

# Proposed Rules

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This section of the FEDERAL REGISTER contains notices to the public of the proposed issuance of rules and regulations. The purpose of these notices is to give interested persons an opportunity to participate in the rule making prior to the adoption of the final rules.

## DEPARTMENT OF COMMERCE

### International Trade Administration

## DEPARTMENT OF THE INTERIOR

### 15 CFR Part 303

[Docket No. 0612243019-7006-01]

RIN: 0625-AA72

### Changes in the Insular Possessions Watch, Watch Movement and Jewelry Programs 2006

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

**ACTION:** Notice of Proposed Rulemaking and Request for Comments.

**SUMMARY:** The Departments of Commerce and the Interior (the Departments) propose amending 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 proposed rule would amend certain regulations by updating the maximum total value of watch components per watch that are eligible for duty-free entry into the United States under the insular program, further clarifying the definition of creditable and non-creditable wages and fringe benefits, providing more details about the calculation of mid-year and annual duty-refund and verification process, and making minor editorial changes.

**DATES:** Written comments must be received on or before February 23, 2007.

**ADDRESSES:** Address written comments to Faye Robinson, Director, Statutory Import Programs Staff, Room 2104, U.S. Department of Commerce, 14th and Constitution Ave., NW., Washington, DC 20230.

**FOR FURTHER INFORMATION CONTACT:** Faye Robinson, (202) 482-3526, same address as above.

**SUPPLEMENTARY INFORMATION:** The insular possessions watch industry provision in Sec. 110 of Public Law 97-446 (96 Stat. 2331) (1983), as amended by Section 602 of Public Law 103-465 (108 Stat. 4991) (1994), and additional U.S. Note 5 to chapter 91 of the Harmonized Tariff Schedule of the United States ("HTSUS"), as amended by Public Law 94-241 (90 Stat. 263) (1976) requires the Secretary of Commerce and the Secretary of the Interior ("the Secretaries"), acting jointly, to establish a limit on the quantity of watches and watch movements that may be entered free of duty during each calendar year. The law also requires the Secretaries to establish the shares of this limited quantity that may be entered from the Virgin Islands, Guam, American Samoa and the Commonwealth of the Northern Mariana Islands ("CNMI"). After the Departments have verified the data submitted on the annual application (Form ITA-334P), the producers' duty-exemption allocations are calculated from the territorial share in accordance with 15 CFR 303.14 and each producer is issued a duty-exemption license. The law further requires the Secretaries to issue duty-refund certificates to each territorial watch and watch movement producer based on the company's duty-free shipments and creditable wages paid during the previous calendar year.

Public Law 106-36 (113 Stat. 127) (1999) authorizes the issuance of a duty-refund certificate to each territorial jewelry producer for any article of jewelry provided for in heading 7113 of the HTSUS that is the product of any such territory. The value of the certificate is based on creditable wages paid and duty-free units shipped into the United States during the previous calendar year. Although the law specifically mentions the U.S. Virgin Islands, Guam and American Samoa, the issuance of the duty-refund certificate would also apply to the CNMI due to the Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America (Pub. L. 94-241), that states that goods from the CNMI are entitled to the same tariff treatment as imports from Guam. See also 19 CFR 7.2(a). In order to be

considered a product of such territories, the jewelry must meet the U.S. Customs Service substantial transformation requirements (the jewelry must become a new and different article of commerce as a result of production or manufacture performed in the territory). To receive duty-free treatment, the jewelry must also satisfy the requirements of General Note 3(a)(iv) of the HTSUS and applicable Customs Regulations (19 CFR 7.3). Section 1562 of Public Law 108-429 (2004), amended by Public Law 97-446, Public Law 103-465 and Public Law 106-36 and authorizes extending the duty refund benefits to include the value of usual and customary health insurance, life insurance and pension benefits; raising the ceiling on the amount of jewelry that qualifies for the duty refund benefit; allowing new insular jewelry producers to assemble jewelry and have such jewelry treated as an article of the insular possessions for up to 18 months after the jewelry company commences assembly operations; allowing duty refund certificate holders to secure a duty refund on any articles that are imported into the customs territory of the United States by the certificate holder duty paid; and providing compensation to insular watch producers if tariffs on watches and watch movements are reduced.

### Comments Received in Response to the Advanced Notice of Proposed Rulemaking

The Department's regulations provide that the current total value of watch components per watch and watch movement that are eligible for duty-free entry into the U.S. are \$800 per watch and \$35 per watch movement. See 15 CFR 303.14(b)(3). On July 25, 2006, the Department received a letter from the U.S. Virgin Islands Watch & Jewelry Manufacturers Association requesting that the Department of Commerce reexamine the current value limits for watches assembled in the U.S. Virgin Islands. The Association asserted that the rising cost of gold has made it difficult to continue production of gold watches with the current ceilings in place.

In response to the Association's request, on October 20, 2006, we published an advanced notice of proposed rulemaking in the **Federal Register**. See Insular Possession Watch,

Watch Movement and Jewelry Programs, 71 FR 61923 (October 20, 2006). The notice requested comments on whether to change the maximum value of watch components per watch and watch movement that are eligible for benefits under the program and provide comments on four possible options. We received comments from four parties:

The first commenter favored removing any restrictions on the value of watch components as long as all other program requirements are met.

The second commenter suggested a ceiling of \$2,000 for watch components per watch and \$200 for watch components per watch movement.

The third commenter encouraged the Departments to significantly increase or eliminate the value limits for watches and watch movements.

The fourth commenter urged the Departments of Commerce and the Interior to eliminate the watch and watch movement value limits from the regulations.

In 1983, the passage of Pub. L. 97-446 added features to the insular possessions watch program, which included a duty refund provision for watch producers. Contained in the rulemaking, implementing Pub. L. 97-446, was the addition of the value limits on components for watches and watch movements. (See Allocation of Watch Quota for Calendar Year 1983 Among Watch Producers Located in the Virgin Islands, Guam and American Samoa, 48 FR 17579, April 25, 1983) ("1983 Final Rule")

Since 1983, the value limitations have been raised on several occasions, most recently in 1998 and 2004. Although two commenters favored eliminating the ceiling all together, we propose raising the value limits rather than eliminating them because we believe that the original policy reasons for maintaining the ceiling still have merit in terms of domestic and international trade policy. In the notice of proposed rulemaking (See Allocation of Watch Quota for Calendar Year 1983 Among Watch Producers Located in the Virgin Islands, Guam and American Samoa, 48 FR 7186, February 18, 1983) for the 1983 Final Rule, the Departments included value limits in response to language added by the Senate Finance Committee report, which required the Secretaries to ensure that work performed in the insular possessions adds "significantly to the value of the product." A basic tenant of the policy was to stimulate employment in the insular possessions while not creating disproportionate gains for watch producers and maintaining the ceiling assures that a balance is maintained. Because there

have been substantial increases in the price of gold and the dollar has weakened against the Euro and the Swiss Franc, we propose raising the maximum total value of watch components per watch and watch movement that are eligible for duty-free entry into the U.S., from \$800 to \$3,000 per watch and from \$35 to \$300 per watch movement to account for increases in the price of gold as well as provide allowances for further fluctuation. We believe that the increase would provide flexibility to producers and has the potential to attract new producers and increases in employment while maintaining a correlation between wages paid to employees and duty savings. We, therefore, propose increasing the value limits on watches and watch movements while maintaining the option to further review value limits in future years if circumstances dictate a change.

#### Proposed Amendments

As discussed above, we propose to amend § 303.14(b)(3) by raising the maximum total value of watch components per watch and watch movement that are eligible for duty-free entry into the U.S., from \$800 to \$3,000 per watch and from \$35 to \$300 per watch movement due to recent increases in the price of gold.

We further propose amending §§ 303.1(c) and 303.15(b) to reflect that the duty-refunds may now be obtained on any articles that entered the customs territory of the United States duty paid except for any article containing a material which is the product of a country to which column 2 rates of duty apply, pursuant to Pub. L. 108-429. The proposed rule would further amend § 303.1(c) by removing the erroneous reference to "Headnote 6" and adding "additional U.S. note 5 to chapter 91 of the HTSUS" in its place.

We also propose amending § 303.2(a)(8) to correct a minor typographical error by adding the closing parenthesis at the end of the sentence and amending § 303.2(a)(10) by changing "watch components" to "watch movements" to more accurately define the kind of component.

Further, we propose amending §§ 303.2(a)(13), 303.2(a)(13)(ii), 303.2(a)(13)(ii)(A), 303.2(a)(13)(ii)(B), 303.2(a)(14), 303.2(a)(14)(ii), 303.2(a)(14)(ii)(A), 303.2(a)(14)(ii)(B), 303.16(a)(9), 303.16(a)(9)(ii), 303.16(a)(9)(ii)(A), 303.16(a)(9)(ii)(B), 303.16(a)(10), 303.16(a)(10)(ii), 303.16(a)(10)(ii)(A) and 303.16(a)(10)(ii)(B) to further clarify which wages, health insurance, life insurance and pension benefits are

creditable in the Departments' calculation of the duty-refund benefits and which are not.

The proposed rule would also amend §§ 303.16(a)(9)(i)(C) and (a)(10)(i)(D) by clarifying that two program producers may, under certain circumstances, work on the same unit of jewelry and receive creditable wages and fringe benefits proportionally if both producers demonstrate that they have met all the qualifications of the regulations and have records sufficient for the Departments' verification. However, a non-program jewelry producer may not work together with a program jewelry producer on the manufacturing of a single article of jewelry and receive creditable wages and benefits.

A further proposal would amend §§ 303.12(a)(1), 303.14(c), 303.19(a)(1) and 303.20(b) to provide further details about the calculation of the mid-year duty-refund and annual duty-refund. We modified the criteria for the calculation of the annual duty-refund to include health insurance, life insurance and pension benefits, pursuant to Public Law 108-429 and modified the criteria for the calculation of the mid-year duty refund.

We propose amending the heading to § 303.5(b) to reflect that only verified data is used in the calculation of the duty-exemptions and duty-refunds. Also, we propose amending §§ 303.5(b)(5) and 303.17(b)(6) to clarify that the payroll information that should be available for use in the verification includes time cards for each employee. We further propose amending §§ 303.5(c) and 303.17(c) to specify that all data must be available at the time of the annual verification and that the Departments will not consider further data after the verification for the particular year has been completed.

We propose amending §§ 303.13(b) and 303.21(b) by changing "post office address" to "address" because some producers might not have post office addresses and express mail carriers often will not deliver to a post office address.

Finally, the proposed rule would amend §§ 303.2(b)(5) and 303.16(b)(3) by adding "duty paid" so it will be clearer that the refund of duties is specifically on items that entered into the Customs territory of the United States "duty paid".

#### Administrative Law Requirements

*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, if promulgated as final, will not have a significant economic impact on a substantial number of small entities. The majority of the changes are being proposed to further clarify the definition of creditable and non-creditable wages and fringe benefits, to provide more details about the calculation of mid-year and annual duty-refund and the verification process, and to make minor editorial changes. There are currently four watch companies in the insular watch program and four jewelry companies in the insular jewelry program, all of which are small entities. This rulemaking would update the total maximum value of watch components per watch that are eligible for duty-free entry into the United States. Increases in the price of gold and a weakened dollar against the Euro and Swiss franc have driven up the price of gold watch components. Therefore, companies are faced with a difficult situation because if the value limit is exceeded, the watch becomes ineligible for the duty-free benefit or the duty refund benefit under the program due to the fact that the insular possessions are outside the Customs territory of the United States and the watches will not have met the regulatory requirements of the program. Adoption of this rule would increase the maximum value of watch components per watch that would be eligible for duty-free treatment into the United States. This would allow producers to increase higher-priced components in their watches. As a result, producers would realize an economic benefit in that they would increase flexibility in the types of watches they could produce, which may lead to increased sales and employment to help the insular economy. There would be no adverse economic impact from this proposed change.

This proposed rule also would not change reporting or recordkeeping requirements. The changes in the regulations will also not duplicate, overlap or conflict with other laws or regulations. Consequently, the changes are not expected to meet the RFA criteria of having a "significant" economic effect on a "substantial number" of small entities, as stated in 5 U.S.C. 603 *et seq.* Therefore, a regulatory flexibility analysis was not prepared.

*Paperwork Reduction Act.* This proposed rulemaking does not contain revised collection of information requirements subject to review and approval by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995. Collection

activities are currently approved by the Office of Management and Budget under control numbers 0625-0040 and 0625-0134.

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 proposed 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 recordkeeping requirements, Virgin Islands, Watches and jewelry.

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

#### PART 303—WATCHES, WATCH MOVEMENTS AND JEWELRY PROGRAMS

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; Pub. L. 108-429, 118 Stat. 2582.

##### § 303.1 [Amended]

2. Section 303.1 is amended as follows:

A. Remove "on watches and watch movements and parts (except discrete watch cases) imported into the customs territory of the United States." from the first sentence of paragraph (c) and add "on any article imported into the customs territory of the United States duty paid except for any article containing a material which is the product of a country to which column 2 rates of duty apply." in its place.

B. Remove "Headnote 6" from the last sentence in paragraph (c) and add "additional U.S. note 5 to chapter 91 of the HTSUS" in its place.

3. Section 303.2 is amended as follows:

A. Remove "American Samoa and the Northern Mariana Islands." from the only sentence in paragraph (a)(8) and add "American Samoa and the Northern Mariana Islands." in its place.

B. Remove "watch components" from the only sentence in paragraph (a)(10) and add "watch movements" in its place.

C. Amend paragraph (a)(13) introductory text by removing "wages" and adding "wages and associated" in its place.

D. Add one new sentence at the end of paragraph (a)(13)(ii) introductory text as set forth below.

E. Add one new sentence at the end of paragraph (a)(13)(ii)(A) as set forth below.

F. Add one new sentence at the end of paragraph (a)(13)(ii)(B) as set forth below.

G. Revise paragraph (a)(14) introductory text as set forth below.

H. Add one new sentence at the end of paragraph (a)(14)(ii) introductory text as set forth below.

I. Add one new sentence at the end of paragraph (a)(14)(ii)(A) as set forth below.

J. Add one new sentence at the beginning of paragraph (a)(14)(ii)(B) as set forth below.

K. Remove "United States during" from the second sentence of paragraph (b)(5) and add "United States duty paid during" in its place.

#### § 303.2 Definitions and forms.

(a) \* \* \*

(13) \* \* \*

(ii) \* \* \* Only during the time employees are earning creditable wages are they entitled to health and life insurance duty refund benefits under the program.

(A) \* \* \* Only during the time employees are earning creditable wages are they entitled to health and life insurance duty refund benefits under the program.

(B) \* \* \* Only during the time employees are earning creditable wages are they entitled to pension duty refund benefits under the program.

\* \* \* \* \*

(14) Non-creditable wages and associated non-creditable fringe benefits ineligible for the duty refund benefit include, but are not limited to, the following:

\* \* \* \* \*

(ii) \* \* \* Any health and life insurance costs during the time an employee is not earning creditable wages.

(A) \* \* \* Any health and life insurance costs during the time an employee is not earning creditable wages.

(B) Any pension benefits that were not based on associated creditable wages. \* \* \*

\* \* \* \* \*

4. Section 303.5 is amended as follows:

A. Revise the section heading to read as set forth below.

B. Remove "allocation shall" from the first sentence of paragraph (b) introductory text and add "allocation or duty-refund certificate shall" in its place.

C. Remove "payroll, production records" from paragraph (b)(5) and add "payroll, including time cards, production records" in its place.

D. Remove the last sentence of paragraph (c) and add two sentences in its place as set forth below.

**§ 303.5 Application for annual allocations of duty-exemptions and duty-refunds.**

(c) \* \* \* It is the responsibility of each program producer to make the appropriate data available to the Departments' officials for the calendar year for which the annual verification is being performed and no further data, from the calendar year for which the audit is being completed, will be considered for benefits at any time after the audit has been completed. In the event of discrepancies between the application and substantiating data before the audit is complete, the Secretaries shall determine which data will be used in the calculation of the duty refund and allocations.

\* \* \* \* \*

**§ 303.12 [Amended]**

5. Section 303.12 is amended as follows:

A. Remove "creditable wages paid during" from the second sentence in paragraph (a)(1) and add "creditable wages, determined from the wages as reported on the employer's first two quarterly federal tax returns (941-SS), paid during" in its place.

B. Remove "duty refund will remain the same." from the fifth sentence in paragraph (a)(1) and add "duty refund will be based on verified creditable wages, duty-free shipments into the customs territory of the United States, creditable health insurance, life insurance and pension benefits and the duty differential, if watch tariffs have been reduced during the calendar year." in its place.

**§ 303.13 [Amended]**

6. Section 303.13 is amended by removing "post office address" from the first sentence of paragraph (b) and adding "address" in its place.

7. Section 303.14 is amended as follows:

A. Revise the section heading to read as set forth below.

B. In paragraph (b)(3), remove "35" and add "300" in its place; and remove "800" and add "3,000" in its place.

C. Revise paragraph (c) to read as follows.

**§ 303.14 Allocation factors, duty refund calculations and miscellaneous provisions.**

\* \* \* \* \*

(c) *Calculation of the value of the mid-year production incentive certificates.* (1) The value of each producer's certificate shall equal the producer's average creditable wage per unit shipped during the first six months of the calendar year multiplied by the sum of:

(i) The number of units shipped up to 300,000 units times a factor of 90%; plus

(ii) Incremental units shipped up to 450,000 units times a factor of 85%; plus

(iii) Incremental units shipped up to 600,000 units times a factor of 80%; plus

(iv) Incremental units shipped up to 750,000 units times a factor of 75%.

(2) *Calculation of the value of the annual production incentive certificates.* The value of each producer's certificate shall equal the producer's average creditable benefit per unit based on creditable wages, health insurance, life insurance and pension benefits plus any duty differential, if applicable, averaged from the amount of duty free units shipped during the calendar year multiplied by the sum of the following to obtain the total verified amount of the annual duty-refund per company. This amount would then be adjusted by deducting the amount of the mid-year duty-refund already issued.

(i) The number of units shipped up to 300,000 units times a factor of 90%; plus

(ii) Incremental units shipped up to 450,000 units times a factor of 85%; plus

(iii) Incremental units shipped up to 600,000 units times a factor of 80%; plus

(iv) Incremental units shipped up to 750,000 units times a factor of 75%.

(3) The Departments may make adjustments for these data in the manner set forth in § 303.5(c).

\* \* \* \* \*

(i) The number of units shipped up to 300,000 units times a factor of 90%; plus

(ii) Incremental units shipped up to 450,000 units times a factor of 85%; plus

(iii) Incremental units shipped up to 600,000 units times a factor of 80%; plus

(iv) Incremental units shipped up to 750,000 units times a factor of 75%.

(3) The Departments may make adjustments for these data in the manner set forth in § 303.5(c).

\* \* \* \* \*

\* \* \* \* \*

**§ 303.15 [Amended]**

8. Section 303.15 is amended by removing "on watches and watch movements and parts (except discrete watch cases) imported into the customs territory of the United States." From the first sentence of paragraph (b) and adding "on any article imported into the customs territory of the United States duty paid except for any article containing a material which is the product of a country to which column 2 rates of duty apply." in its place.

9. Section 303.16 is amended as follows:

A. Amend paragraph (a)(9) introductory text by removing "wages and creditable fringe benefits" and adding "wages and associated creditable fringe benefits and creditable duty differentials" in its place.

B. Remove "two producers" from the first sentence of paragraph (a)(9)(i)(C) and add "two program producers" in its place.

C. Add one new sentence at the end of paragraph (a)(9)(ii) introductory text as set forth below.

D. Add one new sentence at the end of paragraph (a)(9)(ii)(A) as set forth below.

E. Add one new sentence at the end of paragraph (a)(9)(ii)(B) as set forth below.

F. Revise paragraph (a)(10) introductory text as set forth below.

G. Add one new sentence at the end of paragraph (a)(10)(ii) introductory text as set forth below.

H. Add one new sentence at the end of paragraph (a)(10)(ii)(A) as set forth below.

I. Add one new sentence at the beginning of paragraph (a)(10)(ii)(B) as set forth below.

J. Remove "working on the premises of the company office and" from the first sentence of paragraph (a)(10)(i)(D) and add "working on the premises of the company office; wages paid to employees working with a non-program producer to create a single piece of HTSUS heading 7113 jewelry whether or not it entered the United States free of duty; and" in its place.

K. Remove "United States during" from the second sentence of paragraph (b)(3) and add "United States duty paid during" in its place.

**§ 303.16 Definitions and forms.**

(a) \* \* \*

(9) \* \* \*

(ii) \* \* \* Only during the time employees are earning creditable wages are they entitled to health and life insurance duty refund benefits under the program.

(A) \* \* \* Only during the time employees are earning creditable wages are they entitled to health and life insurance duty refund benefits under the program.

(B) \* \* \* Only during the time employees are earning creditable wages are they entitled to pension duty refund benefits under the program.

\* \* \* \* \*

(10) Non-creditable wages and associated non-creditable fringe benefits ineligible for the duty refund benefit include, but are not limited to, the following:

\* \* \* \* \*

(ii) \* \* \* Any health and life insurance costs during the time an employee is not earning creditable wages.

(A) \* \* \* Any health and life insurance costs during the time an employee is not earning creditable wages.

(B) Any pension benefits that were not based on associated creditable wages. \* \* \*

\* \* \* \* \*

10. Section 303.17 is amended as follows:

A. Revise the section heading to read as set forth below.

B. Remove “payroll, production records” from paragraph (b)(6) and add “payroll, including time cards, production records” in its place.

C. Remove the last sentence of paragraph (c) and add two sentences in its place as set forth below.

**§ 303.17 Application for annual duty-refunds.**

\* \* \* \* \*

(c) \* \* \* It is the responsibility of each program producer to make the appropriate data available to the Departments’ officials for the calendar year for which the annual verification is being performed and no further data, from the calendar year for which the audit is being completed, will be considered for benefits at any time after the audit has been completed. In the event of discrepancies between the application and substantiating data before the audit is complete, the Secretaries shall determine which data will be used in the calculation of the duty refund and allocations.

\* \* \* \* \*

**§ 303.19 [Amended]**

11. Section 303.19 is amended as follows:

A. Remove “creditable wages paid during” from the second sentence in paragraph (a)(1) and add “creditable wages, determined from the wages as reported on the employer’s first two quarterly federal tax returns (941–SS), paid during” in its place.

B. Remove “duty refund will remain the same.” from the fifth sentence in paragraph (a)(1) and add “duty refund will be based on verified creditable wages, duty-free shipments into the customs territory of the United States, creditable health insurance, life insurance and pension benefits and the duty differential, if watch tariffs have been reduced during the calendar year.” in its place.

12. Section 303.20 is amended as follows:

A. Revise the section heading to read as set forth below.

B. Revise paragraph (b) to read as follows.

**§ 303.20 Duty refund calculations and miscellaneous provisions.**

\* \* \* \* \*

(b) *Calculation of the value of the mid-year production incentive certificates.* (1) The value of each producer’s certificate shall equal the producer’s average creditable wage per unit shipped during the first six months of the calendar year multiplied by the sum of:

(i) The number of units shipped up to 300,000 units times a factor of 90%; plus

(ii) Incremental units shipped up to 450,000 units times a factor of 85%; plus

(iii) Incremental units shipped up to 600,000 units times a factor of 80%; plus

(iv) Incremental units shipped up to 750,000 units times a factor of 75%.

(2) *Calculation of the value of the annual production incentive certificates.* The value of each producer’s certificate shall equal the producer’s average creditable benefit per unit based on creditable wages, health insurance, life insurance and pension benefits plus any duty differential, if applicable, averaged from the amount of duty free units shipped during the calendar year multiplied by the sum of the following to obtain the total verified amount of the annual duty-refund per company. This amount would then be adjusted by deducting the amount of the mid-year duty-refund already issued.

(i) The number of units shipped up to 300,000 units times a factor of 90%; plus

(ii) Incremental units shipped up to 450,000 units times a factor of 85%; plus

(iii) Incremental units shipped up to 600,000 units times a factor of 80%; plus

(iv) Incremental units shipped up to 750,000 units times a factor of 75%.

(3) The Departments may make adjustments for these data in the manner set forth in § 303.17(c).

\* \* \* \* \*

**§ 303.21 [Amended]**

13. Section 303.21 is amended by removing “post office address” from the first sentence of paragraph (b) and adding “address” in its place.

Dated: January 18, 2007.

**David Spooner,**

*Assistant Secretary for Import Administration, Department of Commerce.*

Dated: January 9, 2007.

**Nikolao Pula,**

*Director for Insular Affairs, Department of the Interior.*

[FR Doc. 07–294 Filed 1–23–07; 8:45 am]

**BILLING CODE 3510–DS–P, 4310–93–P**

**DEPARTMENT OF THE TREASURY**

**Internal Revenue Service**

**26 CFR Part 1**

[REG–125632–06]

**RIN 1545–BF83**

**Corporate Reorganizations; Distributions Under Sections 368(a)(1)(D) and 354(b)(1)(B); Correction Notice**

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

**ACTION:** Notice of proposed rulemaking by cross-reference to temporary regulations; correction notice.

**SUMMARY:** This document contains corrections to notice of proposed rulemaking by cross-reference to temporary regulations that was published in the **Federal Register** on Tuesday, December 19, 2006 (71 FR 75898) providing guidance regarding the qualification of certain transactions as reorganizations described in section 368(a)(1)(D) where no stock and/or securities of the acquiring corporation are issued and distributed in the transaction.

**FOR FURTHER INFORMATION CONTACT:** Bruce A. Decker at (202) 622–7550 (not a toll-free number).

**SUPPLEMENTARY INFORMATION:**

**Background**

The notice of proposed rulemaking by cross-reference to temporary regulations (REG–125632–06) that is the subject of these corrections are under sections 368 and 354 of the Internal Revenue Code.

**Need for Correction**

As published, notice of proposed rulemaking by cross-reference to temporary regulations (REG–125632–06) contains errors that may prove to be misleading and are in need of clarification.

**Correction of Publication**

Accordingly, the notice of proposed rulemaking by cross-reference to