## PART 51—USE OF GOVERNMENT SOURCES BY CONTRACTORS

### 51.103 [Amended]

4. Amend section 51.103 by removing paragraph (b); and by redesignating paragraph (c) as (b).

[FR Doc. 02–15941 Filed 6–26–02; 8:45 am]

BILLING CODE 6820–EP–P

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## DEPARTMENT OF DEFENSE

## GENERAL SERVICES ADMINISTRATION

## NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

## 48 CFR Part 31

### [FAC 2001–08; FAR Case 1997–032; Item III]

### RIN 9000–AH96

## Federal Acquisition Regulation; Relocation Costs

**AGENCIES:** Department of Defense (DoD), General Services Administration (GSA), and National Aeronautics and Space Administration (NASA).

**ACTION:** Final rule.

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**SUMMARY:** The Civilian Agency Acquisition Council and the Defense Acquisition Regulations Council (Councils) have agreed on a final rule amending the Federal Acquisition Regulation (FAR) ''relocation costs'' cost principle by making allowable payments for spouse employment assistance and for increased employee income and Federal Insurance Contributions Act (FICA) (26 U.S.C. chapter 21) taxes incident to allowable reimbursed relocation costs, increasing the ceiling for allowance of miscellaneous costs of relocation, and making a number of editorial changes.

**DATES:** *Effective Date:* July 29, 2002.

**FOR FURTHER INFORMATION CONTACT:** The FAR Secretariat, Room 4035, GS Building, Washington, DC, 20405, (202) 501–4755, for information pertaining to status or publication schedules. For clarification of content, contact Mr. Jeremy Olson at (202) 501–3221. Please cite FAC 2001–08, FAR case 1997–032.

**SUPPLEMENTARY INFORMATION:**

### A. Background

DoD, GSA, and NASA published a proposed rule in the **Federal Register** at 64 FR 28330, May 25, 1999, that revised the cost principle at FAR 31.205–35, Relocation costs, to—

- Remove the numerous ceilings imposed on individual relocation cost elements;
- Recognize the growing commercial practice of reimbursing relocation costs on a lump-sum basis in certain situations;
- Make allowable payments for employment assistance for spouses and for increased employee income and FICA taxes incident to allowable reimbursed relocation costs;
- Increase the ceiling for allowable miscellaneous relocation costs; and
- Make a number of editorial changes.

The final rule amends the FAR to—

- Increase the limit for miscellaneous expenses when a lump-sum approach is used. The current FAR requires the reimbursement of miscellaneous expenses to be limited to actual expenses or $1,000 (if the lump-sum approach is used). The proposed rule removed the $1,000 limitation in its entirety. To reduce the Government's risk in this area, the final rule maintains a ceiling for miscellaneous expenses when a contractor uses the lump-sum payment method, but increases the limit from $1,000 to $5,000. The cost principle continues to have no ceiling for miscellaneous expenses when reimbursement is based on actual expenses;
- Add two new categories of allowable relocation costs. Consistent with the proposed rule, the final rule makes allowable two categories of expenses that are currently unallowable: (1) Payments for increased employee income and FICA taxes incident to allowable reimbursed relocations costs, and (2) payments for spouse employee assistance. Since contractors incur these types of costs in a good faith effort to keep transferred employees from being adversely affected by the relocation, it appears equitable to reimburse contractors for these types of costs. In addition, the Employee Relocation Council (ERC) data showed that it is a common industry practice to reimburse relocating employees for both of these costs; and
- Make a number of editorial changes, including revising the ''compensation for personal services'' cost principle at FAR 31.205–6(e)(2) to clarify that the differential allowances paid to compensate for increased taxes on employee compensation is unallowable, but that the payments to compensate for increased taxes incident to allowable reimbursed relocation costs is allowable.

Twenty-two respondents submitted public comments. The Councils considered all comments when developing the final rule. A discussion of the major comments follows:

- *Inadequate Analysis.* One commenter expressed the opinion that ''the proposed changes to FAR 31.205–35 have not been adequately researched and the potential impact has not been documented.'' The commenter went on to suggest that all of the proposed changes, except for the lump-sum payment option, have been carefully considered by the FAR drafters in the past and that those previous decisions should not be overturned lightly and without thorough research and documentation that demonstrate how the conditions have changed to make previously rejected proposed changes now acceptable. In a related comment, another commenter cautioned that ''the councils should carefully review the information provided in response to the questions directed to industry respondents to determine that the administrative time and cost savings will offset increased costs before eliminating the ceilings.''

*Response to Comments:* As an integral part of its review of the public comments submitted in response to this proposed rule, current industry relocation practices were carefully analyzed (primarily using data compiled by the ERC in its 1998 report entitled ''Relocation Assistance: Transferred Employees''), together with the past regulatory history of the relocation cost principle.

- *Disagree With Removing Ceilings.* Four commenters opposed the removal of the current ceilings on individual relocation cost elements, while two of them added that ''if the current limitations are not adequate, they should be adjusted but not eliminated.'' These two commenters disagreed with the **Federal Register** justification that the ''ceilings represent unnecessary micromanagement of contractor business practices.'' One stated that ''cost ceilings are a means of controlling business expenses reimbursed with taxpayer dollars,'' and the other argued that ''the ceilings merely represent the maximum the Government believes is reasonable.'' The commenter continued: ''The FAR ceilings were initially implemented to assure that reasonableness determinations were consistently applied to all contractors and that unreasonable costs would not be paid because the cost principle is too general or unenforceable.''

One commenter stated that ''the ceilings * * * are necessary to protect the Government from liability for reimbursement of excessive costs.'' Another maintained that since the 14 percent limitation on closing costs and the continuing costs of ownership of a former residence (FAR 31.205–35(a)(3) and (4)) and the 5 percent limitation on costs for purchasing a new home (FAR 31.205–35(a)(6)(ii)) were based on commercial industry standards, there is no justification for their removal. Another stated that these 14 percent and 5 percent caps appeared reasonable, but added that waivers ''may be acceptable on a case-by-case basis.''

*Response to Comments:* Three alternatives were evaluated during consideration of this issue: removal of the ceilings, adjustment of the ceilings, and retention of the current ceilings. The alternatives are discussed below:

*Alternative 1—Remove Ceilings as Reflected in the Proposed Rule.* The ERC data indicated that some of the current FAR ceilings on individual relocation cost elements were too low. One alternative to eliminating this relationship is for the ceilings to be eliminated as shown in the proposed rule, rather than adjusted. This alternative would be a fundamental shift in how the Government evaluates the allowability of contractor relocation costs. An argument can be made that this change is consistent with promoting greater acceptance of commercial practices. Under this approach, the Government would place greater reliance upon contractors' individual corporate relocation policies to limit such costs to reasonable amounts, rather than continuing to micromanage contractor business practices. This would involve a systems approach requiring greater use of professional judgment by our auditors and contracting officers to ensure that relocation costs in total are reasonable, which is more difficult than utilizing a series of caps to determine cost allowability. This alternative would tend to satisfy those who believe that the various ceilings on individual relocation cost elements have made the current cost principle unnecessarily detailed.

*Alternative 2—Retain Ceilings With Appropriate Adjustments.* This alternative is more consistent with the argument that the rationale behind the numerous past decisions to retain the ceilings was sound. That is, (1) industry practice varies widely, (2) reasonableness determinations should be consistently applied to all contractors, and (3) the cost principle without ceilings is too general and unenforceable. Further, the Federal procurement process argues for the retention of the ceilings. Without these stated ceilings, contracting officers would be put in the unenviable position of determining what constitutes reasonable relocation costs without ready access to the necessary information to make this determination. By performing the necessary market research and setting reasonable ceilings in this cost principle, the Government avoids the inefficient process of having hundreds of different procurement personnel performing various levels of research and making inconsistent determinations. The ceilings should be set at a level that allows contractors to be reimbursed for reasonable relocation costs that are not unallowable.

*Alternative 3—Retain Current Ceilings but Reevaluate.*

The basis for this alternative is that the rationale supporting a shift either to eliminate or to adjust the ceilings is incomplete, and a reasoned policy change cannot be made at this time. There is sufficient information to justify evaluation of whether a policy change should be considered, but there is not sufficient information to determine what a better policy might be. This is the approach adopted by the FAR Council.

• *Lump-Sum Approach.*

*Lump-Sum Approach Would Result in Savings.* Nine commenters argued that an expanded lump-sum approach would result in significant savings for contractors and the Government. One stated that at a Government business segment using a lump-sum approach, instead of an actual and reasonable method, savings achieved for the temporary living portion of relocation costs averaged $4,432 per relocated employee for a total savings on Government contracts of almost $200,000 per year. Similarly, another indicated that it is experiencing savings of $6.4 million per year by offering a lump-sum option for reimbursement of temporary living expenses to relocated employees in its commercial segments. This commenter projected that it has ''the potential to save an additional $1 million per year by offering the same option within its businesses that sell goods and services to the U. S. Government.'' Another commenter indicated an estimated saving of between $400,000 and $500,000 per year due to the lump-sum relocation option.

*Disagree With Lump-Sum Approach.* One commenter objected ''to the lump-sum payment as proposed because it would increase administrative cost with no evident benefit for the Government.'' The commenter added that ''few contractors use a lump-sum approach for total relocation cost,'' and expressed concern that ''expanding the lump-sum approach beyond miscellaneous expenses (for which a lump-sum up to $1,000 is already permitted) would make it virtually impossible to assure that the lump-sum payment does not include unallowable costs.'' While not directly opposing an expanded use of the lump-sum approach, three other commenters expressed concerns that ''in the absence of a database that establishes what constitutes reasonable relocation expenses in various locations, contracting officers will have difficulty negotiating advance agreements on a broad range of relocation expenses.'' One commenter added: ''Without some objective data, it is unreasonable to impose the burden of determining reasonableness on the contracting officer.''

*Response to Comments:* Review of the ERC data found that there is no current industry practice of using lump-sum reimbursements for the purchase or sale of a home. It appears inappropriate for the cost principle to recognize lump-sum payments for these types of relocation costs if there is no evidence of such an industry practice.

Additionally, an industry association commenter noted that in its survey of member companies, ''no respondent used the lump-sum approach on all relocation costs.'' Accordingly, the broad lump-sum reimbursement approach was removed from the rule.

The lump-sum reimbursement approach covering miscellaneous expenses only that is currently in the FAR was retained, but the ceiling amount was increased from $1,000 to $5,000. An unlimited lump-sum for miscellaneous expenses could easily become a sub rosa vehicle for reimbursing unallowable costs (such as a loss on the sale of a home) or for awarding a hidden bonus to the relocating employee. While some commenters contend that contractors and the Government will share in cost reductions through use of lump-sum payments, others believe the opposite will occur. No convincing data were found one way or the other. This is further bolstered by indications from ERC that companies use lump-sum reimbursements primarily to improve employee morale and to reduce administrative costs. The net cost impact is unclear. This issue may be pursued again in a separate FAR case to determine if there is a clear answer justifying adoption of a broader lump-sum approach.

• *Remove Mandatory Advance Agreement Requirement for Lump-Sum Approach.* Eight commenters recommended that the requirement for an advance agreement with the Government prior to using the lump-sum payment option be eliminated.

Some argued that "the requirement for an advance agreement is not necessary" because "lump-sum payments are an accepted commercial practice" and "are more cost effective than actual cost tracking." One added that "at times, whether or not an advance agreement is executed depends on subjective rather than objective factors." It added that "inconsistent actions concerning the execution of an advance agreement on lump-sum payments could put companies on an unequal footing when bidding on Government contracts." Another observed that "formal acceptance by the contracting officer of what is likely to be a case-by-case implementation of lump-sums is not consistent with streamlining or acceptance of commercial practices." Another stated that the mandatory advance agreement requirement "is contrary to the spirit of Acquisition Reform" and "creates another administrative burden."

*Response to Comments:* The original rationale for including a mandatory advance agreement requirement in the proposed rule was to give the Government additional control over the broadly worded lump-sum guidance. However, we have revised paragraph (b)(2) of FAR 31.205–35 to delete the mandatory advance agreement requirement, since we have removed the lump-sum approach from the rule.

• *Disagree/Agree With Removing Mortgage Interest Differential and Rental Differential Payments.* Two commenters saw no reason for removing the specific references to mortgage interest differential and rental differential payments currently found at paragraphs (a)(7) and (a)(8) of FAR 31.205–35. One stated: "Our survey data, along with analysis of published relocation survey data, did not demonstrate any significant difference in conditions that exist now versus conditions that existed when these provisions were included in the cost principle. Therefore, we cannot determine the basis for the statement that coverage of these types of costs is no longer needed." Conversely, another commenter expressed its belief that "eliminating paragraphs FAR 31.205–35(a)(7) and (8) will provide the advantage of simplification without adding costs to the Government."

*Response to Comments:* Although interest rates are currently very low and the impact of interest differential is now very limited, interest rates could increase in the future. We have added both of these types of payments back into the paragraph (a) list of allowable relocation costs.

• *Delete FAR 31.205–35 (a)(1) thru (a)(9).* Three commenters, noting that the proposed rule would remove the specific references to mortgage interest differential and rental differential payments, expressed concern "that Government auditors may assert that these costs are now unallowable, notwithstanding the statements pertaining to them included in the background section of this proposed rule." To avoid such disputes over these and other relocation costs not specifically mentioned under paragraph (a), they suggested that the whole list of allowable relocation costs at FAR 31.205–35(a) (1) thru (a)(9) be deleted.

*Response to Comments:* The Councils agree that removing the specific references to mortgage interest differential and rental differential payments from the cost principle could create confusion about the future allowability of such costs, and they have added both of these types of payments back into the paragraph (a) list of allowable relocation costs. The Councils are also convinced there is great benefit in making it absolutely clear that the listed types of relocation costs in paragraph (a) are allowable and do not think this list should be deleted.

• *Agree/Disagree With Making Spouse Employment Assistance Payments and Tax Gross-Ups Allowable.* Eight commenters agreed with the equitable treatment rationale in the **Federal Register** for making two new categories of relocation costs allowable: (1) Payments for spouse employment assistance, and (2) payments for increased employee income and FICA taxes incident to allowable reimbursed relocation costs (commonly referred to as "tax gross-ups"). Several commenters "applauded" this change which, as one commenter put it, "acknowledges that contractors find it necessary to make such payments to avoid unfairly penalizing the relocating employee."

On the other hand, another commenter found it "illogical" to use the "good faith effort" rationale to allow these costs, but not the other unallowable relocation costs. However, after noting that "there is some evidence that spousal employment assistance is becoming a general industry practice," that commenter stated that it does "not object to the reconsideration of the allowability of spouse employment assistance (subject to reasonable limitations) after adequate research and analysis is performed."

Regarding tax gross-ups, that commenter quoted from a 1985 Cost Principles Committee report: "We believe that there was no Congressional intention to grant tax relief to contractor employees, but that it was the intent to grant such relief to Federal employees in order to reduce the out-of-pocket costs heretofore being borne by Federal employees." That commenter also pointed out that past Cost Principles Committee reports have concluded tax gross-ups are actually a compensation cost, and not a relocation cost. Finally, the commenter disagreed "with the theory that contractors should be reimbursed for these types of costs merely because Federal employees are." In support of this position, the commenter cited OFPP's 1986 "Study of Relocation Costs," which found that "the policies governing the payment for contractor relocation should remain separate from the policies governing the relocation benefits paid to Federal employees."

*Response to Comments:* The ERC data showed that it is a common industry practice to reimburse relocating employees for both of these costs. The Councils believe they are *bona fide* relocation costs and that it is fair to make them allowable now on Government contracts, just as it was fair to begin reimbursing Federal employees for them.

• *Apparent Conflict Between Tax Gross-Ups and Taxes Cost Principle.* One commenter noted an apparent conflict between the new language allowing tax gross-ups for reimbursed relocation costs and the taxes cost principle provision that makes Federal income taxes unallowable (FAR 31.205–41(b)(1)).

*Response to Comments:* The Councils do not see a conflict. The taxes cost principle makes contractor Federal income tax payments unallowable, not contractor reimbursements to an employee for the relocating employee's increased tax liability.

• *Federal Employees Do Not Get Tax Gross-Ups on FICA.* One commenter noted that "Government employees are reimbursed income taxes on relocation reimbursements, but not FICA. Employees, particularly employees of private contractors, theoretically receive a future benefit from increased FICA contributions. Therefore, reimbursement of FICA could be considered inappropriate, and we would recommend reimbursement of income taxes, but not FICA."

*Response to Comments:* The Councils disagree with this recommendation. They do not believe the allowability of contractor relocation costs must always parallel the treatment afforded relocating Federal employees; nor do they see uncertain future benefits as a valid reason for excluding FICA from allowable contractor tax gross-ups. The Councils believe this is a *bona fide* relocation cost, which should be made allowable.

• *Administrative Costs Will Decrease/ Increase.* Thirteen commenters agreed with the **Federal Register** rationale that the proposed rule would reduce administrative costs. As one commenter put it: ''We believe that the proposed changes would result in savings to both contractors and the Government by reducing or eliminating a number of burdensome administrative processes. For instance, with the elimination of thresholds, contractors would no longer need to track applicable costs separately and compare them to artificial thresholds. Detailed training on how to apply the thresholds would no longer be required. We believe that, to the extent that contractors find it otherwise appropriate and feasible to adopt lump-sum practices, record-keeping requirements would be reduced for both the contractor and the relocating employee. Finally, internal and external oversight requirements would be streamlined.''

In contrast, two commenters maintained that administrative costs would increase under the proposed rule. One argued that ''audit effort will necessarily increase (as will the contractor support of the increased audit effort) since instead of having stated reasonableness limitations, the auditor will now be forced to evaluate individual contractor systems for assuring reasonableness.'' The commenter added that ''using a broad criterion such as reasonableness naturally leads to differences of opinion,'' which ''will result in increased disputes which will increase the effort required by contractors, contracting officers, and the courts to settle these disputes.'' Finally, the commenter stated: ''Our survey of Government contractors found that the administrative cost incurred by contractors to comply with the requirements of FAR 31.205–35 is immaterial. Any potential savings would certainly be offset by the administrative cost involved in obtaining an advance agreement for the use of lump-sum payments.'' The other commenter expressed concern that ''without the ceilings, we anticipate contracting officers will need to perform a greater amount of analysis to determine the reasonableness of a contractor's proposed relocation costs.''

*Response to Comments:* The Councils expect that adoption of the rule will result in reduced administrative burden for contractors and increased administrative burden for the Government; but, they have no way to quantify these anticipated impacts. They do not consider an increase in the Government's administrative effort, by itself, to be a valid reason for retaining the existing FAR language.

• *Relocation Costs Will Increase.* Three commenters argued against the proposed rule because they believed it will result in higher relocation costs being claimed under Government contracts. Based on its own analysis of more than 50 Government contractors, one commenter projected that ''the proposed rule may result in more than $130 million in additional relocation costs claimed by Government contractors annually.'' However, another commenter countered that ''concerns about added costs or potential savings that may result from a policy change should be irrelevant to the objective at hand; *i.e.*, ensuring that the Government pays fair and reasonable expenses under noncompetitive and cost reimbursable contracts.''

*Response to Comments:* While relocation costs claimed on Government contracts may increase if the proposed rule is adopted, that is not a valid argument for retaining the existing FAR language. The Councils believe the cost principles should ensure that contractors are treated fairly, consistent with sound public policy. The cost principles should not be used as a cost containment mechanism.

This is not a significant regulatory action, and therefore, was not subject to review under Section 6(b) of Executive Order 12866, Regulatory Planning and Review, dated September 30, 1993. This rule is not a major rule under 5 U.S.C. 804.

**B. Regulatory Flexibility Act**

The Department of Defense, the General Services Administration, and the National Aeronautics and Space Administration certify that this final rule will not have a significant economic impact on a substantial number of small entities within the meaning of the Regulatory Flexibility Act, 5 U.S.C. 601, *et seq.*, because most contracts awarded to small entities use simplified acquisition procedures or are awarded on a competitive, fixed-price basis and do not require application of the cost principles contained in this rule.

**C. Paperwork Reduction Act**

The Paperwork Reduction Act does not apply because the changes to the FAR do not impose information collection requirements that require the approval of the Office of Management and Budget under 44 U.S.C. 3501, *et seq.*

**List of Subjects in 48 CFR Part 31**

Government procurement.

Dated: June 19, 2002.

**Al Matera,**

*Director, Acquisition Policy Division.*

Therefore, DoD, GSA, and NASA amend 48 CFR part 31 as set forth below:

## PART 31—CONTRACT COST PRINCIPLES AND PROCEDURES

1. The authority citation for 48 CFR part 31 continues to read as follows:

**Authority:** 40 U.S.C. 486(c); 10 U.S.C. chapter 137; and 42 U.S.C. 2473(c).

2. Revise paragraph (e)(2) of section 31.205–6 to read as follows:

### 31.205–6 Compensation for personal services.

* * * * *

(e)(1) * * *

(2) Differential allowances for additional Federal, State, or local income taxes resulting from domestic assignments are unallowable. (However, payments for increased employee income or Federal Insurance Contributions Act taxes incident to allowable reimbursed relocation costs are allowable under 31.205–35(a)(10).)

* * * * *

3. Revise paragraphs (a), (b), (c), and (f)(1) of section 31.205–35 to read as follows:

### 31.205–35 Relocation costs.

(a) Relocation costs are costs incident to the permanent change of assigned work location (for a period of 12 months or more) of an existing employee or upon recruitment of a new employee. The following types of relocation costs are allowable as noted, subject to the limitations in paragraphs (b) and (f) of this subsection:

(1) Costs of travel of the employee and members of the employee's immediate family (see 31.205–46) and transportation of the household and personal effects to the new location.

(2) Costs of finding a new home, such as advance trips by the employee or the spouse, or both, to locate living quarters, and temporary lodging during the transition period for the employee and members of the employee's immediate family.

(3) Closing costs incident to the disposition of the actual residence owned by the employee when notified of the transfer (*e.g.*, brokerage fees, legal fees, appraisal fees, points, and finance charges), except that these costs, when

added to the costs described in paragraph (a)(4) of this subsection, shall not exceed 14 percent of the sales price of the property sold.

(4) Continuing costs of ownership of the vacant former actual residence being sold, such as maintenance of building and grounds (exclusive of fixing up expenses), utilities, taxes, property insurance, and mortgage interest, after the settlement date or lease date of a new permanent residence, except that these costs, when added to the costs described in paragraph (a)(3) of this subsection, shall not exceed 14 percent of the sales price of the property sold.

(5) Other necessary and reasonable expenses normally incident to relocation, such as disconnecting and connecting household appliances; automobile registration; driver's license and use taxes; cutting and fitting rugs, draperies, and curtains; forfeited utility fees and deposits; and purchase of insurance against damage to or loss of personal property while in transit.

(6) Costs incident to acquiring a home in the new work location, except that—

(i) These costs are not allowable for existing employees or newly recruited employees who were not homeowners before the relocation; and

(ii) The total costs shall not exceed 5 percent of the purchase price of the new home.

(7) Mortgage interest differential payments, except that these costs are not allowable for existing or newly recruited employees who, before the relocation, were not homeowners and the total payments are limited to an amount determined as follows:

(i) The difference between the mortgage interest rates of the old and new residences times the current balance of the old mortgage times 3 years.

(ii) When mortgage differential payments are made on a lump-sum basis and the employee leaves or is transferred again in less than 3 years, the amount initially recognized shall be proportionately adjusted to reflect payments only for the actual time of the relocation.

(8) Rental differential payments covering situations where relocated employees retain ownership of a vacated home in the old location and rent at the new location. The rented quarters at the new location must be comparable to those vacated, and the allowable differential payments may not exceed the actual rental costs for the new home, less the fair market rent for the vacated home times 3 years.

(9) Costs of canceling an unexpired lease.

(10) Payments for increased employee income or Federal Insurance Contributions Act (26 U.S.C. chapter 21) taxes incident to allowable reimbursed relocation costs.

(11) Payments for spouse employment assistance.

(b) The costs described in paragraph (a) of this subsection must also meet the following criteria to be considered allowable:

(1) The move must be for the benefit of the employer.

(2) Reimbursement must be in accordance with an established policy or practice that is consistently followed by the employer and is designed to motivate employees to relocate promptly and economically.

(3) The costs must not be otherwise unallowable under subpart 31.2.

(4) Amounts to be reimbursed shall not exceed the employee's actual expenses, except that for miscellaneous costs of the type discussed in paragraph (a)(5) of this subsection, a flat amount, not to exceed $5,000, may be allowed in lieu of actual costs.

(c) The following types of costs are unallowable:

(1) Loss on the sale of a home.

(2) Costs incident to acquiring a home in the new location as follows:

(i) Real estate brokers' fees and commissions.

(ii) Costs of litigation.

(iii) Real and personal property insurance against damage or loss of property.

(iv) Mortgage life insurance.

(v) Owner's title policy insurance when such insurance was not previously carried by the employee on the old residence. (However, the cost of a mortgage title policy is allowable.)

(vi) Property taxes and operating or maintenance costs.

(3) Continuing mortgage principal payments on a residence being sold.

(4) Costs incident to furnishing equity or nonequity loans to employees or making arrangements with lenders for employees to obtain lower-than-market rate mortgage loans.

* * * * *

(f) * * *

(1) The term of employment is 12 months or more;

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[FR Doc. 02–15942 Filed 6–26–02; 8:45 am]

BILLING CODE 6820–EP–P

## DEPARTMENT OF DEFENSE

## GENERAL SERVICES ADMINISTRATION

## NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

## 48 CFR Part 52

**[FAC 2001–08; Item IV]**

## Federal Acquisition Regulation; Technical Amendments

**AGENCIES:** Department of Defense (DoD), General Services Administration (GSA), and National Aeronautics and Space Administration (NASA).

**ACTION:** Final rule.

**SUMMARY:** This document makes amendments to the Federal Acquisition Regulation in order to update references and make editorial changes.

**DATES:** *Effective Date:* July 29, 2002.

**FOR FURTHER INFORMATION CONTACT:** The FAR Secretariat, Room 4035, GS Building, Washington, DC 20405, (202) 501–4755. Please cite FAC 2001–08, Technical Amendments.

**List of Subjects in 48 CFR Part 52**

Government procurement.

Dated: June 19, 2002.

**Al Matera,**

*Director, Acquisition Policy Division.*

Therefore, DoD, GSA, and NASA amend 48 CFR part 52 as set forth below:

## PART 52—SOLICITATION PROVISIONS AND CONTRACT CLAUSES

1. The authority citation for 48 CFR part 52 continues to read as follows:

**Authority:** 40 U.S.C. 486(c); 10 U.S.C. chapter 137; and 42 U.S.C. 2473(c).

**52.202–1 [Amended]**

2. Amend section 52.202–1 by removing from Alternate I ''(Mar 2001)'' and adding ''(May 2001)'' in its place.

**52.212–3 [Amended]**

3. Amend section 52.212–3 in the provision heading by removing ''(May 2002)'' and adding ''(July 2002)'' in its place; removing from paragraph (c)(10)(i) of the provision ''principal place of ownership'' and adding ''principal office'' in its place; and removing from the first sentence of paragraph (c)(10)(ii) ''on the joint'' and adding ''in the joint'' in its place.

**52.225–11 [Amended]**

4. Amend section 52.225–11 in the clause heading by removing ''(May 2002)'' and adding ''(July 2002)'' in its