

**Adoption of Amendments to the Regulations**

Accordingly, 26 CFR parts 1 and 301 are amended as follows:

**PART 1—INCOME TAXES**

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

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

2. Section 1.48–12, paragraph (d)(7)(iii) is revised to read as follows:

**§ 1.48–12 Qualified rehabilitated building; expenditures incurred after December 31, 1981.**

\* \* \* \* \*

(d) \* \* \*

(7) \* \* \*

(iii) [The text of proposed paragraph (d)(7)(iii) is the same as the text of § 1.48–12T(d)(7)(iii) published elsewhere in this issue of the **Federal Register**].

3. In § 1.152–3, paragraph (c) is revised to read as follows:

**§ 1.152–3 Multiple support agreements.**

\* \* \* \* \*

(c) [The text of proposed paragraph (c) is the same as the text of § 1.152–3T(c) published elsewhere in this issue of the **Federal Register**].

\* \* \* \* \*

4. Section 1.611–3, paragraph (h) is revised to read as follows:

**§ 1.611–3 Rules applicable to timber.**

\* \* \* \* \*

(h) [The text of proposed paragraph (h) is the same as the text of § 1.611–3T(h) published elsewhere in this issue of the **Federal Register**].

5. In § 1.852–9, paragraph (c)(1) is revised to read as follows:

**§ 1.852–9 Special procedural requirements applicable to designation under section 852(b)(3)(D).**

\* \* \* \* \*

(c)(1) [The text of proposed paragraph (c)(1) is the same as the text of § 1.852–9T(c)(1) published elsewhere in this issue of the **Federal Register**].

\* \* \* \* \*

**PART 301—PROCEDURE AND ADMINISTRATION**

6. The authority citation for part 301 continues to read in part as follows:

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

7. Section 301.6011–1 is revised to read as follows:

**§ 301.6011–1 General Requirement of return, statement or list.**

[The text of proposed section is the same as the text of § 301.6011–1T

published elsewhere in this issue of the **Federal Register**].

8. Section 301.6903–1(b) is added to read as follows:

**§ 301.6903–1 Notice of fiduciary.**

\* \* \* \* \*

(b) [The text of proposed paragraph (b) is the same as the text of § 301.6903–1T(b) published elsewhere in this issue of the **Federal Register**].

\* \* \* \* \*

**Robert E. Wenzel,**

*Deputy Commissioner of Internal Revenue.*

[FR Doc. 02–9820 Filed 4–23–02; 8:45 am]

BILLING CODE 4830–01–P

**POSTAL SERVICE**

**39 CFR Part 111**

**Firm Pieces in Carrier Route and Presorted Bound Printed Matter Mailings**

**AGENCY:** Postal Service.

**ACTION:** Request for comment on application of agency rule.

**SUMMARY:** The Postal Service requests comments from the mailing industry (especially the presort software industry) as to how Bound Printed Matter (BPM) mailings with individually addressed “firm pieces” can be prepared under current eligibility and mail preparation standards. The term “firm piece” is generally used to describe a mailpiece that consists of more than one component (all destined for the same delivery address, which is often a company or business firm) composited into a single mailpiece. The existence of firm packages in Periodicals mailings is due to separate per-copy and per-addressed piece rates that do not exist within other classes of mail. The Postal Service is not proposing to change Domestic Mail Manual (DMM) standards in this notice.

**DATES:** Comments must be received on or before May 22, 2002.

**ADDRESSES:** Written comments should be delivered to the Manager, Mail Preparation and Standards, United States Postal Service, 1735 N. Lynn St., Room 3025, Arlington, VA 22209–6038. Comments may be transmitted via facsimile to 703–292–4058 or via e-mail to [tdevaugh@email.usps.gov](mailto:tdevaugh@email.usps.gov). Copies of all written comments will be available for inspection and photocopying at USPS Headquarters Library, 475 L’Enfant Plaza SW, 11th Floor N, Washington DC 20260–1450 between 9 a.m. and 4 p.m., Monday through Friday.

**FOR FURTHER INFORMATION CONTACT:** Tom DeVaughan, 703–292–3640; or Marc McCrery, 202–268–2704.

**SUPPLEMENTARY INFORMATION:** On January 7, 2001, the Postal Service adopted new standards for Bound Printed Matter (BPM) that formalized the packaging and sacking or palletizing of BPM mailings according to shape (processing category) and destination entry (if any). These standards were incorporated into the Domestic Mail Manual (DMM). At the same time, new destination entry discounts were implemented. These standards were published for comment in the **Federal Register** on August 29, 2000, as part of the proposed DMM changes to implement the R2000–1 Omnibus Rate Case after extensive meetings with an Implementation Readiness Team (IRT) comprised of mailers, printers, publishers, and mailer associations. No comments were received on the BPM mail preparation standards from the IRT participants or others in the industry, and the final rule was published in the **Federal Register** on December 15, 2000.

After implementation of the new standards on January 7, 2001, the Postal Service has been receiving BPM firm pieces in Presorted BPM mailings that do not comply with the January 2001 eligibility criteria and mail preparation standards for BPM rates. Those standards prescribe specific preparation for flats, irregular parcels weighing less than 10 pounds, irregular parcels weighing 10 pounds or more, and machinable parcels. Although the issue may arise with some traditional BPM mailers (especially those taking advantage of drop ship incentives), it also impacts major printers who print Standard Mail pieces and prepare a portion of their mailings as BPM mail. An exhibit is provided at the end of this notice to illustrate a firm piece.

**Firm Package and Firm Piece Preparation**

Within Periodicals mailings, a “firm package” is defined in the DMM as two or more copies (pieces) for the same address placed in a single package. For presort eligibility and postage calculation, such pieces are treated in one of two ways:

- If each copy within the firm package has a delivery address, each may be claimed as a separate addressed piece (i.e., the number of pieces within the firm package multiplied by the “piece rate” of postage); or
- The firm package itself may be claimed as only one addressed piece.

In either case, one unit of piece rate postage is paid for each addressed piece claimed. A firm package sorted and

claimed as one addressed piece must be accompanied by (but can be physically separate from) other addressed pieces packaged to the same presort destination to satisfy the minimum package requirement when applicable, regardless of the number of pieces within the firm package.

Within BPM standards, there is no mention of the terms "firm package," "firm piece," and "firm bundle" in the DMM. However, these terms are used industry-wide in a number of situations to describe mailpieces that consist of more than one component composited into a single mailpiece addressed to a single delivery point. Within this notice, the term "firm piece" is used, for discussion purposes only, to represent a single addressed piece with one unit of "piece rate" postage paid.

Firm piece preparation for BPM mailings existed in the DMM for carrier route mailings until June 30, 1996 (DMM Issue 49). It defined a "firm package" like the definition above for Periodicals mailings, with one exception. The BPM firm package (for reasons stated below) was not permitted to be physically separate from other addressed pieces to the same presort destination. DMM Issue 49, M403.3.4 stated:

A "firm package" is two or more pieces for the same address placed in one package. If each piece has a delivery address, each may be claimed as a separate addressed piece for presort and on the mailing statement. The firm package may be claimed as one addressed piece for presort and on the mailing statement. If the pieces are unaddressed, the firm package is considered as one addressed piece. A firm package presorted and claimed as one addressed piece must be placed with other addressed pieces to form the minimum volume per package regardless of the number of pieces in the firm package.

Throughout the current DMM the term "addressed piece" is used to identify a single individually addressed mailpiece bearing evidence of postage payment and which, at a minimum, has a unit of "piece rate" postage paid. An addressed piece can include a firm (composite) piece consisting of:

- One addressed piece with one or more unaddressed pieces; or
- Two or more pieces each bearing the same delivery address.

In either case, one unit of piece rate postage is paid for each addressed piece. Presort destinations are comprised of a required minimum number of addressed pieces or pounds (of addressed pieces), whichever occurs first.

A firm piece is often secured together with shrinkwrap, plastic straps, or a combination of the two. The intent of

the mailer is for the Postal Service to treat the firm piece as a single-addressed (composite) piece and deliver it to the delivery address on the top piece. The firm piece could be envisioned as the equivalent of multiple addressed (or unaddressed) catalogs placed in an addressed carton for delivery to the address appearing on the carton (along with evidence of postage payment). For the firm piece, the "mailing container" (carton) is made of shrinkwrap, plastic straps, or both, which makes this hybrid piece look like a presort destination package of flats (or irregular parcels) that should be opened for distribution at some point prior to delivery. The only difference may be the mailer's use of the "firm" optional endorsement line (OEL) identifying the top piece as "firm" (i.e., all pieces in this "container" for the same address). There currently are no DMM standards for preparing and identifying individually addressed firm pieces (packages) using OELs other than with Periodicals mailings (DMM M013.1).

#### **Firm Piece Preparation in Bound Printed Matter Mailings**

Some mailers currently use a facing slip affixed to the top of the package to indicate that the package is not to be opened and must be delivered intact to the address on the top piece. This extra step adds production costs for the mailer but helps assure the piece is delivered intact. However, the mailer who chooses to count the firm piece as one addressed piece saves postage since the firm piece is treated as one addressed piece, rather than as individual copies.

When a typical automated production line is presented with a BPM mailing that includes firm pieces, it is not capable of first producing and grouping components into firm pieces and then regrouping these firm pieces with other individual addressed pieces into appropriate required presort destination packages to qualify for the rates claimed. Compounding the problem is the fact that the number of component pieces comprising a firm piece is likely to vary (e.g., some firm pieces consist of nine catalogs, others consist of seven, and others consist of 11). Therefore, because each firm piece is reported as (and postage is paid as) one addressed piece, the mailings will consist of nonidentical-weight pieces that must be accepted under an approved postage payment system (manifest mailing system or alternate mailing system). In addition, depending on the size (thickness) of the individual component pieces, firm piece preparation can lead to some firm pieces that fit into two

different processing categories (flats and irregular parcels). DMM standards do not permit two processing categories in the same bulk mailing for any class of mail. So, although there is potential for postage savings from the creation of firm pieces, production line complications result in improperly prepared mailings. Additionally, effective with R2001-1 implementation (June 30, 2002) and introduction of shape-based categories (i.e., flats and parcels) two separate rates will apply to all BPM.

For Periodicals mailings, the minimums for presort destinations and sacking are simple and straightforward: only six addressed pieces for package preparation and 24 addressed pieces per sack. By contrast, Carrier route and Presorted BPM, the minimums for package and sack preparation standards are more complicated. They are based on a minimum number of addressed pieces or a minimum weight to the presort destination, whichever occurs first (e.g., 10 addressed pieces or 20 pounds). These required minimums create additional challenges to production lines and presort software when BPM pieces and weight from "presort destination to presort destination" vary dramatically within the same mailing job. The preparation standards for any particular BPM mailing can be checked in the appropriate sections in DMM M700. Eligibility standards for destination entry discounts are published in DMM E752. The DMM is available online through Postal Explorer at <http://pe.usps.gov>.

#### **Destination Entry Rate Mailings**

For Carrier Route and Presorted BPM mailings to be eligible for destination bulk mail center (DBMC), destination sectional center facility (DSCF), and destination delivery unit (DDU) rates, they must first meet the required preparation standards based on the physical attributes of the (finished) pieces, and then the eligibility standards in DMM E752. Unlike Parcel Select mail, single-piece BPM is not eligible for destination entry rates. As a result, if individually addressed BPM firm pieces (comprised of flats or irregular parcels) are not packaged with other pieces to the required presort level prior to sacking or palletizing, these individually addressed pieces are not eligible for Carrier Route or Presorted rates (as appropriate) and, therefore, are not eligible for destination entry rates.

Single (individually prepared) firm pieces require the Postal Service to manually sort the pieces to the appropriate 5-digit destination. DSCF rates for Carrier Route and Presorted

BPM mailings assume pieces are sorted (packaged) in accordance with DMM standards, prior to placing into sacks or onto pallets. Therefore, firm pieces in the flat-size and irregular parcel (less than 10 pounds) category are not permitted as single pieces on pallets or in sacks, with the exception of those limited circumstances of the last physical package to a carrier route destination or, for presorted, a mixed ADC package. The only destination entry rate available for pieces in mixed ADC packages is DBMC.

#### Available Options

In the past seven months, the Postal Service conducted a series of meetings and teleconferences with mailing industry representatives to determine how to accommodate firm piece preparation in BPM mailings, especially destination entry BPM mailings. The consensus was that firm piece preparation within BPM mailings works best when the pieces are prepared as machinable parcels. Unless prepared on 5-digit and 5-digit scheme pallets or in sacks, machinable parcel preparation may not offer the lowest postage rates when compared with rates for destination entry mailings of flats and irregular parcels prepared in 5-digit and 3-digit presort destination packages

first, then placed on 5-digit, 3-digit and SCF pallets or in sacks. However, mailers should consider the overall total production (nonpostage) costs as well as delivery and transportation costs associated with the separate mail preparation standards.

Machinable parcels sorted to BMC pallets and sacks must meet the standards in DMM C010.8.0 and M020.1.5b for machinability on BMC parcel sorting machines (PSMs). Such parcels bearing a barcode in accordance with DMM C850 are entitled to the additional \$0.03 discount. Because parcels sorted on 5-digit and 5-digit scheme pallets or in sacks are not required to meet machinability standards, they would not be eligible for this additional \$0.03 discount.

Whenever possible, firm pieces comprised of component pieces secured together with shrinkwrap and/or plastic straps should be placed at the bottom of each "logical" package (the total group of pieces in a required presort destination package). In addition to the package labeling standards in DMM M020.1.3 (pressure-sensitive labels or OELs), firm pieces should bear a facing slip containing instructions such as "DO NOT OPEN, ALL FOR ADDRESS ON TOP PIECE" to ensure that the firm piece arrives intact. Firm OELs are

permitted only with Periodicals mailings. If a logical package consists of only firm pieces (two or more), an additional facing slip or label must identify the logical package destination (e.g., 5-digit, 3-digit, or ADC). Facing slips must contain the same three-line information as for a corresponding sack label:

Line 1: Destination city, SCF, or ADC, as appropriate.

Line 2: Content [PSVC FLTS or PSVC IRREG].

Line 3: City and two-letter state abbreviation of origin post office.

All pieces within a BPM mailing must consist of addressed pieces within the same processing category: all flats, all irregular parcels, or all machinable parcels.

For the reasons stated above, the Postal Service seeks comments and recommendations on the preparation issues arising from firm pieces in BPM mailings.

**Authority:** 5 U.S.C. 552(a); 39 U.S.C. 101, 401, 403, 404, 414, 3001–3011, 3201–3219, 3403–3406, 3621, 3626, 5001.

**Neva R. Watson,**  
*Attorney, Legislative.*

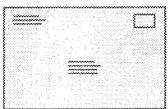
**BILLING CODE 7710–12–P**

## Bound Printed Matter Package Preparation

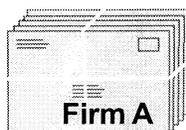
### Flats (3/4 inch maximum thickness)



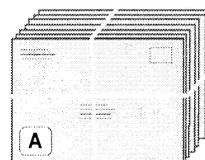
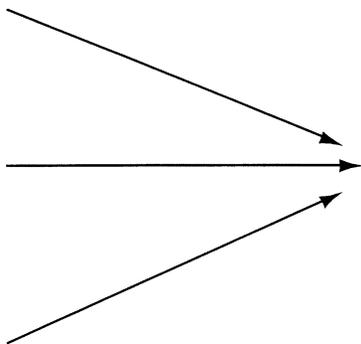
1 Piece



1 Piece



5 Pieces

3 Addressed Pieces  
(7 physical pieces)

ADC package of flats meeting minimum requirement of 2 addressed pieces per package.

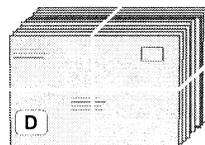
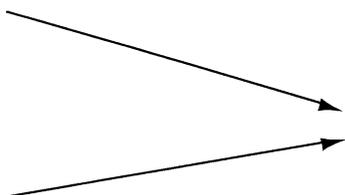
### Irregular Parcels weighing less than 10 pounds



3 Pieces



4 Pieces

2 Addressed Pieces  
(7 physical pieces)

5-Digit package of irregular parcels meeting minimum requirements of 2 addressed pieces per package.

[FR Doc. 02-10037 Filed 4-23-02; 8:45 am]

BILLING CODE 7710-12-C

#### POSTAL SERVICE

#### 39 CFR Part 501

#### Authorization To Manufacture and Distribute Postage Meters

AGENCY: Postal Service.

ACTION: Proposed rule.

**SUMMARY:** This proposed rule amends the regulations for postage meter inventory control and for the protection and control of internal and security components.

**DATES:** The Postal Service must receive your comments on or before May 24, 2002.

**ADDRESSES:** Mail or deliver written comments to the Manager, Postage Technology Management, 1735 N. Lynn Street, Room 5011, Arlington, VA 22209-6050. You can view and copy all written comments at the same address between 9 a.m. and 4 p.m., Monday through Friday.

**FOR FURTHER INFORMATION CONTACT:** Wayne Wilkerson by fax at 703-292-4050.

**SUPPLEMENTARY INFORMATION:** The United States Postal Service is seeking to improve the secure handling of postage meters and their security components by the approved postage meter manufacturers, and to extend the regulations to third-party agents and representatives of the manufacturers. We are proposing to amend the regulations to address these concerns and to align the regulations with

changes to the *Domestic Mail Manual* (DMM) regarding postage meters published in the **Federal Register** (66 FR 56432-56447) on November 8, 2001. We will review any public comments and will issue a final rule amending these sections. We will amend the remaining sections of CFR part 501 in the near future so that they all reflect the changes in the postage meter population and the changes in the DMM.

#### List of Subjects in 39 CFR Part 501

Administrative practice and procedure, Postal Service.

#### Notice and Comment

Although exempt from the notice and comment requirements of the Administrative Procedure Act (5 U.S.C. 553(b), (c)) regarding proposed rulemaking by 39 U.S.C. 410(a), the