

# Proposed Rules

Federal Register

Vol. 79, No. 93

Wednesday, May 14, 2014

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 TRANSPORTATION

### Federal Aviation Administration

#### 14 CFR Part 39

[Docket No. FAA-2014-0308; Directorate Identifier 2014-CE-012-AD]

RIN 2120-AA64

#### Airworthiness Directives; M7 Aerospace LLC Airplanes

**AGENCY:** Federal Aviation Administration (FAA), Department of Transportation (DOT).

**ACTION:** Notice of proposed rulemaking (NPRM).

**SUMMARY:** We propose to adopt a new airworthiness directive (AD) for M7 Aerospace LLC Models SA227-AT, SA227-AC, SA227-BC, SA227-CC, and SA227-DC airplanes equipped with a bayonet shear pin main cabin door latching mechanism. This proposed AD was prompted by fatigue cracks found in the internal door surround doubler, the external skin fuselage skin, and the door corner fittings at the fuselage upper forward corner of the main cabin door cutout. This proposed AD would require repetitively inspecting the four corners of the main cabin door cutout for cracks, making necessary repairs, and reporting inspection results to M7 Aerospace LLC. We are proposing this AD to correct the unsafe condition on these products.

**DATES:** We must receive comments on this proposed AD by June 30, 2014.

**ADDRESSES:** You may send comments, using the procedures found in 14 CFR 11.43 and 11.45, by any of the following methods:

- *Federal eRulemaking Portal:* Go to <http://www.regulations.gov>. Follow the instructions for submitting comments.
- *Fax:* 202-493-2251.
- *Mail:* U.S. Department of Transportation, Docket Operations, M-30, West Building Ground Floor, Room W12-140, 1200 New Jersey Avenue SE., Washington, DC 20590.
- *Hand Delivery:* Deliver to Mail address above between 9 a.m. and 5

p.m., Monday through Friday, except Federal holidays.

For service information identified in this proposed AD, contact M7 Aerospace LLC, 10823 NE Entrance Road, San Antonio, Texas 78216; phone: (210) 824-9421; fax: (210) 804-7766; Internet: <http://www.elbitsystems-us.com>; email: [MetroTech@M7Aerospace.com](mailto:MetroTech@M7Aerospace.com). You

may review this referenced service information at the FAA, Small Airplane Directorate, 901 Locust, Kansas City, Missouri 64106. For information on the availability of this material at the FAA, call (816) 329-4148.

#### Examining the AD Docket

You may examine the AD docket on the Internet at <http://www.regulations.gov> by searching for and locating Docket No. FAA-2014-0308; or in person at the Docket Management Facility between 9 a.m. and 5 p.m., Monday through Friday, except Federal holidays. The AD docket contains this proposed AD, the regulatory evaluation, any comments received, and other information. The street address for the Docket Office (phone: 800-647-5527) is in the **ADDRESSES** section. Comments will be available in the AD docket shortly after receipt.

#### FOR FURTHER INFORMATION CONTACT:

Andrew McAnaul, Aerospace Engineer, FAA, ASW-150 (c/o San Antonio MIDO), 10100 Reunion Place, Suite 650, San Antonio, Texas 78216; phone: (210) 308-3365; fax: (210) 308-3370; email: [andrew.mcanaul@faa.gov](mailto:andrew.mcanaul@faa.gov).

#### SUPPLEMENTARY INFORMATION:

##### Comments Invited

We invite you to send any written relevant data, views, or arguments about this proposal. Send your comments to an address listed under the **ADDRESSES** section. Include "Docket No. FAA-2014-0308; Directorate Identifier 2014-CE-012-AD" at the beginning of your comments. We specifically invite comments on the overall regulatory, economic, environmental, and energy aspects of this proposed AD. We will consider all comments received by the closing date and may amend this proposed AD because of those comments.

We will post all comments we receive, without change, to <http://www.regulations.gov>, including any

personal information you provide. We will also post a report summarizing each substantive verbal contact we receive about this proposed AD.

#### Discussion

We received reports of fatigue cracking of the main cabin door surround structure on several M7 Aerospace LLC Models SA227-AT, SA227-AC, SA227-BC, SA227-CC, and SA227-DC airplanes that have a bayonet shear pin type of latching mechanism for the main cabin door.

Investigation revealed that the fatigue cracks are related to a change in loading due to design changes in the door surround structure and the door latching system.

This condition, if not corrected, could result in probable decompression failure with possible loss of structural integrity of the cabin structure.

#### Relevant Service Information

We reviewed M7 Aerospace LLC SA227 Series Commuter Category Service Bulletin CC7-53-005 and SA227 Series Service Bulletin 227-53-009, both dated November 15, 2013. The service information describes procedures for repetitively inspecting the internal and external skin doublers, fuselage skin, and the fuselage door frame corner member for cracks. The service information also describes procedures for repairing the cracks. In addition, if no cracks are found, the service information also includes procedures for installing a repair kit as preventative measure to extend the inspection intervals.

#### FAA's Determination

We are proposing this AD because we evaluated all the relevant information and determined the unsafe condition described previously is likely to exist or develop in other products of the same type design.

#### Proposed AD Requirements

This proposed AD would require accomplishing the actions specified in the service information described previously. This proposed AD also requires sending inspection results to M7 Aerospace LLC.

#### Costs of Compliance

We estimate that this proposed AD affects 250 airplanes of U.S. registry.

We estimate the following costs to comply with this proposed AD:

ESTIMATED COSTS

Action	Labor cost	Parts cost	Cost per product	Cost on U.S. operators
Threshold high frequency eddy current (HFEC)/low frequency eddy current (LFEC)/detailed visual inspection.	2.5 work-hours × \$85 per hour = \$212.50.	Not Applicable .....	\$212.50	\$53,125

We estimate the following costs to do any necessary repairs that would be required based on the results of the proposed inspection. We have no way of determining the number of aircraft that might need these repairs:

ON-CONDITION COSTS

Action	Labor cost	Parts cost	Cost per product
Repair Installation .....	48 work-hours × \$85 per hour = \$4,080 .....	\$6,670	\$10,750

**Paperwork Reduction Act**

A federal agency may not conduct or sponsor, and a person is not required to respond to, nor shall a person be subject to penalty for failure to comply with a collection of information subject to the requirements of the Paperwork Reduction Act unless that collection of information displays a current valid OMB control number. The control number for the collection of information required by this AD is 2120-0056. The paperwork cost associated with this AD has been detailed in the Costs of Compliance section of this document and includes time for reviewing instructions, as well as completing and reviewing the collection of information. Therefore, all reporting associated with this AD is mandatory. Comments concerning the accuracy of this burden and suggestions for reducing the burden should be directed to the FAA at 800 Independence Ave. SW., Washington, DC 20591. ATTN: Information Collection Clearance Officer, AES-200.

**Authority for This Rulemaking**

Title 49 of the United States Code specifies the FAA's authority to issue rules on aviation safety. Subtitle I, section 106, describes the authority of the FAA Administrator. Subtitle VII: Aviation Programs, describes in more detail the scope of the Agency's authority.

We are issuing this rulemaking under the authority described in Subtitle VII, Part A, Subpart III, section 44701: "General requirements." Under that section, Congress charges the FAA with promoting safe flight of civil aircraft in air commerce by prescribing regulations for practices, methods, and procedures the Administrator finds necessary for

safety in air commerce. This proposed regulation is within the scope of that authority because it addresses an unsafe condition that is likely to exist or develop on products identified in this rulemaking action.

**Regulatory Findings**

We determined that this proposed AD would not have federalism implications under Executive Order 13132. This proposed AD would not have a substantial direct effect on the States, on the relationship between the national Government and the States, or on the distribution of power and responsibilities among the various levels of government.

For the reasons discussed above, I certify this proposed regulation:

- (1) Is not a "significant regulatory action" under Executive Order 12866,
- (2) Is not a "significant rule" under the DOT Regulatory Policies and Procedures (44 FR 11034, February 26, 1979),
- (3) Will not affect intrastate aviation in Alaska, and
- (4) Will not have a significant economic impact, positive or negative, on a substantial number of small entities under the criteria of the Regulatory Flexibility Act.

**List of Subjects in 14 CFR Part 39**

Air transportation, Aircraft, Aviation safety, Incorporation by reference, Safety.

**The Proposed Amendment**

Accordingly, under the authority delegated to me by the Administrator, the FAA proposes to amend 14 CFR part 39 as follows:

**PART 39—AIRWORTHINESS DIRECTIVES**

- 1. The authority citation for part 39 continues to read as follows:

**Authority:** 49 U.S.C. 106(g), 40113, 44701.

**§ 39.13 [Amended].**

- 2. The FAA amends § 39.13 by adding the following new airworthiness directive (AD):

**M7 Aerospace LLC:** Docket No. FAA-2014-0308; Directorate Identifier 2014-CE-012-AD.

**(a) Comments Due Date**

We must receive comments by June 30, 2014.

**(b) Affected ADs**

None.

**(c) Applicability**

This AD applies to the M7 Aerospace LLC airplanes listed in paragraphs (c)(1) through (c)(5) of this AD that are equipped with a bayonet shear pin main cabin door latching mechanism and are certificated in any category. Airplanes equipped with a "click-clack" main cabin door latching mechanism are not affected by this AD. Figure 3 of M7 Aerospace LLC SA227 Series Commuter Category Service Bulletin CC7-53-005, and M7 Aerospace LLC SA227 Series Service Bulletin 227-53-009, both dated November 15, 2013, is a picture showing both styles of latching mechanisms.

(1) Model SA227-AT airplanes, serial numbers (S/Ns) AT570 through AT631, and AT695.

(2) Model SA227-AC airplanes, S/Ns AC570 through AC788.

(3) Model SA227-BC airplanes, S/Ns BC762, BC764, BC766, and BC770 through BC789.

(4) Model SA227-CC airplanes, S/N CC827, CC829, and CC840 through CC844.

(5) Model SA227-DC airplanes, S/Ns DC784, DC790 through DC826, DC828,

DC830 through DC839, and DC845 through DC904.

**(d) Subject**

Joint Aircraft System Component (JASC)/ Air Transport Association (ATA) of America—Code 5310, Fuselage Main, Structure.

**(e) Unsafe Condition**

This AD was prompted by fatigue cracks found in the internal door surround doubler, the external skin fuselage skin, and the door corner fittings at the fuselage upper forward corner of the main cabin door cutout. We are issuing the AD to prevent decompression failure with possible loss of structural integrity of the cabin structure.

**(f) Compliance**

Comply with this AD within the compliance times specified in paragraph (g) through paragraph (k) of this AD, including all subparagraphs, unless already done.

**(g) Inspections**

(1) Do an initial detailed visual inspection of the fuselage upper forward corner and other 3 corners of the main cabin door cutout for cracks following Table 1 in Step 2. ACCOMPLISHMENT INSTRUCTIONS of M7 Aerospace LLC SA227 Series Commuter Category Service Bulletin CC7-53-005 or M7 Aerospace LLC SA227 Series Service Bulletin 227-53-009, both dated November 15, 2013, as applicable. Do the inspection at the compliance times specified in paragraphs (g)(1)(i) through (g)(1)(iv) of this AD. For the purposes of this AD, owner/operators who do not track total aircraft flight cycles (TAC), use a .5 to 1 conversion, e.g., 35,000 TAC is equivalent to 17,500 hours time-in-service (TIS). For owner/operators who do not track flight cycles, use a 1 to 1 conversion, e.g., 300 flight cycles are equivalent to 300 hours TIS.

(i) For aircraft with more than 35,000 TAC, inspect within the next 300 flight cycles after the effective date of this AD.

(ii) For aircraft with 20,001-35,000 TAC, inspect within the next 600 flight cycles after the effective date of this AD.

(iii) For aircraft with 12,000-20,000 TAC, inspect within the next 1,000 flight cycles after the effective date of this AD.

(iv) For aircraft with less than 12,000 TAC, inspect at 12,000 flight cycles or within the next 1,000 flight cycles after the effective date of this AD, whichever occurs later.

(2) If no cracks are found during the inspection required by paragraph (g)(1) of this AD, repetitively thereafter at intervals not to exceed 2,000 flight cycles do a detailed visual inspection of the fuselage upper forward corner and other 3 corners of the main cabin door cutout for cracks following Table 1 in Step 2. ACCOMPLISHMENT INSTRUCTIONS of M7 Aerospace LLC SA227 Series Commuter Category Service Bulletin CC7-53-005 or M7 Aerospace LLC SA227 Series Service Bulletin 227-53-009, both dated November 15, 2013, as applicable.

**(h) Repair Cracks and Repetitively Inspect**

(1) If any cracks are found during any inspection required in paragraph (g) through paragraph (i) of this AD, before further flight after the inspection in which a crack is

found, repair or replace the cracked structure following Step 3. REPAIR OF CRACKED INNER DOUBLE, Step 4. REPAIR OF CRACKED FUSELAGE SKIN, and/or Step 5. REPAIR OF CRACKED CORNER FITTING of M7 Aerospace LLC SA227 Series Commuter Category Service Bulletin CC7-53-005, or M7 Aerospace LLC SA227 Series Service Bulletin 227-53-009, both dated November 15, 2013, as applicable.

(2) If you made the repairs required in paragraph (h)(1) of this AD by installing repair kit part number (P/N) 27K24191-001, do the threshold and repeat inspections following Table 2 in Step 2. ACCOMPLISHMENT INSTRUCTIONS of M7 Aerospace LLC SA227 Series Commuter Category Service Bulletin CC7-53-005, dated November 15, 2013; or M7 Aerospace LLC SA227 Series Service Bulletin 227-53-009, dated November 15, 2013, as applicable.

(3) If you made the repairs required in paragraph (h)(1) of this AD by replacing the fuselage skin by installing kit 27K24191-003, or if the corner fitting was replaced and no other cracks are present, repetitively thereafter inspect following Table 1 in Step 2. ACCOMPLISHMENT INSTRUCTIONS of M7 Aerospace LLC SA227 Series Commuter Category Service Bulletin CC7-53-005, or M7 Aerospace LLC SA227 Series Service Bulletin 227-53-009, both dated November 15, 2013, as applicable.

**(i) Extend Repetitive Inspection Intervals**

After any inspection required in paragraph (g)(1) and (g)(2) of this AD and no damage, defects, or cracks are found, you may install repair kit P/N 27K24191-001 following Step 6. ADDITION OF KIT DRAWING REPAIR MEMBERS AS PREVENTATIVE ACTION of M7 Aerospace LLC SA227 Series Commuter Category Service Bulletin CC7-53-005, or M7 Aerospace LLC SA227 Series Service Bulletin 227-53-009, both dated November 15, 2013, as applicable, to extend the inspection intervals. After installing repair kit P/N 27K24191-001 do the threshold and repeat inspections following Table 3 of Step 2. ACCOMPLISHMENT INSTRUCTIONS of M7 Aerospace LLC SA227 Series Commuter Category Service Bulletin CC7-53-005, or M7 Aerospace LLC SA227 Series Service Bulletin 227-53-009, both dated November 15, 2013, as applicable.

**(j) Reporting Requirement**

Within 30 days after any inspection required by paragraph (g) through paragraph (i) of this AD where a crack or any other damage is found, report the results of that inspection to M7 Aerospace LLC following the instructions specified in Step 2.I. of the ACCOMPLISHMENT INSTRUCTIONS of M7 Aerospace LLC SA227 Series Commuter Category Service Bulletin CC7-53-005, dated November 15, 2013; or Step 2.J. of the ACCOMPLISHMENT INSTRUCTIONS of M7 Aerospace LLC SA227 Series Service Bulletin 227-53-009, dated November 15, 2013, as applicable.

**(k) Credit for Previous Repairs**

As of the effective date of this AD, owner/operators who had the initial inspection and any resulting repairs done before the effective date of this AD using procedures different

from those specified in M7 Aerospace LLC SA227 Series Commuter Category Service Bulletin CC7-53-005, dated November 15, 2013; and M7 Aerospace LLC SA227 Series Service Bulletin 227-53-009, dated November 15, 2013, may apply for an alternative method of compliance (AMOC) following the instructions in paragraph (m) of this AD.

**(l) Paperwork Reduction Act Burden Statement**

A federal agency may not conduct or sponsor, and a person is not required to respond to, nor shall a person be subject to a penalty for failure to comply with a collection of information subject to the requirements of the Paperwork Reduction Act unless that collection of information displays a current valid OMB Control Number. The OMB Control Number for this information collection is 2120-0056. Public reporting for this collection of information is estimated to be approximately 5 minutes per response, including the time for reviewing instructions, completing and reviewing the collection of information. All responses to this collection of information are mandatory. Comments concerning the accuracy of this burden and suggestions for reducing the burden should be directed to the FAA at: 800 Independence Ave. SW., Washington, DC 20591, Attn: Information Collection Clearance Officer, AES-200.

**(m) Alternative Methods of Compliance (AMOCs)**

(1) The Manager, Fort Worth Airplane Certification Office, FAA, has the authority to approve AMOCs for this AD, if requested using the procedures found in 14 CFR 39.19. In accordance with 14 CFR 39.19, send your request to your principal inspector or local Flight Standards District Office, as appropriate. If sending information directly to the manager of the ACO, send it to the attention of the person identified in the Related Information section of this AD.

(2) Before using any approved AMOC, notify your appropriate principal inspector, or lacking a principal inspector, the manager of the local flight standards district office/certificate holding district office.

**(n) Related Information**

(1) For more information about this AD, contact Andrew McAnaul, Aerospace Engineer, FAA, ASW-150 (c/o San Antonio MIDO), 10100 Reunion Place, Suite 650, San Antonio, Texas 78216; phone: (210) 308-3365; fax: (210) 308-3370; email: [andrew.mcanaul@faa.gov](mailto:andrew.mcanaul@faa.gov).

(2) For service information identified in this AD, contact M7 Aerospace LLC, 10823 NE Entrance Road, San Antonio, Texas 78216; phone: (210) 824-9421; fax: (210) 804-7766; Internet: <http://www.m7aerospace.com>; email: [MetroTech@M7Aerospace.com](mailto:MetroTech@M7Aerospace.com). You may view this referenced service information at the FAA, Small Airplane Directorate, 901 Locust, Kansas City, Missouri 64106. For information on the availability of this material at the FAA, call 816-329-4148.

Issued in Kansas City, Missouri on May 7, 2014.

**Timothy Smyth,**

*Acting Manager, Small Airplane Directorate,  
Aircraft Certification Service.*

[FR Doc. 2014-11072 Filed 5-13-14; 8:45 am]

**BILLING CODE 4910-13-P**

## DEPARTMENT OF THE TREASURY

### Internal Revenue Service

#### 26 CFR Part 1

[REG-150760-13]

RIN 1545-BM05

#### Definition of Real Estate Investment Trust Real Property

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

**ACTION:** Notice of proposed rulemaking and notice of public hearing.

**SUMMARY:** This document contains proposed regulations that clarify the definition of real property for purposes of the real estate investment trust provisions of the Internal Revenue Code (Code). These proposed regulations provide guidance to real estate investment trusts and their shareholders. This document also provides notice of a public hearing on these proposed regulations.

**DATES:** Written or electronic comments must be received by August 12, 2014. Requests to speak and outlines of topics to be discussed at the public hearing scheduled for September 18, 2014 must be received by August 12, 2014.

**ADDRESSES:** Send submissions to: CC:PA:LPD:PR (REG-150760-13), room 5203, Internal Revenue Service, P.O. Box 7604, Ben Franklin Station, Washington, DC 20044. Submissions may be hand-delivered Monday through Friday between the hours of 8 a.m. and 4 p.m. to CC:PA:LPD:PR (REG-150760-13), Courier's Desk, Internal Revenue Service, 1111 Constitution Avenue NW., Washington, DC, or sent electronically, via the Federal eRulemaking Portal at [www.regulations.gov](http://www.regulations.gov) (IRS REG-150760-13). The public hearing will be held in the IRS Auditorium, Internal Revenue Building, 1111 Constitution Avenue NW., Washington, DC.

**FOR FURTHER INFORMATION CONTACT:** Concerning the proposed regulations, Andrea Hoffenson, (202) 317-6842, or Julianne Allen, (202) 317-6945; concerning submissions of comments, the hearing, and/or to be placed on the building access list to attend the hearing, Oluwafunmilayo (Funmi)

Taylor, (202) 317-6901 (not toll-free numbers).

#### SUPPLEMENTARY INFORMATION:

##### Background

This document contains amendments to the Income Tax Regulations (26 CFR part 1) relating to real estate investment trusts (REITs). Section 856 of the Code defines a REIT by setting forth various requirements. One of the requirements for a taxpayer to qualify as a REIT is that at the close of each quarter of the taxable year at least 75 percent of the value of its total assets is represented by real estate assets, cash and cash items (including receivables), and government securities. See section 856(c)(4). Section 856(c)(5)(B) defines *real estate assets* to include real property and interests in real property. Section 856(c)(5)(C) indicates that *real property* means "land or improvements thereon." Section 1.856-3(d) of the Income Tax Regulations, promulgated in 1962, defines real property for purposes of the regulations under sections 856 through 859 as—

land or improvements thereon, such as buildings or other inherently permanent structures thereon (including items which are structural components of such buildings or structures). In addition, the term "real property" includes interests in real property. Local law definitions will not be controlling for purposes of determining the meaning of the term "real property" as used in section 856 and the regulations thereunder. The term includes, for example, the wiring in a building, plumbing systems, central heating, or central air-conditioning machinery, pipes or ducts, elevators or escalators installed in the building, or other items which are structural components of a building or other permanent structure. The term does not include assets accessory to the operation of a business, such as machinery, printing press, transportation equipment which is not a structural component of the building, office equipment, refrigerators, individual air-conditioning units, grocery counters, furnishings of a motel, hotel, or office building, etc., even though such items may be termed fixtures under local law.

Section 1.856-3(d).

The IRS issued revenue rulings between 1969 and 1975 addressing whether certain assets qualify as real property for purposes of section 856. Specifically, the published rulings describe assets such as railroad properties,<sup>1</sup> mobile home units permanently installed in a planned community,<sup>2</sup> air rights over real

property,<sup>3</sup> interests in mortgage loans secured by total energy systems,<sup>4</sup> and mortgage loans secured by microwave transmission property,<sup>5</sup> and the rulings address whether the assets qualify as either real property or interests in real property under section 856. Since these published rulings were issued, REITs have sought to invest in various types of assets that are not directly addressed by the regulations or the published rulings, and have asked for and received letter rulings from the IRS addressing certain of these assets. Because letter rulings are limited to their particular facts and may not be relied upon by taxpayers other than the taxpayer that received the ruling, see section 6110(k)(3), letter rulings are not a substitute for published guidance. The IRS and the Treasury Department recognize the need to provide additional published guidance on the definition of real property under sections 856 through 859. This document proposes regulations that define real property for purposes of sections 856 through 859 by providing a framework to analyze the types of assets in which REITs seek to invest. These proposed regulations provide neither explicit nor implicit guidance regarding whether various types of income are described in section 856(c)(3).<sup>6</sup>

##### Explanation of Provisions

Consistent with section 856, the existing regulations, and published guidance interpreting those regulations, these proposed regulations define *real property* to include land, inherently permanent structures, and structural components. In determining whether an item is land, an inherently permanent structure, or a structural component, these proposed regulations first test whether the item is a *distinct asset*, which is the unit of property to which the definitions in these proposed regulations apply.

In addition, these proposed regulations identify certain types of intangible assets that are real property or interests in real property for purposes of sections 856 through 859. These proposed regulations include examples to illustrate the application of the

<sup>3</sup> Rev. Rul. 71-286 (1971-2 CB 263), (see § 601.601(d)(2)(ii)(b) of this chapter).

<sup>4</sup> Rev. Rul. 73-425 (1973-2 CB 222), (see § 601.601(d)(2)(ii)(b) of this chapter).

<sup>5</sup> Rev. Rul. 75-424 (1975-2 CB 269), (see § 601.601(d)(2)(ii)(b) of this chapter).

<sup>6</sup> One of the requirements for qualifying as a REIT is that a sufficiently large fraction of an entity's gross income be derived from certain specified types of income (which include "rents from real property" and "interest on obligations secured by mortgages on real property or on interests in real property"). Section 856(c)(3).

<sup>1</sup> Rev. Rul. 69-94 (1969-1 CB 189), (see § 601.601(d)(2)(ii)(b) of this chapter).

<sup>2</sup> Rev. Rul. 71-220 (1971-1 CB 210), (see § 601.601(d)(2)(ii)(b) of this chapter).