

were divisions of a single corporation and the intercompany sale were a transfer between the divisions, P would succeed to S's \$100 basis and would have a \$200 basis in the T stock at the time it sells the T stock (\$100 of initial basis plus \$100 under the investment adjustment system). S's \$40 loss is taken into account at the time of P's sale of the T stock to reflect the \$40 difference between the \$60 loss P takes into account and P's recomputed \$100 loss.

(iii) Under the matching rule of § 1.1502-13(c), the attributes of S's \$40 loss and P's \$60 loss are redetermined to produce the same effect on consolidated taxable income (and consolidated tax liability) as if S and P were divisions of a single corporation. Under § 1.1502-13(b)(6), attributes of the losses include whether they are disallowed under this section. Because the amount described in paragraph (c)(1) of this section is \$100, both S's \$40 loss and P's \$60 loss are disallowed.

* * * * *
 (e) * * *
 (3) * * *

Example 5. Absence of a view.

(i) In Year 1, P buys all the stock of T for \$100, and T becomes a member of the P group. T has 2 historic assets, asset 1 with a basis of \$40 and value of \$90, and asset 2 with a basis of \$60 and value of \$10. In Year 2, T sells asset 1 for \$90. Under the investment adjustment system, P's basis in the T stock increases from \$100 to \$150. Asset 2 is not essential to the operation of T's business, and T distributes asset 2 to P in Year 5 with a view to having the group retain its \$50 loss inherent in the asset. Under § 1.1502-13(f)(2), and the application of the principles of this rule in section 267(f), T has a \$50 intercompany loss that is deferred. Under § 1.1502-32(b)(3)(iv), the distribution reduces P's basis in the T stock by \$10 to \$140 in Year 5. In Year 6, P sells all the T stock for \$90. Under the acceleration rule of § 1.1502-13(d), and the application of the principles of this rule in section 267(f), T's intercompany loss is ordinarily taken into account immediately before P's sale of the T stock. Assuming that the loss is absorbed by the group, P's basis in T's stock would be reduced from \$140 to \$90 under § 1.1502-32(b)(3)(i), and there would be no gain or loss from the stock disposition. (Alternatively, if the loss is not absorbed and the loss is reattributed to P under paragraph (g) of this section, the reattribution would reduce P's basis in T's stock from \$140 to \$90.)

(ii) A \$50 loss is reflected both in T's basis in asset 2 and in P's basis in the T stock. Because the distribution results in the loss with respect to asset 2 being taken into account before the corresponding loss reflected in the T stock, and asset 2 is an historic asset of T, the distribution is not with the view described in paragraph (e)(2) of this section.

* * * * *
 (h) * * *
 (1) * * *

For this purpose, dispositions deferred under § 1.1502-13 are deemed to occur at the time the deferred gain or loss is taken into account unless the stock was

deconsolidated before February 1, 1991.

* * * * *

Par. 18. Section 1.1502-26 is amended by revising paragraph (b) to read as follows:

§ 1.1502-26 Consolidated dividends received deduction.

* * * * *

(b) *Intercompany dividends.* The deduction determined under paragraph (a) of this section is determined without taking into account intercompany dividends to the extent that, under § 1.1502-13(f)(2), they are not included in gross income. See § 1.1502-13 for additional rules relating to intercompany dividends.

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Par. 19. Section 1.1502-33 is amended by revising paragraph (c)(2) to read as follows:

§ 1.1502-33 Earnings and profits.

* * * * *

(c) * * *

(2) *Intercompany transactions.* Intercompany items and corresponding items are not reflected in earnings and profits before they are taken into account under § 1.1502-13. See § 1.1502-13 for the applicable rules and definitions.

* * * * *

§ 1.1502-79 [Amended]

Par. 20. Section 1.1502-79 is amended by removing paragraph (f).

Par. 21. Section 1.1502-80 is amended by adding paragraphs (e) and (f) to read as follows:

§ 1.1502-80 Applicability of other provisions of law.

* * * * *

(e) *Non-applicability of section 163(e)(5).* Section 163(e)(5) does not apply to any intercompany obligation (within the meaning of § 1.1502-13(g)) issued in a consolidated return year beginning on or after July 12, 1995.

(f) *Non-applicability of section 1031.* Section 1031 does not apply to any intercompany transaction occurring in consolidated return years beginning on or after July 12, 1995.

PART 602—OMB CONTROL NUMBERS UNDER THE PAPERWORK REDUCTION ACT

Par. 22. The authority citation for part 602 continues to read as follows:

Authority: 26 U.S.C. 7805.

Par. 23. In § 602.101, paragraph (c) is amended as follows:

1. Removing the following entries from the table:

§ 602.101 OMB Control numbers.

* * * * *

(c) * * *

CFR part or section where identified and described	Current OMB control number
1.267(f)-1T	1545-0885
1.469-1T	1545-1008
1.1502-14	1545-0123
1.1502-14T	1545-1161

2. Adding entries in numerical order to the table for §§ 1.267(f)-1 and 1.469-1 and revising the entry for § 1.1502-13 to read as follows:

§ 602.101 OMB Control numbers.

* * * * *

CFR part or section where identified and described	Current OMB control number
1.267(f)-1	1545-0885
1.469-1	1545-1008
1.1502-13	1545-0123, 1545-0885, 1545-1161, 1545-1433

Michael P. Dolan,
Acting Commissioner of Internal Revenue.

Approved: June 29, 1995.

Leslie Samuels,
Assistant Secretary of the Treasury (Tax Policy).

[FR Doc. 95-16973 Filed 7-12-95; 8:45 am]

BILLING CODE 4830-01-U

DEPARTMENT OF JUSTICE

28 CFR Part 0

[AG Order No. 1977-95]

Service of Subpoenas Upon the Attorney General

AGENCY: Department of Justice.

ACTION: Final rule.

SUMMARY: This rule delegates authority to the Assistant Attorney General for Administration to accept official-capacity subpoenas directed to the Attorney General. This action is being undertaken to promote administrative efficiency.

EFFECTIVE DATE: July 18, 1995.

FOR FURTHER INFORMATION CONTACT:

Rafael A. Madan, Attorney-Advisor, Office of the General Counsel, Justice Management Division, U.S. Department of Justice, (202) 514-3452.

SUPPLEMENTARY INFORMATION: Currently, 28 CFR 0.77(j) authorizes the Assistant Attorney General for Administration to accept official-capacity process, except subpoenas, directed to the Attorney General. Because the Assistant Attorney General for Administration does not have authority to accept official-capacity subpoenas directed to the Attorney General, the Justice Management Division's Office of General Counsel, acting for the Assistant Attorney General for Administration, at present conducts a preliminary review (to determine facial validity) of all such subpoenas that are served at the Main Justice Building in Washington, D.C., and escorts the process servers through the building to named individuals, usually on the Attorney General's staff, who have specific authority to accept them. This procedure will be significantly disrupted by the relocation of Justice Management Division's Office of General Counsel out of the Main Justice Building. Thus, for administrative convenience, the Attorney General has determined to delegate authority to the Assistant Attorney General for Administration to accept such subpoenas.

In accordance with the Regulatory Flexibility Act, 5 U.S.C. 605(b), the Attorney General certifies that this rule will not have a significant impact on a substantial number of small business entities. This rule is not considered to be a "significant regulatory action" within the meaning of section 3(f) of Executive Order 12866, nor does it have federalism implications warranting the preparation of a federalism assessment in accordance with Executive Order 12612. This rule pertains to agency management and is not subject the notice and comment requirements of the Administrative Procedure Act, 5 U.S.C. 553(b). This rule is not considered to have a significant impact on family formation, maintenance, or general well-being in accordance with Executive Order 12606.

List of Subjects in 28 CFR part 0

Authority delegations (Government agencies); Government employees; Organization and functions (Government agencies); Whistleblowing. Accordingly, 28 CFR part 0 is amended as follows:

PART 0—ORGANIZATION OF THE DEPARTMENT OF JUSTICE

1. The authority citation for part 0 is amended to read as follows:

Authority: 5 U.S.C. 301, 3151; 28 U.S.C. 509, 510, 515-519.

2. Section 0.77 of subpart 0 of title 28 of the Code of Federal Regulations is amended by revising paragraph (j) to read as follows:

§ 0.77 Operational functions.

* * * * *

(j) Accepting service of summonses, complaints, or other papers, including, without limitation, subpoenas, directed to the Attorney General in his official capacity, as a representative of the Attorney General, under the Federal Rules of Civil and Criminal Procedure or in any suit within the purview of subsection (a) of section 208 of the Department of Justice Appropriation Act, 1953 (66 Stat. 560 (43 U.S.C. 666(a))).

* * * * *

Dated: July 7, 1995.

Janet Reno,

Attorney General.

[FR Doc. 95-17514 Filed 7-17-95; 8:45 am]

BILLING CODE 4110-01-M

DEPARTMENT OF THE INTERIOR

Minerals Management Service

30 CFR Chapter II

Completing Reviews and Audits of Royalty Payments

AGENCY: Minerals Management Service, Interior.

ACTION: Notice of availability of guidance.

SUMMARY: The extent of the time periods covered by audits of royalty payments has been a matter of considerable controversy between the Minerals Management Service (MMS) and the minerals industry for several years. During the 1980's, MMS increased audit activities in compliance with the Federal Oil and Gas Royalty Management Act (30 U.S.C. 1711). The resulting orders issued to companies for royalty underpayments often covered periods more than six years old. Many

companies have challenged MMS orders on statute of limitations grounds and their theories have been asserted in Federal court cases and in a large number of administrative appeals.

In order to be more responsive to the public we serve, the MMS, in consultation with affected states, Indian tribes, and the minerals industry, has developed guidance regarding the extent of the time periods to be covered when reviewing and auditing royalty payments. Copies of this guidance may be obtained by contacting the Office of the Deputy Associate Director for Compliance at (303) 231-3641.

FOR FURTHER INFORMATION CONTACT: Mr. David Guzy, Chief, Rules and Procedures Staff, Minerals Management Service, Royalty Management Program, P.O. Box 25165, MS-3101, Denver, Colorado, 80225-0165, telephone number (303) 231-3432, fax number (303) 231-3194.

Dated: July 12, 1995.

James W. Shaw,

Associate Director for Royalty Management.

[FR Doc. 95-17774 Filed 7-17-95; 8:45 am]

BILLING CODE 4310-MR-P

POSTAL SERVICE

39 CFR Part 265

Compliance With Subpoenas, Summonses, and Court Orders by Postal Employees Within the Inspection Service Where the Postal Service or the United States Is Not a Party

AGENCY: Postal Service.

ACTION: Final rule.

SUMMARY: The Postal Service has established procedures for Postal Service employees within the Postal Inspection Service to respond to subpoenas, summonses, and court orders to produce records or give testimony in cases where the Postal Service is not a party. The purpose of this rule is to minimize disruption of normal Postal Inspection Service functions caused by compliance with those demands, maintain control over release of public information, prevent the disclosure of information that should not legally be disclosed, prevent the Postal Service from being misused for private purposes, and otherwise protect the interests of the United States. These procedures prohibit postal employees within or assigned to the Postal Inspection Service from complying with subpoenas, summonses, and other court orders in cases where