 1986 (Code) provide rules for the treatment of debt instruments that have original issue discount (OID). On February 2, 1994, the IRS published in the **Federal Register** final regulations under these sections (59 FR 4799). This document contains proposed amendments to § 1.1275–1(d) relating to the definition of a debt instrument for purposes of the OID provisions of the Code.

Explanation of Provisions

Section 1275(a)(1)(A) provides that the term debt instrument means a bond, debenture, note, or certificate or other evidence of indebtedness. Under § 1.1275–1(d), the term debt instrument means any instrument or contractual arrangement that constitutes indebtedness under general principles of federal income tax law (including, for example, a certificate of deposit or a loan).

Certain annuity contracts, however, are excluded from the definition of a debt instrument for purposes of the OID provisions. Under section 1275(a)(1)(B)(ii), an annuity contract to which section 72 applies and which is issued by an insurance company is generally excluded from the definition of debt instrument if the circumstances of its issuance meet certain broad statutory requirements. By contrast, section 1275(a)(1)(B)(i) provides a more limited exception from the definition of debt instrument for an annuity contract to which section 72 applies and which is not issued by an insurance company. The section 1275(a)(1)(B)(i) exception applies if the annuity contract depends (in whole or in substantial part) on the life expectancy of one or more individuals. Thus, if a contract is both a debt instrument and an annuity contract not issued by an insurance company, it is subject to taxation as a debt instrument under the OID provisions rather than as an annuity contract under section 72, unless it qualifies for the exception provided in section 1275(a)(1)(B)(i).

If a debt instrument has OID, section 1272 generally requires the holder of the debt instrument to include OID in income currently on a constant yield basis, regardless of the holder's overall method of accounting. This mandatory accrual is intended, in part, to provide an economically accurate reflection of income and to prevent a mismatch of issuer deductions and holder inclusions. In the case of a debt instrument that does not pay interest on a current basis, this mismatch would occur if the holder were allowed to defer including OID in income until the year in which it is actually paid. See H.R. Rep. No. 413 (Part I), 91st Cong., 1st Sess. 109 (1969); H.R. Rep. No. 432 (Part II), 98th Cong., 2d Sess. 1242–43 (1984).

By contrast, the holder of an annuity contract to which section 72 applies is allowed to defer including economically earned income until distributions on the contract are made. Generally, under section 72(b), the holder of an annuity contract includes the earnings on the contract in income on a pro rata basis as distributions are made.

The disparity between the tax treatment of debt instruments and that of annuity contracts is most pronounced in the case of an annuity contract that provides for distributions to commence significantly after the date of initial investment. In that case, a substantial portion of the value of the annuity contract when distributions begin may be attributable to income economically earned prior to that time. If the contract is taxed as an annuity contract under section 72, the income economically earned prior to the commencement of distributions is not taxed to the holder until distributions are made. If the same contract, instead, is taxed under the OID provisions as a debt instrument, income is taxed to the holder in the year it is earned, regardless of when distributions are made.

Differences between the tax treatment of debt instruments and annuity contracts also exist when an annuity contract provides for distributions commencing on or near the date of initial investment. Although the holder of the contract has income inclusions over the entire term of the contract, the rate of inclusion under section 72 is different from that under the OID provisions. In general, the rules of section 72 provide a less economically accurate recognition of income than the OID provisions. The difference in the rate of inclusion, however, is most significant in the case of an annuity contract that has deferred payments or payments that increase in amount over the life of the contract.

The IRS has determined that the exception contained in section 1275(a)(1)(B)(i) does not apply to annuity contracts that provide for significant deferral of income, that is, those contracts that provide for no distributions, or for relatively small distributions, in the early years of the contract. Since 1969, when Congress first required current inclusion of OID by holders, one of the principal purposes of the OID rules has been to provide a more economically accurate reflection of income. See H.R. Rep. No. 413 (Part I), 91st Cong., 1st Sess. 109 (1969); H.R. Rep. No. 432 (Part II), 98th Cong., 2d Sess. 1242–43 (1984). Given the well-established Congressional preference for current inclusion, it would be inappropriate to interpret the exception in section 1275(a)(1)(B)(i) as permitting section 72 rather than the OID provisions to govern the holder's tax treatment of annuity contracts that provide for significant deferral.

The proposed regulations provide that an annuity contract qualifies for the exception described in section 1275(a)(1)(B)(i) only if all payments under the contract are periodic payments that (1) are made at least annually for the life (or lives) of one or more individuals, (2) do not increase at any time during the term of the contract, and (3) are part of a series of payments that begins within one year of the date of the initial investment in the contract.

The proposed regulations further provide that an annuity contract that is otherwise described in the preceding sentence does not fail to qualify for the section 1275(a)(1)(B)(i) exception merely because it also provides for a payment (or payments) made by reason of the death of one or more individuals.

The proposed regulations only apply to annuity contracts that are also debt instruments under general principles of federal income tax law. An annuity contract that is not a debt instrument for federal income tax purposes is not subject to the OID provisions. See the general rule of section 1275(a)(1)(A). It is, therefore, unnecessary to inquire whether such an annuity contract is described in section 1275(a)(1)(B). For example, an annuity contract under which payments are wholly contingent on the continued life of an individual generally is not a debt instrument for federal income tax purposes. As a result, such a contract will continue to be taxed as an annuity contract under section 72. No inference is intended under the proposed regulations as to whether a particular annuity contract constitutes a debt instrument for federal income tax purposes.

Although the proposed regulations do not apply to an annuity contract that is not a debt instrument because it does not provide for a guaranteed return, the OID provisions nevertheless may apply if a return is guaranteed by another instrument. Thus, for example, it is anticipated that the Commissioner's anti-abuse authority under § 1.1275–2T would be invoked to apply the OID provisions to the combination of an annuity contract that is not a debt instrument and a life insurance contract that, together, effectively provide for a guaranteed return.

Comments are requested on whether certain annuity contracts other than those described in the proposed regulations should qualify for the section 1275(a)(1)(B)(i) exception.

Proposed Effective Date

The proposed regulations are proposed to be effective for annuity contracts held on or after the date that is 30 days after final regulations are published in the **Federal Register**. However, the proposed regulations will not apply to an annuity contract that is purchased prior to April 7, 1995. For purposes of the proposed regulations, any additional investment in a contract made on or after April 7, 1995, will be treated as the purchase of a contract after April 7, 1995, unless the investment is required to be made under a binding contractual obligation that was entered into prior to April 7, 1995.

If an annuity contract purchased before the effective date of the regulations is subject to the OID provisions, after the effective date the holder of the contract may account for pre- effective date accruals on the contract, on a prospective basis, in any reasonable manner.

Special Analyses

It has been determined that this notice of proposed rulemaking is not a significant regulatory action as defined in EO 12866. Therefore, a regulatory assessment is not required. It also has been determined that section 553(b) of the Administrative Procedure Act (5 U.S.C. chapter 5) and the Regulatory Flexibility Act (5 U.S.C. chapter 6) do not apply to these regulations, and, therefore, a Regulatory Flexibility Analysis is not required. Pursuant to section 7805(f) of the Internal Revenue Code, this notice of proposed rulemaking will be submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on its impact on small business.

Comments and Public Hearing

Before these proposed regulations are adopted as final regulations, consideration will be given to any written comments (a signed original and eight (8) copies) that are submitted timely to the IRS. All comments will be available for public inspection and copying.

A public hearing has been scheduled for Tuesday, August 8, 1995, at 10 a.m. in the Auditorium, Internal Revenue Building, 1111 Constitution Avenue NW., Washington, DC. Because of access restrictions, visitors will not be admitted beyond the Internal Revenue Building lobby more than 15 minutes before the hearing starts.

The rules of 26 CFR 601.601(a)(3) apply to the hearing.

Persons that wish to present oral comments at the hearing must submit written comments, an outline of topics to be discussed and the time to be devoted to each topic (signed original and eight (8) copies) by Tuesday, July 18, 1995.

A period of 10 minutes will be allotted to each person for making comments.

An agenda showing the scheduling of the speakers will be prepared after the deadline for receiving outlines has passed. Copies of the agenda will be available free of charge at the hearing.

Drafting Information: The principal author of these regulations is Jeffrey W. Maddrey, Office of Assistant Chief Counsel (Financial Institutions and Products). However, other personnel from the IRS and Treasury Department participated in their development.

List of Subjects in 26 CFR Part 1

Income taxes, Reporting and recordkeeping requirements.

Proposed Amendments to the Regulations

Accordingly, 26 CFR part 1 is proposed to be amended as follows:

PART 1—INCOME TAXES

Paragraph 1. The authority citation for part 1 continues to read in part as follows:

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

Par. 2. Section 1.1275–1 is amended by:

1. Redesignating the text of paragraph (d) following the heading as paragraph (d)(1) and adding a heading for newly designated paragraph (d)(1).

2. Adding paragraph (d)(2).

The additions read as follows:

§ 1.1275–1 Definitions.

* * * * *

(d) *Debt instrument*—(1) *In general.* * * *

(2) *Certain annuity contracts*—(i) *General rule.* An annuity contract qualifies for the exception described in section 1275(a)(1)(B)(i) only if all payments under the contract are periodic payments that—

(A) Are made at least annually for the life (or lives) of one or more individuals;

(B) Do not increase at any time during the term of the contract; and

(C) Are part of a series of payments that begins within one year of the date of the initial investment in the contract.

(ii) *Certain death benefits permissible.* An annuity contract that is otherwise described in paragraph (d)(2)(i) of this section does not fail to be described in that paragraph merely because it also provides for a payment (or payments) made by reason of the death of one or more individuals.

(iii) *Effective date.* This paragraph (d)(2) is effective for annuity contracts held on or after the date that is 30 days after final regulations are published in the **Federal Register**. However, this paragraph (d)(2) does not apply to an annuity contract that is purchased prior to April 7, 1995. For purposes of this paragraph (d)(2)(iii), any additional investment in a contract made on or after April 7, 1995, is treated as the purchase of a contract after April 7, 1995, unless the investment is required to be made under a binding contractual

obligation that was entered into prior to April 7, 1995.

* * * * *

Michael P. Dolan,

Commissioner of Internal Revenue.

[FR Doc. 95–8523 Filed 4–6 –95; 8:45 am]

BILLING CODE 4830–01–U

DEPARTMENT OF THE INTERIOR

Office of Surface Mining Reclamation and Enforcement

30 CFR Part 913

Illinois Regulatory Program

AGENCY: Office of Surface Mining Reclamation and Enforcement (OSM), Interior.

ACTION: Announcement of public comment period and opportunity for public hearing.

SUMMARY: OSM is requesting public comment that would be considered in deciding how to implement in Illinois underground coal mine subsidence control and water replacement provisions of the Surface Mining Control and Reclamation Act of 1977 (SMCRA), the implementing Federal regulations, and/or counterpart State provisions. Recent amendments to SMCRA and the implementing Federal regulations require that underground coal mining operations conducted after October 24, 1992, promptly repair or compensate for subsidence-caused material damage to noncommercial buildings and to occupied dwellings and related structures. These provisions also require such operations to promptly replace drinking, domestic, and residential water supplies that have been adversely affected by underground coal mining.

OSM must decide if the Illinois regulatory program (hereinafter referred to as the ''Illinois program'') currently has adequate counterpart provisions in place to promptly implement the recent amendments to SMCRA and the Federal regulations. After consultation with Illinois and consideration of public comments, OSM will decide whether initial enforcement in Illinois will be accomplished through the State program amendment process or by State enforcement, by interim direct OSM enforcement, or by joint State and OSM enforcement.

DATES: Written comments must be received by 4 p.m., C.S.T. on May 8, 1995. If requested, OSM will hold a public hearing on May 2, 1995 concerning how the underground coal mine subsidence control and water replacement provisions of SMCRA and the implementing Federal regulations, or the counterpart State provisions, should be implemented in Illinois. Requests to speak at the hearing must be received by 4 p.m., C.S.T. on April 24, 1995.

ADDRESSES: Written comments and requests to speak at the hearing should be mailed or hand-delivered to James F. Fulton, Director, Springfield Field Office at the address listed below.

Copies of the applicable parts of the Illinois program, SMCRA, the implementing Federal regulations, information provided by Illinois concerning its authority to implement State counterparts to SMCRA and the implementing Federal regulations, a listing of any scheduled public hearings, and all written comments received in response to this document will be available for public review at the address listed below during normal business hours, Monday through Friday, excluding holidays: James F. Fulton, Director, Springfield Field Office, Office of Surface Mining Reclamation and Enforcement, 511 West Capitol, Suite 202, Springfield, Illinois 62704, Telephone: (217) 492–4495.

FOR FURTHER INFORMATION CONTACT: James F. Fulton, Director, Springfield Field Office, Telephone: (217) 492–4495.

SUPPLEMENTARY INFORMATION:

I. Background

A. The Energy Policy Act

Section 2504 of the Energy Policy Act of 1992, Public Law 102–486, 106 Stat. 2776 (1992) added new section 720 to SMCRA. Section 720(a)(1) requires that all underground coal mining operations promptly repair or compensate for subsidence-caused material damage to noncommercial buildings and to occupied residential dwellings and related structures. Repair of damage includes rehabilitation, restoration, or replacement of the structures identified in section 720(a)(1), and compensation must be provided to the owner in the full amount of the reduction in value of the damaged structures as a result of subsidence. Section 720(a)(2) requires prompt replacement of certain identified water supplies if those supplies have been adversely affected by underground coal mining operations.

These provisions requiring prompt repair or compensation for damage to structures, and prompt replacement of water supplies, went into effect upon passage of the Energy Policy Act on October 24, 1992. As a result, underground coal mine permittees in States with OSM-approved regulatory programs are required to comply with these provisions for operations conducted after October 24, 1992.

B. The Federal Regulations Implementing the Energy Policy Act

On March 31, 1995, OSM promulgated regulations at 30 CFR Part 817 to implement the performance standards of sections 720(a) (1) and (2) of SMCRA (60 FR 16722–16751).

30 CFR 817.121(c)(2) requires in part that:

> The permittee must promptly repair, or compensate the owner for, material damage resulting from subsidence caused to any non-commercial building or occupied residential dwelling or structure related thereto that existed at the time of mining. * * * The requirements of this paragraph apply only to subsidence-related damage caused by underground mining activities conducted after October 24, 1992.

30 CFR 817.41(j) requires in part that:

> The permittee must promptly replace any drinking, domestic or residential water supply that is contaminated, diminished or interrupted by underground mining activities conducted after October 24, 1992, if the affected well or spring was in existence before the date the regulatory authority received the permit application for the activities causing the loss, contamination or interruption.

30 CFR 843.25 provides that by July 31, 1995, OSM will decide, in consultation with each State regulatory authority with an approved program, how enforcement of the new requirements will be accomplished. As discussed below, enforcement may be accomplished through the 30 CFR Part 732 State program amendment process, or by State, OSM, or joint State and OSM enforcement of the requirements. OSM will decide which of the following enforcement approaches to pursue.

(1) *State program amendment process.* If the State's promulgation of regulatory provisions that are counterpart to 30 CFR 817.41(j) and 817.121(c)(2) is imminent, the number and extent of underground mines that have operated in the State since October 24, 1992, is low, the number of complaints in the State concerning section 720 of SMCRA is low, or the State's investigation of subsidence-related complaints has been thorough and complete so as to assure prompt remedial action, then OSM could decide not to directly enforce the Federal provisions in the State. In this situation, the State would enforce its State statutory and regulatory provisions once it has amended its program to be in accordance with the revised SMCRA and to be consistent with the revised