

= \$4 million). Thus, the five million dollar or 10% of gross receipts test has been met. The two million dollar adjustment is attributable to a gross valuation misstatement. Accordingly, the taxpayer is subject to a penalty, under section 6662(h), equal to 40 percent of the underpayment of tax attributable to the gross valuation misstatement of two million dollars. The 2.5 million dollar adjustment is subject to a penalty under sections 6662(a) and 6662(b)(3), equal to 20 percent of the underpayment of tax attributable to the substantial valuation misstatement.

*Example 3.* (i) Applying section 482, the Internal Revenue Service makes the following transfer pricing adjustments for the taxable year:

(1) Attributable to an adjustment that is 400 percent or more of the correct section 482 arm's length result .....	\$6,000,000
(2) Not a 200 or 400 percent adjustment .....	15,000,000
Total .....	21,000,000

(ii) None of the adjustments are excluded under paragraph (d) (Amounts excluded from net section 482 adjustments) in determining the twenty million dollar or 20% of gross receipts test under section 6662(h). The net section 482 adjustment (21 million dollars) is greater than twenty million dollars and thus constitutes a gross valuation misstatement. Accordingly, the total adjustment is subject to the net adjustment penalty equal to 40 percent of the underpayment of tax attributable to the 21 million dollar gross valuation misstatement. The six million dollar adjustment will not be separately included for purposes of any additional penalty under section 6662.

(g) *Effective date.* This section is effective February 9, 1996. However, taxpayers may elect to apply this section to all open taxable years beginning after December 31, 1993.

#### **§ 1.6662-6T [Removed]**

Par. 5. Section 1.6662-6T is removed.

Par. 6a. In § 1.6664-0, the introductory text is amended by removing the reference "1.6664-4" and adding "1.6664-4T" in its place.

Par. 6b. Section 1.6664-4T is revised to read as follows:

#### **§ 1.6664-4T Reasonable cause and good faith exception to section 6662 penalties.**

(a) through (e) [Reserved].

(f) *Transactions between persons described in section 482 and net section 482 transfer price adjustments.* For purposes of applying the reasonable cause and good faith exception of section 6664(c) to net section 482 adjustments, the rules of § 1.6662-6(d) apply. A taxpayer that does not satisfy the rules of § 1.6662-6(d) for a net section 482 adjustment cannot satisfy the reasonable cause and good faith exception under section 6664(c). The

rules of this section apply to underpayments subject to the transactional penalty in § 1.6662-6(b). If the standards of the net section 482 penalty exclusion provisions under § 1.6662-6(d) are met with respect to such underpayments, then the taxpayer will be considered to have acted with reasonable cause and good faith for purposes of this section.

#### **PART 602—OMB CONTROL NUMBERS UNDER THE PAPERWORK REDUCTION ACT**

Par. 7. The authority citation for part 602 continues to read as follows:

Authority: 26 U.S.C. 7805.

Par. 8. In § 602.101, paragraph (c) is amended by removing the entry for § 1.6662-6T from the table and adding an entry in numerical order to the table to read "1.6662-6....1545-1426".

Margaret Milner Richardson,  
*Commissioner of Internal Revenue.*

Approved: January 19, 1996.

Leslie Samuels,

*Assistant Secretary of the Treasury.*

[FR Doc. 96-2171 Filed 2-8-96; 8:45 am]

BILLING CODE 4830-01-U

#### **DEPARTMENT OF DEFENSE**

##### **Office of the Secretary**

#### **32 CFR Part 290**

[DCAA Regulation 5410.8]

#### **Defense Contract Audit Agency (DCAA), Freedom of Information Act Program**

AGENCY: Office of the Secretary, DoD.

ACTION: Final rule.

**SUMMARY:** This amendment changes the area code listed for the DCAA Eastern Regional Office from (404) to (770) due to area code changes made by AT&T for the Smyrna, Georgia area.

**EFFECTIVE DATE:** February 9, 1996.

**FOR FURTHER INFORMATION CONTACT:** Mr. Dave Henshall, DCAA Information and Privacy Advisor, ATTN: CMR, Defense Contract Audit Agency, 8725 John J. Kingman Road, Suite 2135, Fort Belvoir, VA 22060-6219, Telephone: (703) 767-1244.

List of Subjects in 32 CFR Part 290

Freedom of Information.

Accordingly 32 CFR Part 290 is amended as follows:

#### **PART 290—[AMENDED]**

1. The authority citation for Part 290 continues to read as follows:

Authority: 5 U.S.C. 552.

#### **Appendix B to Part 290—[Amended]**

2. In Appendix B to Part 290, under the heading for Georgia, DCAA Eastern Regional Office, remove, "(404)" and add "(770)."

Dated: February 1, 1996.

L.M. Bynum,

*Alternate OSD Federal Register Liaison Officer, Department of Defense.*

[FR Doc. 96-2756 Filed 2-8-96; 8:45 am]

BILLING CODE 5000-04-M

#### **DEPARTMENT OF TRANSPORTATION**

##### **Coast Guard**

#### **33 CFR Part 100**

[CGD11-96-001]

RIN 2115-AE46

#### **Special Local Regulations: Newport to Ensenada Race**

AGENCY: Coast Guard, DOT.

ACTION: Notice of implementation.

**SUMMARY:** This notice implements 33 CFR 100.1101, "Southern California marine events," for the Newport to Ensenada Race. This event consists of a sailboat race with 400-500 participants. These regulations will be effective in the portion of the Pacific Ocean off Newport, California. Implementation of section 33 CFR 100.1101 is necessary to control vessel traffic in the regulated area for the start of the race only to ensure the safety of participants and spectators.

**EFFECTIVE DATE:** 33 CFR 100.1101 is effective from 12 noon on 26 April 1996, and terminates at 3 PM 26 April 1996, unless cancelled earlier by the Patrol Commander.

**FOR FURTHER INFORMATION CONTACT:** QMC D.K. Larson, U.S. Coast Guard Marine Safety Office/Group Los Angeles/Long Beach, California; Tel: (310) 980-4442.

#### **SUPPLEMENTARY INFORMATION:**

Drafting Information

The drafters of this notice are QMC D.K. Larson, Coast Guard Marine Safety Office/Group Los Angeles/Long Beach, Project Officer, and LT A.K. Abbott, Eleventh Coast Guard District Legal Office, Project Attorney.

Discussion of Notice

The Newport to Ensenada Race is scheduled to occur on 26 April 1996. These Special Local Regulations permit Coast Guard control of vessel traffic in