fingerprint set. The fingerprints must be clear for accurate classification.

(c) When applying as described under paragraph (a) of this section, individual applicants and responsible persons must attach a photograph. Individual applicants and responsible persons can meet the photograph requirement by attaching one of the following:

(1) A clear and true copy (*e.g.,* a photocopy, or, if submitting an electronic application, a scan, digital photograph, or other electronic copy) of their photo identification document, as defined in 27 CFR 478.11; or

(2) A photograph (which may be digital and submitted electronically) of themselves that is 2 x 2 inches in size, clearly showing a full front-view of their features, with head bare of hats or other items that overlap the front hairline, with the distance from the top of the head to the point of the chin approximately 1¼ inches, and that was taken within six months prior to the date they submit the photograph.

(d) In certain cases, the Director may require a person to submit a photograph as described in (c)(2) of this section, and refuse to accept the photo identification copy described in (c)(1) of this section, such as if the document is not of an acceptable type, the copy is not clear, or if there are other issues impeding the person's background check.

■ 5. In § 479.34, revise paragraph (e) to read as follows:

§ 479.34 Special tax registration and return.

* * * * *

(e) *Taxpayer identity.* If the taxpayer is an individual, the taxpayer must attach the documentation required under § 479.27 unless the taxpayer has filed with ATF a properly executed ATF Form 5310.12 (''Form 7''), Application for Federal Firearms License, as specified in 27 CFR 478.44(a).

■ 6. Amend § 479.63 by:

■ a. Revising the section heading and paragraph (a);

■ b. Removing the word ''shall'' and adding in its place the word ''must'' in paragraph (b) introductory text and in paragraph (b)(1);

■ c. Adding ''and'' after the semi-colon at the end of paragraph (b)(2)(ii);

■ d. Revising paragraph (b)(2)(iii); and

■ e. Removing paragraph (b)(2)(iv).

The revisions read as follows:

§ 479.63 Applicant identity.

(a) If the applicant is an individual, the applicant must attach the documentation required under § 479.27.

(b) * * *

(2) * * *

(iii) A photograph as described in § 479.27(c).

* * * * *

■ 7. Amend § 479.85 by:

■ a. Revising the section heading and paragraph (a);

■ b. Removing the word ''shall'' and adding in its place the word ''must'' in paragraph (b) introductory text and in paragraph (b)(1);

■ c. Adding ''and'' after the semi-colon at the end of paragraph (b)(2)(ii);

■ d. Revising paragraph (b)(2)(iii); and

■ e. Removing paragraph (b)(2)(iv).

The revisions read as follows:

§ 479.85 Transferee identity.

(a) If the transferee is an individual, the applicant must attach the documentation required under § 479.27.

(b) * * *

(2) * * *

(iii) A photograph as described in § 479.27(c).

* * * * *

Robert Cekada,

Director.

[FR Doc. 2026–13587 Filed 7–2–26; 8:45 am]

BILLING CODE 4410–FY–P

DEPARTMENT OF JUSTICE

Bureau of Alcohol, Tobacco, Firearms, and Explosives

27 CFR part 479

[Docket No. ATF–2026–0298; ATF No. 2025R–22P]

RIN 1140–AA80

Registering NFA Firearms That Fall Out of Government Contract

AGENCY: Bureau of Alcohol, Tobacco, Firearms, and Explosives, Department of Justice.

ACTION: Notice of proposed rulemaking.

SUMMARY: The Bureau of Alcohol, Tobacco, Firearms, and Explosives (''ATF'') proposes amending Department of Justice (''Department'') regulations implementing a statutory exemption and a statutory authority to grant relief from certain National Firearms Act (''NFA'') requirements to better distinguish between them. ATF also proposes to amend manufacturer registration requirements to include a provision granting relief to manufacturers from registering firearms they manufacture for the U.S. Government (''USG''). In conjunction with this, ATF is proposing a new provision permitting manufacturers to register such firearms ''late''—after the existing regulatory window for registering manufactured firearms—if they fall out of USG contract.

DATES: Comments must be submitted in writing, and must be submitted on or before (or, if mailed, must be postmarked on or before) September 4, 2026. Commenters should be aware that the federal e-rulemaking portal comment system will not accept comments after midnight Eastern Time on the last day of the comment period.

ADDRESSES: You may submit comments, identified by RIN 1140–AA80, by either of the following methods—

- *Federal e-rulemaking portal: https://www.regulations.gov.* Follow the instructions for submitting comments.
- *Mail:* ATF Rulemaking Comments; Mail Stop 6N–518, Office of Regulatory Affairs; Enforcement Programs and Services; Bureau of Alcohol, Tobacco, Firearms, and Explosives; 99 New York Ave NE; Washington, DC 20226; *ATTN: RIN 1140–AA80.*

Instructions: All submissions must include the agency name and number (RIN 1140–AA80) for this notice of proposed rulemaking (''NPRM'' or ''proposed rule''). ATF may post all properly completed comments it receives from either of the methods described above, without change, to the federal e-rulemaking portal, *https://www.regulations.gov.* This includes any personally identifying information (''PII'') or business proprietary information (''PROPIN'') submitted in the body of the comment or as part of a related attachment they want posted. Commenters who submit through the federal e-rulemaking portal and do not want any of their PII posted on the internet should omit it from the body of their comment and any uploaded attachments that they want posted. If online commenters wish to submit PII with their comment, they should place it in a separate attachment and mark it at the top with the marking ''CUI//PRVCY.'' Commenters who submit through mail should likewise omit their PII or PROPIN from the body of the comment and provide any such information on the cover sheet only, marking it at the top as ''CUI//PRVCY'' for PII, or as ''CUI//PROPIN'' for PROPIN. For detailed instructions on submitting comments and additional information on the rulemaking process, see the ''Public Participation'' heading of the **SUPPLEMENTARY INFORMATION** section of this document. In accordance with 5 U.S.C. 553(b)(4), a summary of this rule may be found at *https://www.regulations.gov.* Commenters must submit comments by using one of the methods described above, not by emailing the address set forth in the following paragraph.

FOR FURTHER INFORMATION CONTACT:

Office of Regulatory Affairs, by email at *ORA@atf.gov,* by mail at Office of Regulatory Affairs; Enforcement Programs and Services; Bureau of Alcohol, Tobacco, Firearms, and Explosives; 99 New York Ave NE; Washington, DC 20226, or by telephone at 202–648–7070 (this is not a toll-free number).

SUPPLEMENTARY INFORMATION:

I. Background

The Attorney General is responsible for enforcing the National Firearms Act (''NFA''), as amended, 26 U.S.C. chapter 53.[1] Congress and the Attorney General have delegated the responsibility for administering and enforcing the NFA to the Director of ATF (''Director''), subject to the direction of the Attorney General and the Deputy Attorney General. *See* 28 U.S.C. 599A(b)(1), (c)(1); 28 CFR 0.130(a)(1)–(2); Treas. Order No. 221(2)(a), (d), 37 FR 11696–97 (June 10, 1972).[2] Accordingly, the Department and ATF have promulgated regulations to implement the NFA in 27 CFR part 479.

The NFA, at 26 U.S.C. 5845(a), defines ''firearm'' to include machine guns, a shotgun having a barrel or barrels of less than 18 inches in length, a rifle having a barrel or barrels of less than 16 inches in length, certain weapons made from a rifle, certain weapons made from a shotgun, silencers, destructive devices, and any other weapon as defined in 26 U.S.C. 5845(e) (''NFA firearm''). Section 5841(b) mandates that each manufacturer, importer, and maker must register each NFA firearm they manufacture, import, or make in the National Firearms Registration and Transfer Record (''NFRTR''), unless, as specified in section 5841(a), the United States Government (''USG'') possesses or controls the NFA firearm, in which case it is exempt from NFA registration requirements.

A person engaged in the business of manufacturing or importing NFA firearms must pay a special (occupational) tax (''SOT'') under the NFA. 26 U.S.C. 5801. A federal firearms licensee who pays a manufacturing SOT or an importing SOT is then qualified to manufacture or import NFA-regulated firearms (sometimes referred to as a ''qualified manufacturer'' or ''qualified importer'').

The NFA defines a ''manufacturer'' as a person who engages in the business of manufacturing NFA firearms. 26 U.S.C. 5845(m). Section 5841(c) further requires that manufacturers notify the Attorney General in such manner as regulations prescribe that they have manufactured an NFA firearm, and that doing so serves to register the firearms in the NFRTR. Implementing regulations at 27 CFR 479.103 provide that manufacturers must register NFA firearms on ATF Form 5320.2, Notice of Manufactured or Imported NFA Firearms (''Form 2''), no later than the close of the next business day after they manufacture the firearm.

However, 26 U.S.C. 5851(a) includes an exemption from the special (occupational) tax for manufacturers exclusively doing business with the USG, and 27 CFR 479.33(a) incorporates and mirrors the statutory exemption. The exemption excuses any persons from paying the SOT if they establish that they conduct business exclusively with, or on behalf of, the USG. Paragraph (b) in both the statute and regulation requires persons who wish to be exempt from paying the SOT to submit an application to the Director.

In addition, section 5851(a) and § 479.33(a) authorize the Director to relieve persons manufacturing firearms for or on behalf of the USG from complying with any NFA regulatory provision with respect to conducting business involving those USG firearms, whether they do business exclusively with the USG or not. This portion of the provision does not create an exemption, but permits the Director to grant relief and, unlike the exemption, applies only to manufacturers and does not require that they do business exclusively with the USG. The Director has long applied this authority to relieve qualified manufacturers from registering firearms manufactured for or pursuant to a contract with the USG. In other words, under this grant of relief, manufacturers who manufacture NFA firearms pursuant to a contract with the USG do not have to provide notice to ATF on Form 2 or register such firearms in the NFRTR. The Director has granted this relief, but it has not been included in the regulations.

II. Proposed Rule

ATF is proposing first to reorganize § 479.33 so that the SOT exemption and the Director's authority to grant relief are separated, for better clarity. In addition, ATF is proposing to amend § 479.103 to articulate the Director's existing grant of relief to manufacturers doing business with the USG from registering firearms they manufacture for, or on behalf of, the USG. In conjunction with this, ATF is also proposing to add to § 479.103 a provision allowing manufacturers to register such firearms later, if they fall out of USG contract.

In addition, ATF is proposing minor technical plain writing edits and updates to form numbers and titles in §§ 479.33 and 479.103.

A. Reorganizing and amending § 479.33

ATF is proposing to reorganize § 479.33 by moving the second sentence of § 479.33(a)—which states the Director's authority to grant relief—into a stand-alone paragraph separate from the SOT exemption (also in § 479.33(a)).

The SOT exemption for licensees who conduct business exclusively with the USG applies to any licensee who is required to pay a SOT, not just manufacturers, and would remain at § 479.33(a). This regulatory exemption arises from the exemption in 26 U.S.C. 5851(a), which also provides a SOT exemption for any person required to pay a SOT who conducts business exclusively with the USG. The current paragraph (b) in the implementing regulation, which describes the requirements for this exemption, would remain paragraph (b).

The second sentence of the current paragraph (a), the Director's authority to grant relief, would move to a new paragraph (c) to better clarify that it is not applicable only to those who conduct business exclusively with the USG but is applicable to manufacturers, though only with respect to firearms manufactured for or on the USG's behalf. The Director's regulatory authority to grant relief from other NFA requirements under what would now be § 479.33(c) mirrors the provision in 26 U.S.C. 5851(a) that allows the Director to grant relief to any person who manufactures NFA firearms for, or on behalf of, the USG from NFA requirements with regard to those items.

ATF is also proposing to add a new paragraph (d) that would parallel the existing paragraph (b) by providing the process a manufacturer would need to follow to request any specific relief they

[1] Some NFA provisions still refer to the ''Secretary of the Treasury.'' However, the Homeland Security Act of 2002, Public Law 107–296, 116 Stat. 2135, transferred the functions of ATF from the Department of the Treasury to the Department of Justice, under the general authority of the Attorney General. 26 U.S.C. 7801(a)(2); 28 U.S.C. 599A(c)(1). Thus, for ease of reference, this proposed rule refers to the Attorney General where relevant.

[2] In Attorney General Order Number 6353–2025, the Attorney General delegated authority to the Director to issue regulations pertaining to matters within ATF's jurisdiction, including under the NFA, Gun Control Act, and Title XI of the Organized Crime Control Act. ATF's jurisdiction also includes those portions of sec. 38 of the Arms Export Control Act pertaining to permanently importing defense articles and services and the Contraband Cigarette Trafficking Act.

would like the Director to grant from an NFA requirement. The current paragraph (b) has been confusing by mixing elements applicable to both the exemption and the relief authority, so having one application requirements paragraph for each would be clearer. Like paragraph (b), new paragraph (d) would require the request to be in letter form and to contain the manner in which the manufacturer conducts business with the USG, the types of firearms involved in the request, and the nature and specifics of the USG contract(s) under which the manufacturer is requesting relief from a requirement. In addition, paragraph (d) would also require manufacturers to include the relief they are requesting and the reasons they are requesting relief, since this paragraph covers requests for relief.

The Director has previously granted manufacturers relief from registering firearms they manufacture for the USG, as discussed above (though not currently included in regulation), and—as one of the terms of that grant—has been requiring manufacturers to submit their request in a letter so that ATF can verify the manufacturers are contracting with the USG and then, during inspections, can easily determine that they are relieved from the registration requirement with regard to firearms they manufactured for the USG. Therefore, ATF is also proposing to retain that requirement in this rule. However, ATF proposes including it in § 479.103 with the grant provision relieving manufacturers from registering so that all the terms of the relief are located in one place. The proposed revisions to § 479.103 are discussed in more detail in the next section.

B. Relief From Registering Manufactured USG Firearms and From Timing Requirements

ATF is proposing to amend § 479.103 to clarify that the Director has granted relief under 26 U.S.C. 5851(a) and the new 27 CFR 479.33(c) to manufacturers from the requirement to register NFA firearms that they manufacture for, or on behalf of, the USG. ATF is proposing to include this clarification specifically in its regulations as a new paragraph (b) under § 479.103, which governs registering manufactured NFA firearms. In addition, ATF is proposing to include in this new paragraph (b) both the existing requirement that manufacturers submit a letter to ATF to request the relief and a new grant of relief from the registration timing requirements. This new provision granting relief from timing requirements would permit such manufacturers to register, after the standard registration window, rejected, residual, or repurposed (collectively, ''rejected'') USG firearms not previously registered when they were part of a contract with the USG (*e.g.,* a contract with the Department of Defense).

Licensees who conduct business solely with the USG do not have to pay the SOT because the statute explicitly carves out this exemption. But licensees who also conduct business with others do still pay the SOT because those other business activities remain taxable. And the Director can grant relief from other NFA requirements to licensees conducting business with the USG, relevant to that portion of their business, pursuant to the last sentence of 26 U.S.C. 5851(a).[3]

The Director's authority to grant relief from NFA requirements, even though it does not explicitly discuss granting relief to manufacturers from registering NFA firearms they manufacture for the USG, has been consistently interpreted and applied as including authority to grant registration relief. ATF has been offering this registration relief to manufacturers for many years although it has not been in the regulations. However, people new to the industry are often confused by this, and ATF considers it better to make the registration relief more explicit.

Therefore, ATF also proposes to amend its regulations at § 479.103 to reflect the Director's grant of relief for manufacturers from the NFA registration requirement under what would become § 479.33(c). ATF has already been granting this relief, and it should be included in the regulations along with its existing requirement that manufacturers who wish to make use of this relief must submit a request letter to ATF that sets out the manner in which the manufacturers conduct business, the types of firearms they manufacture, and proof satisfactory to the Director of the USG contract under which they operate.

In addition, ATF proposes to add to the proposed new § 479.103(b) a new grant of relief, providing a mechanism for manufacturers approved for registration relief to subsequently register NFA firearms they manufactured under a USG contract but that have since fallen out of contract.[4] Without a mechanism to register the firearms once they are no longer covered by the USG contract, the firearms must be destroyed or exported.

Manufacturers have requested permission to register such firearms ''late''—*i.e.,* after they fall out of USG contract. For example, ATF has been presented with scenarios where a Type 10 SOT licensee, a Manufacturer of Destructive Devices, Ammunition for Destructive Devices, or Armor Piercing Ammunition, sells destructive device munitions to the USG, but the munitions fall out of contract. Reasons might include that the USG rejected the items or directed the licensee to redirect the items to a commercial customer, or that the firearms are residual munitions manufactured for testing and research or development pursuant to a USG contract. While these munitions still maintain commercial value, they currently cannot be registered in the NFRTR and resold by the manufacturer. There is no regulatory mechanism to register NFA firearms manufactured for the USG that have fallen out of USG contract, so manufacturers must destroy or export such items, which can be extremely costly and burdensome. In the past, however, ATF has issued variances pursuant to the Director's authority to grant relief under what would now become § 479.33(c). These variances have provided relief from the regulatory requirement at § 479.103 that firearms be registered by the close of the next business day after manufacture, and they have allowed such firearms to be registered ''late.''

Because the firearms were originally procured for the USG under contract, the proposed change to § 479.103 would allow otherwise eligible manufacturers who were initially exempt from registering those NFA firearms to subsequently register them if they fall out of USG contract. This relief from the standard registration period would be codified in the proposed new § 479.103(b) after the new provision explicitly granting manufacturers relief from registering firearms manufactured for the USG. ATF is proposing to permit manufacturers to register rejected USG firearms within 15 days after the date on which the items fall out of USG

[3] ATF notes that 26 U.S.C. 5852 also grants a making and transfer tax exemption for NFA firearms made for or transferred to the USG, which is consistent with other provisions exempting various entities conducting business with the USG from other taxes, registration, and NFA requirements, as long as the exemption applies to only the NFA items the licensees makes, manufactures, or imports for or transfers to the USG.

[4] To ''fall out of contract'' (a term most often used in real estate) means a legally binding agreement fails, terminates, or is cancelled before the sale occurs, usually due to failed contingencies like financing, inspection issues, or other specific conditions not being met. It implies the deal ''falls through,'' allowing the buyer to withdraw without penalty or the seller to seek new offers. It differs from a ''breach of contract,'' which usually involves violating terms rather than failing to meet predefined conditions.

contract. ATF has decided to provide 15 days because these items usually fall out of contract in large batches without much, if any, notice, and it takes time to mark and register them all. A similar timeframe exists in ATF regulations for imported items,[5] which are often imported in lots or batches, as well, and industry has found it to be sufficient time, while ATF has found it to not be an excessive delay in terms of firearms accountability and public safety. The proposed 15-day late registration window thus comports with existing regulatory provisions. As an example, if a licensee manufactured thousands of unmarked firearms for the US military and that contract fell through, the manufacturer—under the standard registration period in the current regulations—would be required to have every firearm marked and registered by the end of the next business day. That would be an unreasonable timeframe. A licensee manufacturing non-USG NFA firearms knows how many it can mark and run off the line in a day, so the licensee can plan its manufacturing accordingly. If an entire lot falls out of contract, the manufacturer would have a difficult time marking the entire lot in a day.

Although this provision would grant manufacturers relief from registering NFA firearms they manufacture for the USG, and would permit them to later register any such firearms that fall out of government contract, other NFA and GCA requirements would remain in effect. For example, the record-keeping and marking requirements of the GCA would remain applicable. *See, e.g.,* 27 CFR 478.92. Although many USG contracts specify the required markings, some specify other markings that are not the same as those in ATF regulations. Licensees may apply for a marking variance for NFA firearms under § 479.102 or rely on ATF Ruling 2016–5, if applicable.[6] However, if those NFA firearms later fall out of USG contract, the licensees must comply with the regulatory marking requirements and apply those markings to the fallen firearms. Additionally, explosives regulations under 27 CFR part 555 would remain applicable.

III. Statutory and Executive Order Review

A. Executive Orders 12866 and 13563

Executive Order 12866 (Regulatory Planning and Review) directs agencies to assess the costs and benefits of available regulatory alternatives and, if regulation is necessary, to select regulatory approaches that maximize net benefits.

Executive Order 13563 (Improving Regulation and Regulatory Review) emphasizes the importance of agencies quantifying both costs and benefits, reducing costs, harmonizing rules, and promoting public flexibility.

The Office of Management and Budget (''OMB'') has determined that this proposed rule is a ''significant regulatory action'' under Executive Order 12866 because this rule is expected to have an annual effect on the economy of $100 million or more in any given year. As discussed above, this proposed rule would reduce the regulatory restrictions on NFA firearm manufacturers. The rule would allow manufacturers who do not register NFA firearms because they are part of a contract with the USG a period of time in which to register any such firearms that then fall out of government contract, which they would otherwise have to destroy or export.

ATF notes that the cost-benefit analysis in this rule for the impact of permitting late registration focuses on manufacturers of destructive devices. Manufacturers have already been incurring the costs of dealing with unregistered firearms that fall out of USG contract and would thus be impacted on that front if this rule is finalized as proposed. ATF has occasionally permitted manufacturers, who are already eligible for what would become the § 479.33(c) exemption through variances, to register NFA firearms that fall out of USG contracts, but this most often occurs for manufacturers of firearms other than destructive devices. Manufacturers of destructive devices primarily have to destroy any destructive device that falls out of USG contract. ATF lacks data on manufacturers of NFA firearms (other than destructive devices) who would be affected by this proposed rule; ATF has data on manufacturers of destructive devices because some of these manufacturers provided data to support requests that ATF provide this registration option. As a result, ATF focuses this analysis on the group for which it has data as a representative example of manufacturer impacts from the late registration portion of this rule, and requests comments on the savings manufacturers of other types of NFA firearms would realize from the late registration option. ATF requests the following information on current expenses for NFA firearm manufacturers with respect to NFA firearms that fall out of USG contracts:

1. Are you currently able to refurnish or resell NFA firearms (other than destructive devices) that fall out of a USG contract?

2. How often do you, as an NFA manufacturer, or NFA manufacturers collectively, have such NFA firearms that fall out of a USG contract in a given year?

3. How much does it cost to destroy such NFA firearms that fall out of a USG contract?

4. How often do you have to destroy NFA firearms that fall out of a USG contract as opposed to exporting them to another country?

5. How often can you export NFA firearms that fall out of a USG contract rather than destroy them?

6. If you export NFA firearms, how much profit could you recoup?

7. How much could you, or manufacturers collectively, profit if you were able to repurpose or resell items that fall out of a USG contract domestically instead of exporting and reselling them?

Because this proposed rulemaking would be a ''significant regulatory action'' under Executive Order 12866, ATF has laid out the impacts of this proposed rulemaking in OMB's A–4 accounting statement in Table 1. Table 1 also illustrates the range of future estimates in a low, primary, and high range as ATF's Circular A–4 sensitivity analysis. ATF then provides its normal regulatory cost-benefit analysis to comply with Executive Orders 12866 and 13563.

[5] 27 CFR 479.112(a).

[6] ATF Ruling 2016–5, *Marking Variance for Government Defense Contractors,* (Aug. 1, 2016), *https://www.atf.gov/media/19141/download* [*https://perma.cc/56VJ-HEDR*]

TABLE 1—OMB CIRCULAR A–4 ACCOUNTING STATEMENT ($ MILLIONS) AND SENSITIVITY ANALYSIS

Category	Primary estimate	Minimum estimate	Maximum estimate	Units		
				Dollar year	Percent discount	Period covered (years)
Benefits (deregulatory savings)						
Annualized monetized benefits	$828.94	$9.27	$845.57	2025	7	10
	828.94	9.27	845.57	2025	3	10
Annualized quantified benefits	n/a	n/a	n/a	2025	7	10
	n/a	n/a	n/a	2025	3	10
Annualized non-monetized benefits	n/a					
Costs						
Annualized monetized Costs	0.02	0.02	0.02	2025	7	10
	0.02	0.02	0.02	2025	3	10
Annualized quantified costs	n/a	n/a	n/a	2025	7	10
	n/a	n/a	n/a	2025	3	10
Annualized non-monetized costs	n/a					
Transfers						
Federal annualized monetized transfers	n/a	n/a	n/a	2025	7	10
	n/a	n/a	n/a	2025	3	10
	From: federal government			To: individuals		
Other annualized monetized transfers	n/a	n/a	n/a	2025	7	10
	n/a	n/a	n/a	2025	3	10
Effects						
State, local, and/or tribal governments	The rule will not impose an intergovernmental mandate or have significant or unique effects on small governments, implicate federalism, or have tribal implications.					
Small businesses	For direct costs, this rule is deregulatory and provides savings to FFLs who conduct business with the USG for NFA firearms. While small businesses might be among those who contract with the USG to manufacture NFA firearms, they would not be adversely impacted because this rule saves them lost revenue and costs of destroying or exporting firearms that fall out of USG contract.					
Wages	n/a					
Growth	n/a					
Distribution effects	n/a					
Alternatives	*No-change alternative:* $0 cost and $0 benefits. This was rejected as more stringent without any incremental benefit. *Proposed alternative:* $22,464 annual savings offset; $828.9 million in annualized net benefit. This alternative was selected because the benefits exceed costs. *Issuing guidance alternative:* This alternative was considered but rejected. While this alternative would not impose any additional costs, it would not have the force and effect of a regulation and thus would not be able to fully offset the existing regulatory requirements.					
Net benefits						
Annualized monetized net benefits	828.92	8.24	845.55	2025	7	10
	828.92	8.24	845.55	2025	3	10

1. Need Statement

Currently, although manufacturers do not have to register NFA firearms they manufacture for the USG by the close of the next business day after they manufacture the items, they only have the option to later register any such items that fall out of USG contract by variance, and as a result often must destroy or export them, which presents a potential loss of revenue and costs. Manufacturers, particularly those of destructive devices, have requested from ATF the opportunity to register such ''rejected USG firearms'' after they fall out of contract to avoid those costs and lost revenue.

As discussed in section II of this preamble, ATF believes that there is no impediment to converting the existing variance option for manufacturers into the regulation, thereby making the registration relief clearer for licensees. In addition, ATF agrees with licensees that permitting manufacturers to register USG NFA firearms late if they fall out of contract would be beneficial to industry and would not present a public safety risk. It simply permits registering these particular firearms, which were specially exempt under the NFA because they were for the USG, at a later time in the NFRTR. The firearms are subject thereafter to all the requirements for registered NFA firearms, just like other NFA firearms that were registered when first manufactured. Historically, as reflected in ATF crime gun data, registered NFA firearms are not commonly used to commit crimes. Therefore, ATF does not consider it a risk to the public if more registered devices move in commerce, particularly as most NFA firearms and destructive devices manufactured for the USG would not be eligible to enter the non-government market.

2. Benefits and Savings

Manufacturers of NFA firearms would receive benefits from this rule that include no longer incurring costs to destroy firearms that fall out of USG contract, and income from selling such items. To the extent that manufacturers of NFA firearms are currently able to export these firearms instead of destroying them, benefits stemming from this rule would be decreased by the amount of any profits manufacturers currently make from exporting and reselling. ATF has no data on whether manufacturers in this situation currently export firearms that have fallen out of USG contract, to what extent the rejected firearms consist of firearms permitted for export, how frequently this occurs, whether the manufacturers are able to make a profit beyond their exporting costs, or whether the net return is more than the costs for destroying these firearms. ATF therefore requests public comments on these topics and does not include exporting in this analysis.

However, as discussed in the beginning of section III.A of this preamble, ATF also does not have data on the frequency with which manufactured NFA firearms of all types fall out of contract in a year or the costs for disposing of them; we have received such data for only some manufacturers of destructive devices. As a result, this portion of the analysis focuses on manufacturers of destructive devices to illustrate the benefits that would accrue from this rule—which could also accrue to manufacturers of other NFA firearms in an unknown amount.

As discussed throughout this rule, manufacturers who manufacture destructive devices (one type of NFA firearm) for USG contracts may have some that fall out of contract—in other words, the items end up not being sold or used within the contract for various reasons. The regulations require that NFA firearms, including destructive devices, be registered in the NFRTR by the close of the next business day after they are manufactured. The regulations do not include a provision for registering these formerly excepted devices if they fall out of USG contract later than close of the next business day after they were manufactured. As a result, manufacturers of destructive devices for the USG that then fall out of contract cannot subsequently sell those destructive devices within the United States; they must destroy them. However, this proposed rule would relieve manufacturers from the requirement to register such firearms by close of the next business day. Instead, the proposed rule would allow these manufacturers to register such destructive devices within 15 days after they fall out of USG contract, thereby enabling the manufacturers to lawfully retain them for possible sale to another customer. This proposed rule would allow these manufacturers to make a profit on already made destructive devices, rather than dismantle or destroy them at a loss, or export them at additional cost (and sell them) if they are of a type that may lawfully be exported pursuant to Department of State or Department of Commerce authorization.

To determine the number of these manufacturers that would accrue benefits from registering destructive devices that fall out of USG contract, ATF estimated the total active number of licensed manufacturers of destructive devices to establish a baseline population.

Based on ATF licensing information, there are 384 FFLs licensed to manufacture destructive devices. ATF does not have data on how many of these FFLs conduct business with the USG or how many have devices fall out of contract each year. However, the vast majority of destructive devices are manufactured for the USG. Although 100 percent of this population might not be impacted by this proposed change or have devices fall out of contract, it is the best available data for this purpose.

Based on information provided by a few industry members who manufacture destructive devices, destructive devices may fall out of contract between one and five times per year. There are two main methods of disposing of a destructive device: dismantling or destroying. A licensee can either dismantle the destructive device and reuse the viable pieces in new devices, or it can ship the device to be destroyed at another site. While these two methods differ in cost, ATF does not have a break-down of costs by method. But the licensees provided estimates of their disposal costs per occurrence (which are typically for lots or batches of devices at one time). The costs ranged from $330 for a small contract to $1.2 million for a large contract. So, combining the frequency range and cost range provided, a licensee could incur from $330 to $6 million per year in disposal costs for destructive devices that fall out of USG contract, depending on how often it occurs for that licensee and the size of the affected contract(s).[7]

To estimate the annual disposal costs, ATF averaged the frequency estimates provided by the industry members, resulting in an average of twice per year that a manufacturer would have destructive devices fall out of contract (in lots or batches). ATF then averaged the cost estimates provided by these industry members over the average number of times firearms fall out of contract in a given year.[8] From this, ATF estimates an average annual disposal cost of $566,777 per year, per manufacturer, for purposes of this illustrative example. Multiplying this number by the number of destructive device manufacturers (384), ATF estimates that this proposed rule could result in $217.6 million annually in savings on disposal costs.[9]

In addition to savings from disposal costs, these licensees would also be able to sell these destructive devices, primarily to another government entity. Depending on the type of contract the licensee had with the USG for the affected destructive devices, this might result in additional revenue (such as cases in which the USG paid for the devices and then did not take them) or could represent cost recoupment (such as cases in which the licensee manufactured more than the USG ended up needing in a task-order type of contract). ATF has no information on how often each type of situation might arise. However, based on estimates provided by the industry respondents, income (whether revenue or recoupment) from selling destructive devices that fall out of USG contract could range from $23,800 to $3.75 million annually, which, when calculating a weighted average using all the data points within that range, results in an estimated $ 1.6 million (rounded)[10] in income per year, per

[7] $330 (least costly) * 1 (lowest frequency) + $1.2 million (most costly) * 5 (highest frequency) provides the annual range represented by these industry responses.

[8] ATF is not including the underlying data in this rule from these industry members because it was provided under a promise of confidentiality due to competitive market considerations.

[9] $217,642,368 in disposal costs = 384 importers * $566,777 in disposal costs per year.

[10] ATF is not including the underlying data in this rule from these industry members because it

Continued

manufacturer. This would be a benefit from this proposed rule in addition to the disposal savings. Manufacturers of destructive devices would thus collectively accrue an estimated annual profit from selling these destructive devices of $611.3 million annually.[11] Combined with the $217.6 million annually in savings on disposal costs, this proposed rule would have an effect of $828.9 million in savings and profit just for manufacturers of destructive devices.[12] Overall, these savings and profit would be offset by the unknown amount of any profit manufacturers currently make from exporting these items rather than selling them under this proposed rule to the domestic market.

Although ATF does not have equivalent data for manufacturers of NFA firearms (other than destructive devices) for the USG, ATF believes they would also experience savings from no longer incurring disposal costs and would also earn additional income from being able to sell firearms that have fallen out of USG contract. Because of the specialized nature of destructive devices, it is likely that the disposal costs for other NFA firearms would differ from those for destructive devices. Likewise, because the secondary market for other firearms might be broader than the one for destructive devices, it is possible that income from reselling other NFA firearms might also differ for this population. ATF is not able to determine this factor and is requesting public comments on this proposed rule's impact for manufacturers of NFA firearms (other than destructive devices).

3. Costs and Savings Offsets

Manufacturers of NFA firearms for the USG would accrue savings from no longer incurring costs to destroy such firearms that fall out of USG contract (less profits from exporting abroad), and would increase income from selling such items. However, manufacturers would need to submit Form 2 to register any NFA firearms that fall out of government contract that they intend to retain or resell, which would give rise to a savings offset from this proposed rule in the form of monetized time burden.

To register manufactured NFA firearms, licensees must file Form 2 with ATF, listing the firearms, along with other information about them. In this case, manufacturers would submit Form 2 listing the NFA firearms they manufactured for the USG that have fallen out of the USG contract. There are no fees or other costs associated with licensees registering NFA firearms they manufactured.

The estimated hourly burden to complete Form 2 is 45 minutes (0.75 hours). Because ATF does not maintain a point of contact for representatives completing Form 2, for the purposes of this analysis, ATF estimates that a production, planning, and expediting clerk might complete and submit Form 2.[13] The Bureau of Labor Statistics (''BLS'') estimates such a clerk's salary at $27.70 per hour.[14] To account for fringe employment benefits paid by the employer, such as insurance, agencies multiply the estimated salary by a standard average load rate. ATF determined the average load rate based on BLS's calculated national hourly compensation (salaries/wages plus paid benefits) for all private-sector occupations (average of $44.20 for 2024)[15] divided by the national average hourly wages and salaries without benefits (average of $31.95 for 2024),[16] making a load rate of 1.42.[17] ATF then applied this load rate to the production, planning, and expediting clerk wage to calculate their total compensation. Multiplying BLS's estimated hourly wage rate for such a clerk ($27.70) by the load rate of 1.42, ATF estimates that an FFL would incur $39.33[18] (rounded to $39) costs in monetized time per hour for each Form 2.

Based on the loaded hourly wage rate ($39) and the hourly burden of 0.75 hours, ATF estimates that the costs manufacturers of NFA firearms would accrue under this proposed rule would be a rounded $29[19] per USG firearm that falls out of contract (or per-contract if all firearms for the contract fall out of contract, as they would register these firearms in one lot, which would be on one form).

This would result in an annual savings offset to destructive device manufacturers of $22,464.[20] Manufacturers of other NFA firearms would also incur the savings offset at a rate of $29 per Form 2 using the same numbers, but ATF cannot estimate their annual offset without data on how often this might occur for these manufacturers. ATF requests comments from manufacturers of NFA firearms (other than destructive devices) regarding how often firearms fall out of their USG contracts per year.

4. Net Savings

Overall, ATF estimates, on the basis of the limited data outlined in this analysis, that manufacturers of destructive devices would accrue under this proposed rule an estimated annual combined savings and profit of $828.9 million (and manufacturers of other types of NFA firearms would accrue an unknown additional amount) and would generate a savings offset for manufacturers of destructive devices of $22,464 per year (as well as an unknown amount for the same offset for manufacturers of other NFA firearms, and an unknown offset amount for any exporting profits they might earn under the existing situation). Even with the unknown savings/profits and savings offsets, this rule would save the industry a net $828.9 million annually, or a net $8.3 billion over the course of 10 years. These numbers might be much higher with data for manufacturers of other NFA firearms, but ATF estimates it would still result in a substantial net savings.

5. Regulatory Alternatives

Alternative 1. Maintaining the status quo (the no-action alternative). This alternative would maintain the status quo in that licensees who deal in government contracts would have to destroy or export NFA firearms manufactured for the USG if they fall out of contract, rather than being able to register and repurpose or directly sell them. Destroying or exporting such items incurs a cost to the licensees which would represent lost additional income for licensees. No costs and no benefits were calculated for this alternative because of data limitations discussed above. This was rejected as more stringent than the proposed

was provided under a promise of confidentiality due to competitive market considerations.

[11] $611,302,400 in sales = 384 importers * $1,591,933 in sales per year.

[12] $828.9 million in overall profit = 384 FFLs * (566,777 reduction in disposal costs + 1,591,933 in reduction from lost sales)

[13] U.S. Bureau of Lab. Stat., *Occupational Employment and Wages, May 2023: 43–5061 Production, Planning, and Expediting Clerks* (Apr. 3, 2024), *https://www.bls.gov/oes/2023/may/oes435061.htm* [*https://perma.cc/EQ3L-3EME*].

[14] *Id.*

[15] U.S. Bureau of Labor Statistics, *Total compensation cost per hour worked for private industry workers (2023–2025), https://data.bls.gov/dataViewer/view/timeseries/CMU2010000000000D* [*https://perma.cc/T2ZL-2UUB*].

[16] U.S. Bureau of Labor Statistics, *Wages and salaries cost per hour worked for private industry workers (2023–2025),* CMU2020000000000D. *https://data.bls.gov/dataViewer/view/timeseries/CMU2020000000000D [https://perma.cc/8WEJ-2TRW].*

[17] 1.4 load rate = $44.20 hourly compensation/ $31.95 hourly wages and salaries.

[18] $39.33 hourly wage rate of a production clerk = $27.70 mean hourly wage * 1.42 load rate.

[19] $29 hourly time burden = $39 rounded, loaded hourly wage rate * 0.75 hours.

[20] $22,464 cost for Form 2 application = 384 manufacturers of destructive devices * 2 annual responses * 0.75 burden hours per response * $39 loaded wage rate.

alternative without any incremental benefit.

Alternative 2. Rulemaking (the proposed alternative). This proposed alternative would address the concerns raised by licensees who have NFA firearms they manufacture for the USG that have fallen out of contract and are not registered. Manufacturers must either destroy such items or export them, under current regulatory requirements, which incurs costs. Manufacturers would like to sell such items for additional revenue instead. This would not only benefit them, but also possibly benefit state and local law enforcement organizations with less funding, who might be able to purchase such items at less cost than on the secondary market. This proposed rule would allow manufacturers to register these devices in the NFRTR and then sell them. This would address the need raised by these licensees. It would also assist in keeping costs lower, as they could reduce cost offsets for items that fall out of contract.[21]

ATF does not believe permitting licensees to register these firearms within 15 days after they fall out of USG contract presents an increased risk of harm to the public; it simply treats them as newly manufactured and ensures they are registered so they can be retained for future contracts or repurposed or sold. ATF believes most of these firearms would be sold to other government law enforcement entities because of their nature. The annualized cost to register imported NFA firearms that fall out of USG contract, as estimated in this analysis, would be $22,464 for all manufacturers. The annualized benefit to manufacturers of destructive devices due to no longer destroying such items and accruing additional income from subsequent sales would be an estimated net annualized benefit of $828.9 million (plus an additional unknown benefit for manufacturers of other NFA firearms). This alternative was selected because the estimated benefits exceed estimated costs.

Alternative 3. Issuing guidance. ATF considered issuing guidance instead of a rulemaking. The guidance would have been a ruling that added the manufacturer exemption from registering NFA firearms they import for the USG, and that would have permitted manufacturers to register USG-government contracted firearms that fall out of contract. This alternative was considered because the Director's authority to grant relief from NFA requirements, such as registering firearms manufactured for the USG, is already in the regulations so a grant under that authority could be accomplished by guidance. However, ATF decided against guidance because the regulations contain the registration requirements. ATF decided it would be better to include the exemption and the later registration allowance in the same location so it would be easier for licensees and others to find and understand how they work together, particularly because multiple sections would be affected. In addition, administration priorities for these changes to have the longevity, force, and effect of a regulation also weighed against this alternative. As a result of these considerations, this alternative was rejected.

B. Executive Order 14192

Executive Order 14192 (Unleashing Prosperity Through Deregulation) requires an agency, unless prohibited by law, to identify at least ten existing regulations to be repealed or revised when the agency publicly proposes for notice-and-comment or otherwise promulgates a new regulation that qualifies as an Executive Order 14192 regulatory action (defined in OMB Memorandum M–25–20 as a final significant regulatory action under section 3(f) of Executive Order 12866 that imposes total costs greater than zero). In furtherance of this requirement, section 3(c) of Executive Order 14192 requires that any new incremental costs associated with such new regulations must, to the extent permitted by law, also be offset by eliminating existing costs associated with at least ten prior regulations. While this rule is an Executive Order 14192 regulatory action because it is a significant regulatory action as defined by Executive Order 12866, ATF does not anticipate needing to identify ten regulations to repeal or revise because this proposed rule would provide the public net savings rather than imposing new costs. As discussed in the cost/benefit analysis above, this proposed rule would provide savings of over $100 million every year throughout its ten-year period of analysis. In addition, this proposed rule would remove registration obstacles for licensed manufacturers who conduct business with the USG and whose NFA firearms fall out of contract, thereby permitting these licensees to save the costs of destroying or exporting such items and allowing them to earn additional income from selling them, resulting in the mentioned savings. ATF therefore expects this rule, if finalized as proposed, to qualify as an Executive Order 14192 deregulatory action (defined by OMB Memorandum M–25–20 as a final action that imposes total costs less than zero).

C. Executive Order 14294

Executive Order 14294 (Fighting Overcriminalization in Federal Regulations) requires agencies promulgating regulations with criminal regulatory offenses potentially subject to criminal enforcement to explicitly describe the conduct subject to criminal enforcement, the authorizing statutes, and the mens rea standard applicable to each element of those offenses. This proposed rule would not create a criminal regulatory offense and is thus exempt from Executive Order 14294 requirements.

D. Executive Order 13132

This proposed rule would not have substantial direct effects on the states, the relationship between the federal government and the states, or the distribution of power and responsibilities among the various levels of government. Therefore, in accordance with section 6 of Executive Order 13132 (Federalism), the Director has determined that this proposed rule would not impose substantial direct compliance costs on state and local governments, preempt state law, or meaningfully implicate federalism. It thus does not warrant preparing a federalism summary impact statement.

E. Executive Order 12988

This proposed rule meets the applicable standards set forth in sections 3(a) and 3(b)(2) of Executive Order 12988 (Civil Justice Reform).

F. Regulatory Flexibility Act

Under the Regulatory Flexibility Act, 5 U.S.C. 601–612, agencies are required to conduct a regulatory flexibility analysis of any proposed rule subject to notice-and-comment rulemaking requirements unless the agency head certifies, including a statement of the factual basis, that the proposed rule would not have a significant economic impact on a substantial number of small entities. Small entities include certain small businesses, small not-for-profit organizations that are independently owned and operated and are not dominant in their fields, and governmental jurisdictions with populations of less than 50,000.

The Director certifies, after consideration, that this proposed rule would not have a significant negative economic impact on a substantial number of small entities. Currently, manufacturers, including small businesses, must destroy or export NFA

[21] *See* footnote 4, *supra.*

firearms that fall out of USG contract. They cannot sell them within the United States, and thus lose revenue for every such firearm (see cost-benefit analysis above for details), while also incurring costs to destroy or export them. This is an existing dynamic that affects small businesses, serving as a barrier to entry or a loss in revenue. This proposed rule would permit them to register these firearms, thereby removing those hurdles and such lost revenue, and providing a benefit and additional revenue to small businesses. However, that overall benefit would be slightly offset by the time burden of completing and submitting a Form 2 to register the firearms first. As described above, ATF estimates this offset cost to be *de minimis*—$58 annual cost per manufacturer.

G. Small Business Regulatory Enforcement Fairness Act of 1996

This proposed rule is not likely to have a significant economic impact on a substantial number of small entities under the Small Business Regulatory Enforcement Fairness Act of 1996, 5 U.S.C. 601 note and 15 U.S.C. 657. This rule would provide significant benefits for small businesses because they would no longer have to destroy NFA firearms they had invested money in manufacturing but that the government no longer needed. For small businesses, the cost of destroying or exporting extra firearms could present a significant hurdle to entering this market or a significant loss of revenue. Due to this proposed rule, they would no longer incur such risk. They would instead incur the time burden for registering these firearms, which is a minor burden that would not present the same obstacles or costs for small businesses. For more information regarding the impact on small businesses, refer to section III.F above.

H. Unfunded Mandates Reform Act of 1995

This proposed rule does not include a federal mandate that might result in the expenditure by state, local, and tribal governments, in the aggregate, or by the private sector, of $100 million or more in any one year, and it would not significantly or uniquely affect small governments.

Therefore, ATF has determined that no actions are necessary under the provisions of the Unfunded Mandates Reform Act of 1995.

I. Paperwork Reduction Act of 1995

Under the Paperwork Reduction Act of 1995 (''PRA''), 44 U.S.C. 3501–3521, agencies are required to submit to OMB, for review and approval, any information collection requirements a rule creates or any impacts it has on existing information collections. As defined in 5 CFR 1320.3(c), an information collection includes any reporting, record-keeping, monitoring, posting, labeling, or other similar actions an agency requires of the public. This proposed rule would impact one existing information collection covered under the PRA. The title and description of the information collection impacted by this rule, a description of those who provide the information, and an estimate of the total annual burden follow. The estimate covers the time for reviewing instructions, searching existing sources of data, gathering and maintaining the data needed, and completing and reviewing the collection. This proposed rule would not change most of the information below, but it would likely increase the number of responses to this information collection. Currently, manufacturers do not register items that fall out of USG contract, but would be able to do so under the proposed rule, thereby increasing the number of responses.

Title: Notice of Manufactured or Imported NFA Firearms, ATF Form 5320.2 (''Form 2'').

OMB control number: 1140–0012.

Summary of the information collection: Each manufacturer and importer must register each NFA firearm they manufacture or import, as required by 27 CFR part 479. In general, under 26 U.S.C. 5822, no person can make an NFA firearm until they have applied for and received approval from the Attorney General (delegated to ATF). Section 5841(b) provides that each manufacturer and importer must register each firearm they manufacture or import. Section 5841(c) provides that each manufacturer must notify the Attorney General about a manufactured firearm, as provided by the regulations. Importers also must obtain authorization prior to importing a firearm. However, there are certain statutory exemptions, including firearms in the government's possession or imported for the government. 26 U.S.C. 5841(a). This proposed rule would add that manufacturers conducting business with the USG are exempt from registering firearms they manufacture for the USG, thereby reducing the number of respondents covered by this information collection. The proposed rule would also increase the number of respondents by permitting manufacturers to register USG firearms that fall out of contract, which they currently cannot do, but this increase would be smaller than the aforementioned decrease, resulting in a net decrease in respondents.

Need for information: ATF must collect certain information from applicants to register the firearms and to determine whether the person is authorized to possess a firearm. Not conducting this information collection would result in unregistered manufactured and imported firearms, which violate existing laws requiring manufacturers and importers to register all firearms not possessed or controlled by the USG. Firearms excepted from the requirement include those manufactured pursuant to a USG contract. However, sometimes such firearms are then not needed or otherwise fall out of contract. They then become NFA firearms that are no longer excepted from the registration requirement. This proposed rule would allow manufacturers to register such firearms when they fall out of contract. The consequence of not adding these registrations to this information collection would be that such firearms would remain unregistered and in violation of statutory requirements, increasing risk to the public, and causing the manufacturer to be unable to lawfully retain or sell them.

Proposed use of information: ATF uses Form 2 as the collection tool for information necessary to identify the firearms involved, to identify the person manufacturing or importing the firearm and whether the person is permitted to do so, and to register the firearm in the NFRTR. Registration in the NFRTR becomes the basis from which to verify any subsequent transfer of the NFA firearms and register them to the transferee.

Description of the respondents: Manufacturers and importers of NFA firearms.

Number of respondents: 14,384 (at last renewal); some of which are manufacturers who might be impacted by this proposed rule because they do business exclusively for or on behalf of the USG, or partly for or on behalf of the USG, if they have firearms that fall out of such contract.

Frequency of response: Twice a year.

Burden of response: 7,192 hours annually (at last renewal); pursuant to this proposed rule, a decrease of 576 hours stemming from 384 manufacturers of destructive devices no longer registering when they manufacture firearms for the USG. Although ATF does not have data on the number of manufacturers of NFA firearms (other than destructive devices) who would also decrease registrations for this reason, there would be an additional decrease in hourly burden from them.

All the impacted manufacturers would also potentially have some firearms fall out of USG contract and be registered later, so the decreases above would be offset by a smaller increase, resulting in a net decrease to this information collection's hourly burden.

J. Congressional Review Act

Pursuant to the Congressional Review Act, 5 U.S.C. 801 *et seq.,* ATF anticipates that this proposed rule would meet the criteria in 5 U.S.C. 804(2) because it would result in an annual effect on the economy of $100 million or more (in this case $100 million or more in savings); a major increase in costs or prices; or significant adverse effects on competition, employment, investment, productivity, innovation, or on the ability of United States-based enterprises to compete with foreign-based enterprises in domestic and export markets. However, this rule would not cause a major increase in costs or prices, or a significant adverse effect on competition, employment, investment, productivity, innovation, or U.S. enterprises' ability to compete with foreign-based enterprises, as this rule would provide significant savings and benefit to the public rather than adding costs or adversely affecting the economy.

IV. Public Participation

A. Comments Sought

ATF requests comments on the proposed rule from all interested persons. ATF specifically requests comments on the clarity of this proposed rule and how it may be made easier to understand. In addition, ATF requests comments on the costs or benefits of the proposed rule and on the appropriate methodology and data for calculating those costs and benefits.

All comments must reference this document's RIN 1140–AA80 and, if handwritten, must be legible. If submitting by mail, you must also include your complete first and last name and contact information. If submitting a comment through the federal e-rulemaking portal, as described in section IV.C of this preamble, you should carefully review and follow the website's instructions on submitting comments. Whether you submit comments online or by mail, ATF will post them online. If submitting online as an individual, any information you provide in the online fields for city, state, zip code, and phone will not be publicly viewable when ATF publishes the comment on *https://www.regulations.gov.* However, if you include such personally identifying information (''PII'') in the body of your online comment, it may be posted and viewable online. Similarly, if you submit a written comment with PII in the body of the comment, it may be posted and viewable online. Therefore, all commenters should review section IV.B of this preamble, ''Confidentiality,'' regarding how to submit PII if you do not want it published online. ATF may not consider, or respond to, comments that do not meet these requirements or comments containing excessive profanity. ATF will retain comments containing excessive profanity as part of this rulemaking's administrative record, but will not publish such documents on *https://www.regulations.gov.* ATF will treat all comments as originals and will not acknowledge receipt of comments. In addition, if ATF cannot read your comment due to handwriting or technical difficulties and cannot contact you for clarification, ATF may not be able to consider your comment.

ATF will carefully consider all comments, as appropriate, received on or before the closing date.

B. Confidentiality

ATF will make all comments meeting the requirements of this section, whether submitted electronically or on paper, and except as provided below, available for public viewing on the internet through the federal e-rulemaking portal, and subject to the Freedom of Information Act (5 U.S.C. 552). Commenters who submit by mail and who do not want their name or other PII posted on the internet should submit their comments with a separate cover sheet containing their PII. The separate cover sheet should be marked with ''CUI//PRVCY'' at the top to identify it as protected PII under the Privacy Act. Both the cover sheet and comment must reference this RIN 1140–AA80. For comments submitted by mail, information contained on the cover sheet will not appear when posted on the internet, but any PII that appears within the body of a comment will not be redacted by ATF and may appear on the internet. Similarly, commenters who submit through the federal e-rulemaking portal and who do not want any of their PII posted on the internet should omit such PII from the body of their comment and any uploaded attachments. However, PII entered into the online fields designated for name, email, and other contact information will not be posted or viewable online.

A commenter may submit to ATF information identified as proprietary or confidential business information by mail. To request that ATF handle this information as controlled unclassified information (''CUI''), the commenter must place any portion of a comment that is proprietary or confidential business information under law or regulation on pages separate from the balance of the comment, with each page prominently marked ''CUI//PROPIN'' at the top of the page.

ATF will not make proprietary or confidential business information submitted in compliance with these instructions available when disclosing the comments that it receives, but will disclose that the commenter provided proprietary or confidential business information that ATF is holding in a separate file to which the public does not have access. If ATF receives a request to examine or copy this information, it will treat it as any other request under the Freedom of Information Act (5 U.S.C. 552). In addition, ATF will disclose such proprietary or confidential business information to the extent required by other legal process.

C. Submitting comments

Submit comments using either of the two methods described below (but do not submit the same comment multiple times or by more than one method). Hand-delivered comments will not be accepted.

- *Federal e-rulemaking portal:* ATF recommends that you submit your comments to ATF via the federal e-rulemaking portal at *https://www.regulations.gov* and follow the instructions. Comments will be posted within a few days of being submitted. However, if large volumes of comments are being processed simultaneously, your comment may not be viewable for up to several weeks. Please keep the comment tracking number that is provided after you have successfully uploaded your comment.
- *Mail:* Send written comments to the address listed in the **ADDRESSES** section of this document. Written comments must appear in minimum 12-point font size, include the commenter's first and last name and full mailing address, and may be of any length. See also section IV.B of this preamble, ''Confidentiality.''

Disclosure

Copies of this proposed rule and the comments received in response to it are available through the federal e-rulemaking portal, at *https://www.regulations.gov* (search for RIN 1140–AA80).

Severability

Consistent with the Administrative Procedure Act, the issues raised in this proposed rule may be finalized, or not, independently of each other, after consideration of comments received. ATF has determined that this proposed rule implements and is fully consistent with governing law. However, in the event this proposed rule is finalized, if any provision of that final rule, an amendment or revision made by that rule, or the application of such provision or amendment or revision to any person or circumstance, is held to be invalid or unenforceable by its terms, the remainder of that final rule, the amendments or revisions made by that rule, and application of the provisions of the rule to any person or circumstance shall not be affected and shall be construed so as to give them the maximum effect permitted by law.

List of Subjects in 27 CFR Part 479

Administrative practice and procedure, Arms and munitions, Exports, Imports, Military personnel, Penalties, Reporting and record-keeping requirements, Seizures and forfeitures, Taxes, Transportation.

For the reasons discussed in the preamble, ATF proposes to amend 27 CFR part 479 as follows:

PART 479—MACHINE GUNS, DESTRUCTIVE DEVICES, AND CERTAIN OTHER FIREARMS

■ 1. The authority citation for 27 CFR part 479 continues to read as follows:

Authority: 26 U.S.C. 5801–5822; 26 U.S.C. 7801; 26 U.S.C. 7805.

■ 2. Revise § 479.33, including its heading, to read as follows:

§ 479.33 Special exemption and grants of relief.

(a) Any persons required to pay special (occupational) tax under this part will be relieved from paying that tax if they establish to the Director's satisfaction that they conduct their firearms business exclusively with, or on behalf of, the United States or any department, independent establishment, or agency thereof (USG).

(b) Persons may obtain the exemption in paragraph (a) by submitting a letter to the Director applying for the exemption. The letter must set out the manner in which the persons conduct business, the types of firearms they manufacture, import, or deal, and proof satisfactory to the Director of the USG contract under which they operate.

(c) The Director may also relieve any persons manufacturing firearms for or on behalf of the USG from complying with any provision of 26 U.S.C. chapter 53 or this part in conducting business with respect to such firearms.

(d) Manufacturers may request relief from a specific NFA requirement under paragraph (c) by submitting a letter to the Director. The letter must set out the manner in which the manufacturer conducts business with the USG, the types of firearms they manufacture, the nature and specifics of the USG contract or contracting operations under which the manufacturer is requesting relief from a requirement, the relief the manufacturer is requesting, and the reasons the manufacturer is requesting relief.

■ 3. In § 479.103:

■ a. Revise the section heading and designate the undesignated paragraph as paragraph (a);

■ b. Amend new paragraph (a) by removing ''Form 2 (Firearms), Notice of Firearms Manufactured or Imported'' from the first sentence, adding in its place ''ATF Form 5320.2, Notice of Manufactured or Imported NFA Firearms (''Form 2'')'', and removing the parenthetical ''(Firearms)'' after the three subsequent references to Form 2 in the paragraph; and

■ c. Add new paragraph (b) to read as follows:

§ 479.103 Registering manufactured firearms.

* * * * *

(b) Pursuant to § 479.33(c) of this part, the Director relieves qualified manufacturers who manufacture firearms under a contract for the USG from the requirement to register firearms they manufacture for, or on behalf of, the USG pursuant to a contract.

(1) Manufacturers must request approval to participate in the relief granted under paragraph (b) by submitting a letter to the Director. The letter must set out the manner in which they conduct business, the types of firearms they manufacture, and proof satisfactory to the Director of the USG contract under which they operate.

(2) In addition, the Director relieves manufacturers who have been approved for relief under paragraph (b) from the prohibition against registering firearms beyond the next business day after they are manufactured. This second grant of relief applies only to firearms the licensees manufacture for, or on behalf of, the USG that are later rejected, repurposed, or become residuals of such contract (hereafter, rejected USG firearms), and the manufacturers must comply with the alternate registration terms in paragraph (b)(3).

(3) Approved manufacturers may register rejected USG firearms pursuant to paragraph (b)(2) by filing with the Director an accurate notice on Form 2, executed under the penalties of perjury, no later than 15 days after the date they are notified that the firearms have fallen out of contract. The manufacturers must comply with all marking requirements in § 479.102 of this part and must submit with Form 2 the government's official rejection notice or other documents demonstrating that the firearms are no longer subject to the USG contract.

Robert Cekada,

Director.

[FR Doc. 2026–13586 Filed 7–2–26; 8:45 am]

BILLING CODE 4410–FY–P

PENSION BENEFIT GUARANTY CORPORATION

29 CFR Part 4022

RIN 1212–AB47

Improvements to Rules on Recoupment of Benefit Overpayments

AGENCY: Pension Benefit Guaranty Corporation.

ACTION: Proposed rule.

SUMMARY: The Pension Benefit Guaranty Corporation (PBGC) is proposing to improve its rules on recoupment of benefit overpayments under PBGC's insurance program for single-employer terminated plans trusteed by PBGC. These proposed improvements include changing the recoupment methodology to a flat rate of 5 percent of a participant's monthly benefit and eliminating recoupment from a participant's surviving beneficiary.

DATES: Comments must be submitted on or before September 4, 2026 to be assured of consideration.

ADDRESSES: Comments may be submitted by any of the following methods:

- *Federal eRulemaking Portal: https://www.regulations.gov.* Follow the online instructions for submitting comments.
- *Email: reg.comments@pbgc.gov.* Refer to RIN 1212–AB47 in the subject line.
- *Mail or Hand Delivery:* Legislative and Regulatory Division, Office of the General Counsel, Pension Benefit Guaranty Corporation, 445 12th Street SW, Washington, DC 20024–2101.

Commenters are strongly encouraged to submit comments electronically. Commenters who submit comments on paper by mail should allow sufficient time for mailed comments to be received before the close of the comment period.

All submissions must include the agency's name (Pension Benefit