

hearing is scheduled, notice of the date, time, and place for the hearing will be published in the **Federal Register**.

#### Drafting Information

The principal author of these proposed regulations is Marie C. Milnes-Vasquez, Office of the Associate Chief Counsel (Corporate). 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 1.1502-21 is amended by adding paragraph (b)(3)(ii)(C) to read as follows:

#### § 1.1502-21 Net operating losses.

[The text of proposed § 1.1502-21(b)(3)(ii)(c) is the same as the text of § 1.1502-21T(b)(3)(ii)(c) published elsewhere in this issue of the **Federal Register**].

**David A. Mader,**

*Acting Deputy Commissioner of Internal Revenue.*

[FR Doc. 02-13577 Filed 5-30-02; 8:45 am]

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#### DEPARTMENT OF THE TREASURY

#### Internal Revenue Service

#### 26 CFR Part 1

[REG-102305-02]

RIN 1545-BA52

#### Loss Limitation Rules

**AGENCY:** Internal Revenue Service (IRS), Treasury.

**ACTION:** Notice of proposed rulemaking by cross-reference to temporary regulations and notice of public hearing.

**SUMMARY:** This document contains proposed amendments to temporary regulations issued under sections 337(d) and 1502. The amendments clarify certain aspects of the temporary regulations relating to the deductibility of losses recognized on dispositions of

subsidiary stock by members of a consolidated group. The proposed amendments in these proposed regulations apply to corporations filing consolidated returns, both during and after the period of affiliation, and also affect purchasers of the stock of members of a consolidated group. The text of the temporary regulations published in this issue of the **Federal Register** also serves as the text of these proposed regulations. This document also provides notice of a public hearing on these regulations.

**DATES:** Written or electronic comments must be received by July 10, 2002. Requests to speak (with outlines of oral comments to be discussed) at the public hearing scheduled for July 17, 2002, at 10 a.m., must be received by June 26, 2002.

**ADDRESSES:** Send submissions to: CC:ITA:RU (REG-102740-02), room 5226, Internal Revenue Service, POB 7604, Ben Franklin Station, Washington, DC 20044. Submissions may be hand delivered Monday through Friday between the hours of 8 a.m. and 6 p.m. to CC:ITA:RU (REG-102740-02), Courier's Desk, Internal Revenue Service, 1111 Constitution Avenue, NW., Washington, DC 20044. Alternatively, taxpayers may submit electronic comments directly to the IRS Internet site at [www.irs.gov/regs](http://www.irs.gov/regs). The public hearing will be held in the Internal Revenue Service Auditorium, in the Internal Revenue Service Building, 1111 Constitution Avenue, NW., Washington, DC.

**FOR FURTHER INFORMATION CONTACT:** Concerning the proposed regulations, Sean P. Duffley, (202) 622-7530, or Lola L. Johnson, (202) 622-7550; concerning submissions of comments, the hearing, and/or to be placed on the building access list to attend the hearing, LaNita VanDyke (202) 622-7180 (not toll-free numbers).

#### SUPPLEMENTARY INFORMATION:

##### Paperwork Reduction Act

The collections of information contained in this notice of proposed rulemaking have been previously reviewed and approved by the Office of Management and Budget under control number 1545-1774. No material changes to these collections of information are proposed in these regulations.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid control number assigned by the Office of Management and Budget.

Books or records relating to a collection of information must be retained as long as their contents may become material in the administration of any internal revenue law. Generally, tax returns and tax return information are confidential, as required by 26 U.S.C. 6103.

#### Background

Temporary regulations in the Rules and Regulations section of this issue of the **Federal Register** amend 26 CFR part 1 relating to sections 337(d) and 1502. The text of those regulations also serves as the text of these proposed regulations. The preamble to the temporary regulations contains a full explanation of the reasons underlying the issuance of these proposed regulations.

#### Special Analyses

It has been determined that this notice of proposed rulemaking is not a significant regulatory action as defined in Executive Order 12866. Therefore, a regulatory assessment is not required. It is hereby certified that these regulations do not have a significant economic impact on a substantial number of small entities. This certification is based on the fact that these regulations will primarily affect affiliated groups of corporations that have elected to file consolidated returns, which tend to be larger businesses, and, moreover, that any burden on taxpayers is minimal. Therefore, a Regulatory Flexibility Analysis under the Regulatory Flexibility Act (5 U.S.C. chapter 6) is not required. Pursuant to section 7805(f) of the Internal Revenue Code, these regulations will be submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on their impact on small business.

#### Comments and Public Hearing

Before these proposed regulations are adopted as final regulations, consideration will be given to any electronic and 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 July 17, 2002, at 10 a.m., in the IRS Auditorium, IRS Building, 1111 Constitution Avenue, NW., Washington, DC. Because of access restrictions, visitors will not be admitted beyond the building lobby more than 30 minutes before the hearing starts.

#### Drafting Information

The principal authors of these regulations are Sean P. Duffley and Lola

L. Johnson, Office of Associate Chief Counsel (Corporate). However, other personnel from the IRS and Treasury participated in their development.

### 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 is amended by removing the entry for “Section 1.1502–20T(i)” and adding an entry in numerical order to read in part as follows:

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

Section 1.1502–20 also issued under the authority of 26 U.S.C. 337(d) and 1502. \* \* \*

**Par. 2.** In § 1.337(d)–2, paragraphs (a)(4) and (b)(4) are added to read as follows:

#### § 1.337(d)–2 Loss limitation window period.

[The text of this proposed section is the same as the text of § 1.337(d)–2T published elsewhere in this issue of the **Federal Register**].

**Par. 3.** Section 1.1502–20 is amended by revising paragraphs (i)(3)(v) and (i)(4) to read as follows:

#### § 1.1502–20 Disposition or deconsolidation of subsidiary stock.

[The text of this proposed section is the same as the text of § 1.1502–20T published elsewhere in this issue of the **Federal Register**].

**Robert E. Wenzel,**

*Deputy Commissioner of Internal Revenue.*  
[FR Doc. 02–13575 Filed 5–30–02; 8:45 am]

**BILLING CODE 4830–01–P**

## POSTAL SERVICE

### 39 CFR Part 111

#### Proposed Changes to the Move Update and Address Matching Requirements

**AGENCY:** Postal Service.

**ACTION:** Advance notice of proposed rulemaking and request for comment.

**SUMMARY:** The Postal Service requests comments from the mailing industry on several proposals to reduce the volume of undeliverable-as-addressed (UAA) mail. The Postal Service intends to extend the Move Update requirement for presorted rate mailings beyond First-Class Mail to also include Periodicals, Standard Mail, and Package Services; to decrease from 180 days to 90 days the window a mailer has to process

addresses through a USPS-approved Move Update process prior to the mailing date; and to remove manual notifications from ancillary service endorsements as a stand-alone option to satisfy the Move Update requirement. Also being considered is a requirement for more frequent use of address matching software and a requirement for that software to utilize more current address matching directories. The Postal Service is not proposing any immediate changes to the Domestic Mail Manual (DMM) or the elimination of manual ancillary service endorsements for single-piece rated mail. The Postal Service will give due notice of these changes with an intended implementation date of no sooner than 18 months from the publication of this notice.

**DATES:** Comments must be received on or before August 29, 2002.

**ADDRESSES:** Written comments should be delivered to the Office of Product Management—Addressing, National Customer Support Center, United States Postal Service, 6060 Primacy Pkwy, Ste. 201, Memphis, TN 38188–0001. Comments may be transmitted via facsimile to 901–821–6206 or via e-mail to [chunt1@email.usps.gov](mailto:chunt1@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:** Wayne Orbke, 901–681–4658; or Charles B. Hunt, 901–681–4651.

**SUPPLEMENTARY INFORMATION:** On October 15, 2001, the Mailing Industry Task Force, a joint workgroup of mailing industry and Postal Service leaders, released its findings and recommendations in the report Seizing Opportunity (this report can be viewed at [www.usps.com/strategicdirection/mitf.htm](http://www.usps.com/strategicdirection/mitf.htm)). To help drive costs out of the postal delivery system and to reduce the volume of UAA mail, the Task Force recommended that mailer requirements be revised to facilitate more frequent use of Move Update and address matching software.

It is the intent of the Postal Service to implement the proposals contained in this notice as part of the Product Redesign effort that is currently under way. Product Redesign is a joint mailing industry and Postal Service initiative to evaluate and implement ideas that improve the overall value of the mail. Product Redesign has also focused on these same address quality initiatives with a goal of creating incentives for mailers to take steps to reduce the costs

associated with UAA mail. The value of these proposals to both the mailing industry and the Postal Service is clearly recognized. In addition to the direct UAA mail impact on postage rates, the mailing industry incurs substantial indirect costs associated with wasted mail production, additional labor required to handle manual corrections, and lost business opportunities when their strategic messages cannot be delivered. Implementation of these “Best Practices” addressing proposals will benefit both the mailing industry and the Postal Service by substantially mitigating the impact of UAA mail and enhancing the value and viability of the mail as a communications medium of choice.

#### (1) Move Update Requirement for All Classes of Mail

UAA mail is a persistent problem for both the mailing industry and the Postal Service. In testimony presented before the Postal Rate Commission during omnibus rate case Docket No. R–2001–1, USPS costs associated with UAA mail in fiscal year 2000 were \$1.8 billion. UAA volume for that year totaled 5.7 billion pieces. By comparison, a 1998 Postal Service study of the UAA problem commissioned through Price Waterhouse revealed UAA costs for fiscal year 1998 were \$1.5 billion and its associated volume was 5.4 billion pieces. Overall UAA volume has grown by 5.26% in two years.

When UAA volume was tracked through the Computerized Forwarding System (CFS) sites by class of mail, it was noted that First-Class Mail UAA volume actually decreased from 1998 to 2000 by 0.29%, while UAA volume for all other classes increased. First-Class Mail is the only class currently with a Move Update requirement for presort and automation postage rates. Clearly the Move Update requirement is working to contain the growth of UAA within First-Class Mail. The 1998 Price Waterhouse study also revealed that if it were not for the change of address programs, such as National Change of Address (NCOA), Address Change Service (ACS), and FASTforward®, UAA costs would have been over \$3 billion.

If the Move Update requirement was expanded to other classes of mail, the Postal Service and the mailing industry could realize even greater cost savings. These savings may help to contribute to rate stabilization and improved delivery service.