

Code provisions, including section 332(b)(1), in a consolidated return year.

Section 538 of the Ticket to Work and Work Incentives Improvement Act of 1999 (Public Law 106-170, 113 Stat. 1939) (the 1999 Act) enacted section 732(f) on December 17, 1999. With certain exceptions, section 732(f) generally provides that if (1) a corporate partner of a partnership receives a distribution from that partnership of stock in another corporation, (2) the corporate partner has control of the distributed corporation immediately after the distribution or at any time thereafter, and (3) the partnership's adjusted basis in such stock immediately before the distribution exceeded the corporate partner's adjusted basis in such stock immediately after the distribution, then an amount equal to such excess shall reduce the basis of the property held by the distributed corporation at such time.

On December 21, 2000, Congress enacted section 311(c) of the Community Renewal Tax Relief Act of 2000 (Public Law 106-554, 114 Stat. 2763) (the 2000 Act), a technical correction to section 538 of the 1999 Act. Section 311(c) of the 2000 Act states "[t]he reference to section 332(b)(1) of the Internal Revenue Code of 1986 in Treasury Regulation section 1.1502-34 shall be deemed to include a reference to section 732(f) of such Code." The Conference Report states that the rule in the consolidated return regulations (§ 1.1502-34) aggregating stock ownership for purposes of section 332 (relating to a complete liquidation of a subsidiary that is a controlled corporation) also applies for purposes of section 732(f) (relating to basis adjustments to assets of a controlled corporation received in a partnership distribution). H.R. Conf. Rep. No. 1033, 106th Cong., 2d Sess. 1022 (2000).

Section 311(d) of the 2000 Act provides that section 311(c) of the 2000 Act takes effect as if included in the provisions of the 1999 Act to which it relates. Thus, the effective date of section 311(c) of the 2000 Act is the same as that for section 538(a) of the 1999 Act, which is contained in section 538(b) of the 1999 Act.

#### Explanation of Provisions

These final regulations conform § 1.1502-34 to a technical correction enacted in section 311(c) of the 2000 Act and add a regulation under section 732 reflecting that correction. These regulations reflect this statutory provision clarifying that the stock aggregation rules under § 1.1502-34 apply for purposes of section 732(f).

Because section 311(d) of the 2000 Act provides that section 311(c) of the 2000 Act shall take effect as if it had been included in the provisions of the 1999 Act, the effective date provisions of section 538(b) of the 1999 Act apply to these regulations. Section 538(b) generally provides that the amendments made by section 538(a) of the 1999 Act apply to distributions made after July 14, 1999. In the case of a corporation that was a partner in a partnership as of July 14, 1999, the amendments made by section 538(a) of the 1999 Act apply to distributions made (or treated as made) to that partner from that partnership after June 30, 2001. In the case of any such distribution made after December 17, 1999, and before July 1, 2001, the rule of the preceding sentence does not apply unless that partner makes an election to have the rule apply to the distribution on the partner's income tax return for the year in which the distribution occurs.

#### Special Analyses

It has been determined that this Treasury Decision is not a significant regulatory action as defined in Executive Order 12866. Therefore, a regulatory assessment is not required. Because no notice of proposed rulemaking is required for this final regulation, the provisions of the Regulatory Flexibility Act (5 U.S.C. chapter 6) do not apply.

This final rule merely conforms § 1.1502-34 to the statutory amendment made by section 311(c) of the 2000 Act. Pursuant to 5 U.S.C. 553, it is determined that prior notice and comment are unnecessary and contrary to the public interest. For the same reason, good cause exists for not delaying the effective date of this final rule.

#### List of Subjects in 26 CFR Part 1

Income taxes, Reporting and recordkeeping requirements.

#### Adoption of Amendments to the Regulations

Accordingly, 26 CFR part 1 is amended as follows:

#### PART 1—INCOME TAXES

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

**Authority:** 26 U.S.C. 7805 \* \* \*.  
Section 1.732-3 also issued under 26 U.S.C. 732(f). \* \* \*  
Section 1.1502-34 also issued under 26 U.S.C. 1502. \* \* \*

**Par. 2.** Section 1.732-3 is added to read as follows:

#### § 1.732-3 Corresponding adjustment to basis of assets of a distributed corporation controlled by a corporate partner.

The determination of whether a corporate partner has control of a distributed corporation for purposes of section 732(f) shall be made by applying the special aggregate stock ownership rules of § 1.1502-34.

#### § 1.1502-34 [Amended]

**Par. 3.** In § 1.1502-34, the first sentence is amended by adding "732(f)," immediately after "351(a)."

**Robert E. Wenzel,**

*Deputy Commissioner of Internal Revenue.*

Approved: June 8, 2001.

**Mark A. Weinberger,**

*Assistant Secretary of the Treasury.*

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## DEPARTMENT OF THE INTERIOR

### Minerals Management Service

#### 30 CFR Part 256

RIN: 1010-AC74

#### Leasing of Sulphur or Oil and Gas in the Outer Continental Shelf—Definition of Affected State

**AGENCY:** Minerals Management Service (MMS), Interior.

**ACTION:** Final rule.

**SUMMARY:** This final rule eliminates the definition of "Affected State" in Subpart B, Oil and Gas Leasing Program. The definition of "Affected State" in Subpart A will apply to the entire Part 256, eliminating the need for unaffected coastal States to participate in the preparation of a 5-year program, unless they so choose.

**EFFECTIVE DATE:** The rule is effective June 19, 2001.

**FOR FURTHER INFORMATION CONTACT:** Ralph Ainger or Jane Roberts at (703) 787-1215.

**SUPPLEMENTARY INFORMATION:** On December 15, 2000, we published a Notice of Proposed Rulemaking (NPR) (65 FR 78432), titled "Leasing of Sulphur or Oil and Gas in the Outer Continental Shelf—Definition of Affected State," which proposed to remove 30 CFR 256.14. The comment period closed February 13, 2001. We received one comment from a coastal State. This final rule removes the regulation at 30 CFR 256.14. This rule

does not impose any requirements on affected parties that would require a period of time to implement. Therefore, in order to have it codified in the next publication of the Code of Federal Regulations, this will become effective on the date of publication in the **Federal Register**.

The definition of "Affected State" in current 30 CFR 256.5(g), will apply to the entire part. That definition reads as follows: " "Affected State" means, with respect to any program, plan, lease sale, or other activity, proposed, conducted, or approved pursuant to the provisions of the act, any State—

(1) The laws of which are declared, pursuant to section 4(a)(2) of the Act, to be the law of the United States for the portion of the Outer Continental Shelf on which such activity is, or is proposed to be conducted;

(2) Which is, or is proposed to be, directly connected by transportation facilities to any artificial island or structure referred to in section 4(a)(1) of the Act;

(3) Which is receiving, or in accordance with the proposed activity will receive, oil for processing, refining, or transshipment which was extracted from the Outer Continental Shelf and transported directly to such State by means of vessels or by a combination of means including vessels;

(4) Which is designated by the Secretary as a State in which there is a substantial probability of significant impact on or damage to the coastal, marine, or human environment, or a State in which there will be significant changes in the social, governmental, or economic infrastructure, resulting from the exploration, development, and production of oil and gas anywhere on the Outer Continental Shelf; or

(5) In which the Secretary finds that because of such activity there is, or will be a significant risk of serious damage, due to factors such as prevailing winds and currents, to the marine or coastal environment in the event of any oilspill, blowout, or release of oil or gas from vessels, pipelines, or other transshipment facilities."

As we stated in the NPR, listing all the States adjacent to the OCS as "affected" is contrary to the intent as well as the letter of the statute and may cause unnecessary administrative burden for those States that are not affected under the legal definition. These States should not be automatically involved if they do not meet the statutory definition. However, there is nothing to preclude any State's participation if and to the extent they wish, as the 5-year process contains multiple periods for public comment.

Elimination of the definition also reduces the burden on the Government to involve States that are not affected by the program.

#### Comments on the Rule

We received one comment in response to the NPR. The State of North Carolina Department of Environment and Natural Resources, Division of Coastal Management, supported the elimination of the definition of "Affected State" as it applied to Subpart B only. The commenter stated that as the areas off the coast of North Carolina are withdrawn from leasing until 2012, listing the State as affected might cause an unnecessary administrative burden for North Carolina. It further stated that North Carolina should not be automatically involved if they do not meet the statutory definition. They realize that nothing precludes their participation in the 5-year process.

#### Procedural Matters

##### *Regulatory Planning and Review (Executive Order 12866)*

This document is not a significant rule and is not subject to review by the Office of Management and Budget (OMB) under Executive Order 12866.

(1) This rule will not have an effect of \$100 million or more on the economy. It will not adversely affect in a material way the economy, productivity, competition, jobs, the environment, public health or safety, or State, local, or tribal governments or communities. Ultimately, this rule is advantageous to the Federal Government in that it would not have to involve certain unaffected States in the complex, multi-step process of preparing a 5-year program. It also is advantageous to those States that would not have to participate during program preparation when the Federal Government makes three requests for comments and recommendations from affected States. Because of Presidential withdrawals and congressional moratoria, an average of 14 of the 23 coastal States could be deemed unaffected by a proposed 5-year program. If those 14 States were deemed unaffected, there could be a savings of \$170,100 (\$2,100 + \$168,000). At a minimum, a State must spend 1 hour deciding whether or not to respond. Therefore, there would be a minimum expenditure of \$150 per State and a total of \$2,100 for all 14 States (3 requests × 1 hour × \$50 per hour = \$150 × 14 States = \$2,100). If a State decides, or in some cases is required, to participate by its own laws, that State could spend up to 80 hours preparing a response to each request. Therefore, there could be

another expenditure of \$12,000 per State and a total of \$168,000 for all 14 States (3 requests × 80 hours × \$50 per hour = \$12,000 × 14 States).

(2) This will not create a serious inconsistency or otherwise interfere with an action taken or planned by another agency. There are no other Federal agencies involved in this process as it relates to participation by coastal States.

(3) This rule does not alter the budgetary effects or entitlements, grants, user fees, or loan programs or rights or obligations of their recipients. This rule has no effect on these programs or such rights.

(4) This rule does not raise novel legal or policy issues. As previously stated, the intent of this rule is to eliminate the redundant and unnecessary definition of "Affected State" at 30 CFR 256.14. The term is defined at 30 CFR 256.5(g) and applies to the entire part.

##### *Regulatory Flexibility (RF) Act*

The Department certifies that this document will not have a significant economic effect on a substantial number of small entities under the RF Act (5 U.S.C. 601 *et seq.*). This revised rule eliminates the redundant and unnecessary definition of "Affected State" at 30 CFR 256.14. The only entities impacted by this rule change are certain coastal States that we would no longer automatically involve in a complex, multi-step process of preparing a 5-year program that would not affect them.

##### *Small Business Regulatory Enforcement Fairness Act (SBREFA)*

This rule is not a major rule under the SBREFA, 5 U.S.C. 804(2). This rule:

(1) Does not have an annual effect on the economy of \$100 million or more. This rule eliminates the need for the Federal Government to automatically involve some 1 coastal States in a complex, multi-step process to prepare a program that would not affect them.

(2) Will not cause a major increase in costs or prices for consumers, individual industries, Federal, State, or local government agencies, or geographic areas. This rule eliminates the need for some coastal States that would not be affected by a 5-year oil and gas program from participating in its preparation unless they so choose.

(3) Does not have significant adverse effects on competition, employment, investment, productivity, innovation, or the ability of United States-based enterprises to compete with foreign-based enterprises. There are no United States- or foreign-based enterprises involved in this rule.

*Paperwork Reduction Act (PRA) of 1995*

This regulation does not affect an existing OMB-approved information collection and an OMB Form 83-I is not required. The proposed rule simply removes a definition. OMB approved the information collection requirements in part 256 under OMB control number 1010-0006, with a current expiration date of March 31, 2004.

*Federalism (Executive Order 13132)*

According to Executive Order 13132, this rule does not have Federalism implications. This rule does not substantially and directly affect the relationship between the Federal and State Governments. Elimination of the redundant and unnecessary definition of an "Affected State" could reduce costs on States that are not affected by the 5-year program and the cost to the Federal Government of involving unaffected States.

*Takings Implications Assessment (Executive Order 12630)*

According to Executive Order 12630, the rule does not have significant Takings implications. A Takings Implication Assessment is not required. This rule has no effect on Takings, as it only applies to States that would no longer be automatically involved in the preparation of a program that has no effect on them, thereby eliminating the possible burden of doing so.

*Civil Justice Reform (Executive Order 12899)*

According to Executive Order 12988, the Office of the Solicitor has determined that this rule does not unduly burden the judicial system and meets the requirements of sections 3(a) and 3(b)(2) of the Order.

*National Environment Policy Act (NEPA)*

We have analyzed this rule according to the criteria of the NEPA and 516 DM. This rule does not constitute a major Federal action significantly affecting the quality of the human environment. An environmental assessment is not required. This rule will have no impact regarding the criteria of the NEPA.

*Unfunded Mandate Reform Act (UMRA) of 1995*

This rule does not impose an unfunded mandate on State, local, or tribal governments or the private sector of more than \$100 million per year. This rule does not create any kind of a mandate for State, local, or tribal governments or the private sector. In fact, it eliminates the need for the Federal Government to involve certain

States in the preparation of a program that will not affect them. A statement containing the information required by the UMRA, 2 U.S.C. 1501 *et seq.* is not required.

**List of Subjects in 30 CFR Part 256**

Administrative practice and procedure, Continental shelf, Environmental protection, Government contracts, Intergovernmental relations, MMS, Oil and gas exploration, Public lands-mineral resources, Public lands-rights-of-way, Reporting and recordkeeping requirements, Surety bonds.

Dated: May 30, 2001.

**Piet deWitt,**

*Acting Assistant Secretary, Land and Minerals Management.*

For the reasons stated in the preamble, the Minerals Management Service amends 30 CFR part 256 as follows:

**PART 256—LEASING OF SULPHUR OR OIL AND GAS IN THE OUTER CONTINENTAL SHELF**

1. The authority citation for Part 256 continues to read as follows:

**Authority:** 42 U.S.C 6213, 43 U.S.C. 1331 *et seq.*

**§ 256.14 [Removed]**

2. Section 256.14 is removed.

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**DEPARTMENT OF TRANSPORTATION****Coast Guard****33 CFR Parts 110, 117, 165**

[CGD09-01-004]

RIN 2115-AA97

**Sail Detroit and Tall Ship Celebration 2001, Detroit and Saginaw Rivers, MI**

**AGENCY:** Coast Guard, DOT.

**ACTION:** Temporary final rule.

**SUMMARY:** The Coast Guard is establishing temporary safety zones and anchorage areas during the Sail Detroit tall ship visit and harbor celebration in the Detroit River, Detroit, Michigan, to be held July 18-24, 2001 and the Tall Ship Celebration 2001 to be held July 26-30, 2001 in the Saginaw River, Bay City, Michigan. These zones are necessary to promote the safe navigation of vessels and the safety of life and property during the periods of heavy vessel traffic expected during these

events. These zones are intended to restrict vessel traffic from a portion of the Detroit River and restrict vessel traffic in a portion of the Saginaw River.

**DATES:** This rule is effective from July 18-30, 2001, except for § 110.T09-007 and the suspension of § 110.206 which are effective July 22, 2001 from 7:30 a.m. to 5:30 p.m. and the amendments to § 117.647 which are effective July 26, 2001 from 1 p.m. to 7 p.m.

**ADDRESSES:** Comments and material received from the public, as well as documents indicated in this preamble as being available in the docket, are part of docket CGD09-01-004 and are available for inspection or copying at U.S. Coast Guard Marine Safety Office Detroit, 110 Mt. Elliott Ave., Detroit, MI 48207, between 9 a.m. and 3 p.m., Monday through Friday, except Federal holidays.

**FOR FURTHER INFORMATION CONTACT:** Lieutenant Dennis O'Mara, Marine Safety Office Detroit, Detroit, MI, (313) 568-9580.

**SUPPLEMENTARY INFORMATION:****Regulatory History**

On April 9, 2001, the Coast Guard published a notice of proposed rulemaking (NPRM) entitled *Sail Detroit and Tall Ship Celebration 2001, Detroit and Saginaw Rivers, MI* in the **Federal Register** (66 FR 18419). The Coast Guard did not receive any letters commenting on the proposed rulemaking. No public hearing was requested, and none was held.

**Background and Purpose**

These temporary regulations are for the *Sail Detroit* tall ship visit and harbor celebration and *Tall Ship Celebration 2001* to be held in the Detroit and Saginaw Rivers, respectively. The *Sail Detroit* tall ship visit is scheduled to be part of Detroit 300, the celebration to honor the 300th birthday of Detroit's founding. It is a shared international event between the sister cities of Detroit, MI and Windsor, Ontario Canada. Temporary safety zones will be established along both waterfront areas, once tall ships are moored. *Sail Detroit* will be highlighted by a 5-mile historic vessel parade (approximately 50 vessels, including 20 or more tall ships), waterside events, in-port tours, waterside moored vessel viewing, and a re-enactment of Cadillac's landing in Detroit. The parade of historic ships will take place in the Detroit River on July 22, 2001 between the Ojibway Anchorage and Belle Isle. The re-enactment of Antoine de la Mothe Cadillac's 1701 landing in Detroit will take place on July 24, 2001, between Belle Isle and Hart Plaza. The Coast