rulings and practices are modified by the mutual consent of the parties to the agreement. (emphasis added)

Israel is the only country which qualifies under the terms of section 334(b)(5).

The rulings and administrative practices in effect prior to December 8, 1994, were derived from the provisions of § 12.130, Customs Regulations (19 CFR 12.130). Section 12.130 states that the country of origin of a good processed in more than one country is the country in which the last substantial transformation occurs.

Section 334(b)(5) is comprised of two sentences. The first sentence clearly states that the *status* of goods shall not be affected if, prior to December 8, 1994, those goods were considered to originate in Israel, or were the growth, product, or manufacture of Israel. While there is reference in that sentence to a free trade agreement, the language appears to have been carefully structured and contains no requirement that the goods *which are the subject of that* exception must themselves be eligible for duty preference under the terms of the agreement.

The second sentence elaborates on, and clarifies the wording of the first sentence. It makes clear that in determining the origin of goods covered by the agreement, Customs shall continue to apply ''such rulings and administrative practices that were applied immediately before the enactment of this Act to determine the origin of textile and apparel products covered by such agreement.''

Reading the two sentences together, it appears to Customs that Congress, in enacting section 334(b)(5), intended that Israel maintain its *status quo ante* in regard to country of origin determinations for goods processed in that country.

Section 102.21(a), Customs Regulations, is clear on its face that the textile origin rules contained in that section will not be applied to determine whether goods originate in, or are the growth, product, or manufacture of Israel. Thus, if a good is determined not to be a product of Israel under the rulings and administrative practices in effect prior to December 8, 1994, applying the rules in § 102.21 cannot result in Israel being the country of origin of the good.

Example

The following example is set forth to illustrate how this position will be implemented in the application of the rules contained in § 102.21:

Fabric produced in country A is cut in country B into components for a simple shirt. Those components are assembled into the completed shirt in Israel by sewing. Under the rulings and administrative practices in effect prior to December 8, 1994, Israel would not be the country of origin because Customs has a long line of administrative rulings holding that the cutting of garment components constitutes a substantial transformation, while the assembly of those components into a simple garment does not. Since Israel cannot be the country of origin under the rulings and administrative practices in effect prior to December 8, 1994, Customs must apply § 102.21 to determine the proper country of origin. However, § 102.21(a) precludes a finding that Israel is the country of origin.

(a) Section 102.21 requires that the General Rules, found in § 102.21(c), be applied in sequential order. Section 102.21(c)(1) states that the country of origin of a good is the single country, territory, or insular possession in which the good was wholly obtained or produced. Since the shirt in the above example was not wholly obtained or produced in a single country, that section is not applicable.

(b) Section 102.21(c)(2) requires that the good comply with the applicable tariff shift rule in § 102.21(e). The applicable tariff shift rule for the shirt in the above example is a change to the heading in which that garment is classified from any other heading, provided that the change is the result of the garment being wholly assembled in a single country, territory, or insular possession. The shirt in the above example meets this requirement because it was wholly assembled in Israel. However, as noted above, § 102.21(a) provides that the rules in § 102.21 cannot be used to determine if goods originate in, or are the growth, product, or manufacture of Israel. Accordingly, if the application of a rule in § 102.21 results in Israel being the country of origin of a good, that result is invalid and Customs will by-pass that rule and proceed to the next rule in order.

(c) The next two rules were inserted into the general rules as a precautionary measure in case the tariff shift rules in § 102.21(e) inadvertently failed to carry out the express statutory requirements of section 334. Section 102.21(c)(3)(i) is concerned with knit to shape goods. Since the subject shirt is not knit to shape, § 102.21(c)(3)(i) is not applicable. Section 102.21(c)(3)(ii) provides that, except for certain goods classifiable under specifically enumerated tariff provisions, and except for knit to shape goods, a good is the product of the single country, territory, or insular possession in which it was assembled. As in the preceding paragraph, since the application of § 102.21(c)(3)(ii) would result in Israel being the country of origin of the shirt, that rule cannot be used to determine the origin of the good and Customs must proceed to the next rule.

(d) The next two rules, §§ 102.21(c)(4) and 102.21(c)(5), are commonly referred to as ''multicountry'' rules. They are designed to insure that a single country of origin is determinable for each good imported into the United States. Section 102.21(c)(4) provides that if a single country of origin cannot be determined by the application of the preceding rules, then the country of origin of a good will be the single country, territory, or insular possession in which the most important assembly or manufacturing process occurred. In the example, this occurs in Israel, where the garment was wholly assembled. However, since the application of the rules in § 102.21 cannot result in Israel being the country of origin, Customs will determine the origin of the shirt in the example by use of § 102.21(c)(5), the second (and last) multicountry rule.

(e) Section 102.21(c)(5) provides that if a single country of origin cannot be determined by any of the preceding rules, the country of origin will be the last country, territory, or insular possession in which an important assembly or manufacturing process occurred. Since (1) every good imported into the United States must have a country of origin, (2) § 102.21(c)(5) is the last rule which can be used to determine origin, and (3) the rules in § 102.21 cannot result in Israel being the country of origin, Customs believes that, when using § 102.21 to determine the proper country of origin of goods subjected to an assembly or manufacturing process in Israel, the process or, processes, performed in Israel should not be considered. Under the given facts, Country B is the country of origin because, when excluding the final assembly operation in Israel, the cutting of the fabric in Country B is the last important manufacturing process in the production of the shirt.

Conclusion

After a careful analysis of the clear wording of section 334(c)(5) of the Uruguay Round Agreements Act and what Customs believes to have been the intent of Congress in enacting that section, *i.e.*, to maintain Israel's *status quo*, and considering the wording of § 102.21(a), Customs Regulations, which was promulgated pursuant to the authority of section 334, Customs has concluded that in determining whether goods originate in, or are the growth, product, or manufacture of Israel, Customs will first apply the rulings and administrative practices in effect prior to December 8, 1994. If that determination results in Israel not being the country of origin of the goods, then Customs will apply the rules in § 102.21 to determine the country of origin, with no consideration being given to assembly or manufacturing processes performed in Israel.

Dated: July 25, 1996.

Stuart P. Seidel,

Assistant Commissioner, Office of Regulations and Rulings.

[FR Doc. 96–19424 Filed 7–30–96; 8:45 am]

BILLING CODE 4820–02–P

Internal Revenue Service

Proposed Collection; Comment Request for Form 8845

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Notice and request for comments.

SUMMARY: The Department of the Treasury, as part of its continuing effort to reduce paperwork and respondent burden, invites the general public and other Federal agencies to take this opportunity to comment on proposed and/or continuing information collections, as required by the Paperwork Reduction Act of 1995, Public Law 104–13 (44 U.S.C. 3506(c)(2)(A)). Currently, the IRS is soliciting comments concerning Form 8845, Indian Employment Credit.

DATES: Written comments should be received on or before September 30, 1996 to be assured of consideration.

ADDRESSES: Direct all written comments to Garrick R. Shear, Internal Revenue Service, room 5571, 1111 Constitution Avenue NW., Washington, DC 20224.

FOR FURTHER INFORMATION CONTACT: Requests for additional information or copies of the form and instructions should be directed to Martha R. Brinson, (202) 622–3869, Internal Revenue Service, room 5571, 1111 Constitution Avenue NW., Washington, DC 20224.

SUPPLEMENTARY INFORMATION:

Title: Indian Employment Credit.

OMB Number: 1545–1417.

Abstract: Under Internal Revenue Code section 45A, employers can claim an income tax credit for hiring American Indians or their spouses to work in a trade or business on an Indian reservation. Form 8845 is used by employers to claim the credit and by IRS to ensure that the credit is computed correctly.

Current Actions: Part II of Form 8845, Tax Liability Limit, has been revised extensively. All of the computations are now made on the form and in logical order following the provisions of Code section 38(c). The revisions include: Deleting line 8f, Orphan drug credit, because it has expired; adding new line 10, Alternative minimum tax, and new line 14, Enter the greater of line 12 or line 13.

Type of Review: Revision of a currently approved collection.

Affected Public: Businesses or other for-profit organizations.

Estimated Number of Respondents: 500.

Estimated Time Per Respondent: 10 hr., 1 min.

Estimated Total Annual Burden Hours: 5,005.

The following paragraph applies to all of the collections of information covered by this notice:

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection of information displays a valid OMB control number. Books or records relating to a collection of information must be retained as long as their contents may become material in the administration of any internal revenue law. Generally, tax returns and tax return information are confidential, as required by 26 U.S.C. 6103.

REQUEST FOR COMMENTS: Comments submitted in response to this notice will be summarized and/or included in the request for OMB approval. All comments will become a matter of public record. Comments are invited on: (a) Whether the collection of information is necessary for the proper performance of the functions of the agency, including whether the information shall have practical utility; (b) the accuracy of the agency's estimate of the burden of the collection of information; (c) ways to enhance the quality, utility, and clarity of the information to be collected; (d) ways to minimize the burden of the collection of information on respondents, including through the use of automated collection techniques or other forms of information technology; and (e) estimates of capital or start-up costs and costs of operation,maintenance, and purchase of services to provide information.

Approved: July 23, 1996.

Garrick R. Shear,

IRS Reports Clearance Officer.

[FR Doc. 96–19495 Filed 7–30–96; 8:45 am]

BILLING CODE 4830–01–P

Proposed Collection; Comment Request for Form 1028

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Notice and request for comments.

SUMMARY: The Department of the Treasury, as part of its continuing effort to reduce paperwork and respondent burden, invites the general public and other Federal agencies to take this opportunity to comment on proposed and/or continuing information collections, as required by the Paperwork Reduction Act of 1995, Public Law 104–13 (44 U.S.C. 3506(c)(2)(A)). Currently, the IRS is soliciting comments concerning Form 1028, Application for Recognition of Exemption Under Section 521 of the Internal Revenue Code.

DATES: Written comments should be received on or before September 30, 1996, to be assured of consideration.

ADDRESSES: Direct all written comments to Garrick R. Shear, Internal Revenue Service, room 5571, 1111 Constitution Avenue NW., Washington, DC 20224.

FOR FURTHER INFORMATION CONTACT: Requests for additional information or copies of the form and instructions should be directed to Martha R. Brinson, (202) 622–3869, Internal Revenue Service, room 5571, 1111 Constitution Avenue NW., Washington, DC 20224.

SUPPLEMENTARY INFORMATION:

Title: Application for Recognition of Exemption Under Section 521 of the Internal Revenue Code.

OMB Number: 1545–0058.

Form Number: 1028.

Abstract: Farmers' cooperatives must file Form 1028 to apply for exemption from Federal income tax as being organizations described in Internal Revenue Code section 521. The information on Form 1028 provides the basis for determining whether the applicants are exempt.

Current Actions: There are no changes being made to this form.

Type of Review: Extension of a currently approved collection.

Affected Public: Businesses or other for-profit organizations.

Estimated Number of Respondents: 50.

Estimated Time Per Respondent: 50 hr., 29 min.

Estimated Total Annual Burden Hours: 2,525.

The following paragraph applies to all of the collections of information covered by this notice:

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection of information displays a valid OMB control number. Books or records relating to a collection of information must be retained as long as their contents may become material in the 3 administration of any internal revenue law. Generally, tax returns and tax return information are confidential, as required by 26 U.S.C. 6103.

REQUEST FOR COMMENTS: Comments submitted in response to this notice will be summarized and/or included in the request for OMB approval. All comments will become a matter of public record. Comments are invited on: (a) Whether the collection of information is necessary for the proper performance of the functions of the