

DEPARTMENT OF COMMERCE**International Trade Administration****DEPARTMENT OF THE INTERIOR****Office of Insular Affairs****15 CFR Part 303**

[Docket No. 030707164-3230-02]

RIN 0625-AA63

Changes in the Insular Possessions Watch, Watch Movement and Jewelry Program

AGENCIES: Import Administration, International Trade Administration, Department of Commerce; Office of Insular Affairs, Department of the Interior.

ACTION: Final rule.

SUMMARY: The Departments of Commerce and the Interior (the Departments) amend their regulations governing watch duty-exemption allocations and the watch and jewelry duty-refund benefits for producers in the United States insular possessions (the U.S. Virgin Islands, Guam, American Samoa and the Commonwealth of the Northern Mariana Islands). The rule amends existing regulations, due to changes in the industry, by updating the watch assembly requirements for purposes of the duty refund. We also amend 15 CFR part 303 to reflect the new designations that were created with the addition of the Department of Homeland Security.

DATES: This rule is effective October 1, 2003.

FOR FURTHER INFORMATION CONTACT: Faye Robinson, (202) 482-3526.

SUPPLEMENTARY INFORMATION: The Departments of Commerce and the Interior (the Departments) issue this rule to amend their regulations governing watch duty-exemption allocations and the watch and jewelry duty-refund benefits for producers in the United States insular possessions (the U.S. Virgin Islands, Guam, American Samoa and the Commonwealth of the Northern Mariana Islands). The background information and purpose of this rule is found in the preamble to the proposed rule (68 FR 45177, August 1, 2003) and is not repeated here.

The Departments amend the definitions for Creditable wages and Non-91/5 watches and watch movements, subpart A, 303.2(a)(13) and (14) respectively, to allow wages to be creditable towards the duty refund for watches containing preassembled movements provided (1) that the

producer is unable to purchase the movements unassembled and (2) that it completes in the insular possession all other assembly operations required to make the movement into a watch (*see* discussion, below). In order for wages to be considered creditable for watch assembly operations which incorporate preassembled movements, the Departments also amend subpart A, 303.5(b)(6) to require producers who completely assemble watches in the insular possessions, with the exception of the movement, to maintain documentation that demonstrates that the preassembled movement the insular producer purchased could not have been purchased in an unassembled condition. This documentation must be available, along with other relevant company records, for review during the annual audit and verification of the data from the Annual Application (Form ITA-334P). Producers are still required to meet the Bureau of Customs and Border Protection and the Departments' assembly requirements for purposes of the duty exemption.

Finally, this rule amends 15 CFR part 303 to reflect the new designations that were created with the addition of the Department of Homeland Security.

ITA received one comment in response to the proposed rule and request for comments. The commenter expressed support in totality for the new rule without revision. Accordingly, the Departments adopt the provisions in the proposed rule without change.

Administrative Law Requirements

Administrative Procedure Act. The Departments waives the 30-day delay in effectiveness for this rule because this rule relieves a restriction. (*See* 5 U.S.C. 553(d)(1)). This rule provides more flexibility in the types of movements that can be used in the watch assembly than was allowed prior to the adoption of this rule. Also, this rule allows a duty refund benefit for watches assembled with partially or completely assembled movements if the movement cannot be purchased unassembled. Because, this rule relieves restrictions for watch manufacturers, the 30-day delay in effectiveness is waived and this rule is effective upon publication.

Regulatory Flexibility Act. In accordance with the Regulatory Flexibility Act, 5 U.S.C. 601 *et seq.*, the Chief Counsel for Regulation at the Department of Commerce has certified to the Chief Counsel for Advocacy, Small Business Administration, that the proposed rule would not have a significant economic impact on a substantial number of small entities. The factual basis for this certification

was published in the proposed rule and is not repeated here. No comments were received regarding the economic impact of this rule on small entities. As a result, a final regulatory flexibility analysis was not prepared.

Paperwork Reduction Act. This rulemaking contains revised collection of information requirements that have been approved by the Office of Management and Budget under control numbers 0625-0040 and 0625-0134. Send comments regarding the burden estimate or any other aspect of the collection of information to U.S. Department of Commerce, ITA Information Officer, Washington, DC 20230 and the Office of Information and Regulations Officer, Office of Management and Budget, Washington, DC 20503 (Att: OMB Desk Officer).

Notwithstanding any other provision of the law, no person is required to respond to, nor shall any person be subject to a penalty for failure to comply with a collection of information unless it displays a currently valid OMB Control Number.

E.O. 12866. It has been determined that the rulemaking is not significant for purposes of Executive Order 12866.

List of Subjects in 15 CFR Part 303

Administrative practice and procedure, American Samoa, Customs duties and inspection, Guam, Imports, Marketing quotas, Northern Mariana Islands, Reporting and record keeping requirements, Virgin Islands, Watches and jewelry.

■ For reasons set forth above, the Departments amend 15 CFR part 303 as follows:

PART 303—WATCHES, WATCH MOVEMENTS AND JEWELRY PROGRAM

■ 1. The authority citation for 15 CFR part 303 continues to read as follows:

Authority: Pub. L. 97-446, 96 Stat. 2331 (19 U.S.C. 1202, note); Pub. L. 103-465, 108 Stat. 4991; Pub. L. 94-241, 90 Stat. 263 (48 U.S.C. 1681, note); Pub. L. 106-36, 113 Stat. 167.

■ 2. Title 15 CFR part 303 is amended by removing "U.S. Customs Service" or "Customs Service" wherever it appears and adding "Bureau of Customs and Border Protection" in its place.

■ 3. Title 15 CFR part 303 is amended by removing "Department of the Treasury" wherever it appears and adding "Department of Homeland Security" in its place.

■ 4. Section 303.2 is amended by revising the first sentence of paragraph (a)(13) and the first sentence of paragraph (a)(14) as set forth below.

§ 303.2 Definitions and forms.

(a) * * *

(13) *Creditable wages* means all wages, up to an amount equal to 65% of the contribution and benefit base for Social Security as defined in the Social Security Act for the year in which the wages were earned, paid to permanent residents of the territories employed in a firm's 91/5 watch and watch movement assembly operations, plus wages paid for the repair of non-91/5 watches up to an amount equal to 50% of the firm's total creditable wages, and for wages paid for the complete assembly of watches in the insular possession, with the exception of the movement, only in situations where the desired movement can not be purchased in an unassembled condition. * * *

(14) *Non-91/5 watches and watch movements* include, but are not limited to, watches and movements which are liquidated as dutiable by the Bureau of Customs and Border Protection but do not include, for purposes of the duty refund, watches that are completely assembled in the insular possessions, with the exception of a desired movement if the movement cannot be purchased in an unassembled condition; contains any material which is the product of any country with respect to which Column 2 rates of duty apply; are ineligible for duty-free treatment pursuant to law or regulation; or are units the assembly of which the Departments have determined not to involve substantial and meaningful work in the territories (as elsewhere defined in these regulations).

* * * * *

■ 5. Section 303.5(b)(6) is revised to read as set forth below.

§ 303.5 Application for annual allocation of duty-exemptions.

* * * * *

(b) * * *

(6) Records on purchases of components, including documentation on the purchase of any preassembled movements, which demonstrate that such movements could not have been purchased from the vendor in an unassembled condition, and records on the sales of insular watches and movements, including proof of payment; and"

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James J. Jochum,

Acting Assistant Secretary for Import Administration, Department of Commerce.

Nikolao Pula,

Director, Office of Insular Affairs, Department of the Interior.

[FR Doc. 03-24903 Filed 9-30-03; 8:45 am]

BILLING CODES 3510-DS-P and 4310-93-P

DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

[TD 9080]

RIN 1545-BC47

Reduction of Tax Attributes Due to Discharge of Indebtedness; Correction

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Reduction of tax attributes due to discharge of indebtedness.

SUMMARY: This document contains corrections to temporary regulations that were published in the **Federal Register** on July 18, 2003 (68 FR 42590). These regulations relate to the reduction of tax attributes under sections 108 and 1017 of the Internal Revenue Code.

EFFECTIVE DATE: This correction is effective July 18, 2003.

FOR FURTHER INFORMATION CONTACT: Theresa M. Kolish (202) 622-7930 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

The temporary regulations that are the subject of these corrections are under sections 108 and 1017 of the Internal Revenue Code.

Need for Correction

As published, the temporary regulations (TD 9080) contain errors that may prove to be misleading and are in need of clarification.

Correction of Publication

■ Accordingly, the publication of the temporary regulations (TD 9080) which are the subject of FR Doc. 03-18145, is corrected as follows:

§ 1.108-7T [Corrected]

■ 1. On page 42592, column 3, § 1.108-7T, paragraph (a)(2), line 2 thru 7, the language "section 108(b)(5), however, to reduce first the basis of depreciable property to the extent of the excluded COD income. If the basis of depreciable property is insufficient to offset the entire amount of the excluded COD income, the" is corrected to read "section 108(b)(5), however, to apply any portion of the excluded COD income to reduce first the basis of depreciable property. To the extent the excluded COD income is not so applied, the".

■ 2. On page 42593, column 1, § 1.108-7T(d), paragraph (i) of *Example 3*, line 3, the language "trade debts of \$200,000 and a depreciable" is corrected to read "debts of \$200,000 and a depreciable".

■ 3. On page 42593, column 1, § 1.108-7T(d), paragraph (i) of *Example 3*, line 14, the language "trade creditors in exchange for release of" is corrected to read "creditors in exchange for release of".

■ 4. On page 42593, column 1, § 1.108-7T(d), paragraph (ii) of *Example 3*, line 19, the language "requirements of section 354(a)(1)(A) and (B)." is corrected to read "requirements of section 354(b)(1) (A) and (B).".

■ 5. On page 42593, column 1, § 1.108-7T(d), paragraph (ii) of *Example 3*, line 2, the language "to X's trade creditors, under section" is corrected to read "to X's creditors, under section".

■ 6. On page 42593, column 1, § 1.108-7T(d), paragraph (ii) of *Example 3*, line 7, the language "owed the trade creditors for \$100,000, the fair" is corrected to read "owed the creditors for \$100,000, the fair".

■ 7. On page 42593, column 2, § 1.108-7T(d), paragraph (ii) of *Example 4*, line 2, the language "distribution of Y stock to X's trade creditors," is corrected to read "distribution of Y stock to X's creditors,".

Cynthia E. Grigsby,

Acting Chief, Publications and Regulations Branch, Legal Processing Division, Associate Chief Counsel (Procedure and Administration).

[FR Doc. 03-24912 Filed 9-30-03; 8:45 am]

BILLING CODE 4830-01-P

DEPARTMENT OF COMMERCE

Patent and Trademark Office

37 CFR Part 2

[Docket No. 2003-T-024]

RIN 0651-AB68

Reorganization of Correspondence and Other General Provisions

AGENCY: United States Patent and Trademark Office, Commerce.

ACTION: Final rule; correction.

SUMMARY: The United States Patent and Trademark Office ("Office") published in the **Federal Register** of August 13, 2003 (68 FR 48286), a final rule amending its rules to separate the provisions for patent matters and trademark matters with respect to filing correspondence, requesting copies of documents, payment of fees, and general information. This document corrects a typographical error in the final rule.

EFFECTIVE DATE: October 1, 2003.

FOR FURTHER INFORMATION CONTACT: Mary Hannon, Office of the