

the States, or on the distribution of power and responsibilities among the various levels of government. Therefore, in accordance with Executive Order 12812, we have determined that the proposed rule does not have sufficient federalism implications to warrant preparation of a Federalism Assessment.

#### List of Subjects in 14 CFR Part 255

Air carriers, Antitrust, Reporting and recordkeeping requirements.

Accordingly, the Department of Transportation proposes to amend 14 CFR Part 255, Carrier-owned Computer Reservations Systems as follows:

#### **PART 255—[AMENDED]**

1. The authority citation for part 255 continues to read as follows:

Authority: 49 U.S.C. 1302, 1324, 1381, 1502.

2. Section 255.4(a) is revised to read as follows:

#### **§ 255.4 Display of information.**

[Alternative 1]

(a) All systems shall provide at least one integrated display that includes the schedules, fares, rules and availability of all participating carriers in accordance with the provisions of this section. This display shall be at least as useful for subscribers, in terms of functions or enhancements offered and the ease with which such functions or enhancements can be performed or implemented, as any other displays maintained by the system vendor. No system shall make available to subscribers any integrated display unless that display complies with the requirements of this section.

(1) Each system must offer an integrated display that uses the same editing and ranking criteria for both on-line and interline connections and does not give on-line connections a system-imposed preference over interline connections. This display shall be at least as useful for subscribers, in terms of functions or enhancements offered and the ease with which such functions or enhancements can be performed or implemented, as any other display maintained by the system vendor.

(2) The criteria used by a system for editing and ranking airline services in any integrated display must be rationally related to consumer preferences. In considering whether an algorithm violates this provision, the Department shall consider, among other things, whether the editing and ranking criteria are likely to mislead a significant number of consumers by causing services that would meet the

consumers' travel needs significantly better than other services to be displayed after the inferior services and whether those criteria seem designed systematically to improve the display position of the system owners' airline services at the expense of the services offered by other airlines.

\* \* \* \* \*

[Alternative 2]

(a) All systems shall provide at least one integrated display that includes the schedules, fares, rules and availability of all participating carriers in accordance with the provisions of this section. This display shall be at least as useful for subscribers, in terms of functions or enhancements offered and the ease with which such functions or enhancements can be performed or implemented, as any other displays maintained by the system vendor. No system shall make available to subscribers any integrated display unless that display complies with the requirements of this section.

(1) Each system must offer an integrated display that uses the same editing and ranking criteria for both on-line and interline connections and does not give on-line connections a system-imposed preference over interline connections. This display shall be at least as useful for subscribers, in terms of functions or enhancements offered and the ease with which such functions or enhancements can be performed or implemented, as any other display maintained by the system vendor.

(2) A system may not offer an integrated display that neither uses elapsed time as a significant factor in selecting service options from the database nor gives single-plane flights a preference over connecting services in ranking services in displays.

\* \* \* \* \*

Issued in Washington, DC, on August 8, 1996.

Federico F. Peña,

*Secretary of Transportation.*

[FR Doc. 96-20736 Filed 8-13-96; 8:45 am]

BILLING CODE 4910-62-P

## **DEPARTMENT OF THE TREASURY**

### **Internal Revenue Service**

#### **26 CFR Part 1**

[REG-209827-96]

RIN 1545-AU22

#### **Treatment of Section 355 Distributions by U.S. Corporations to Foreign Persons**

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

**ACTION:** Notice of proposed rulemaking by cross-reference to temporary regulations and notice of public hearing.

**SUMMARY:** In the Rules and Regulations section of this issue of the Federal Register, the IRS is issuing temporary regulations revising the final regulations under section 367(e)(1) with respect to section 355 distributions of stock or securities by domestic corporations to foreign persons. The IRS is also modifying the temporary regulations under section 6038B to provide that distributions described under section 367(e)(1) are subject to rules under section 6038B. The text of those temporary regulations also serves as the text of these proposed regulations. This document also provides notice of a public hearing on these proposed regulations.

**DATES:** Written comments must be received by November 7, 1996. Outlines of topics to be discussed at the public hearing scheduled for November 20, 1996, at 10 a.m. must be received by October 31, 1996.

**ADDRESSES:** Send submissions to: CC:DOM:CORP:R (INTL 0020-96), room 5228, Internal Revenue Service, POB 7604, Ben Franklin Station, Washington, DC 20044. In the alternative, submissions may be hand delivered between the hours of 8 a.m. and 5 p.m. to: CC:DOM:CORP:R (INTL-0020-96), Courier's Desk, Internal Revenue Service, 1111 Constitution Ave. NW., Washington, DC. 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 regulations, Philip L. Tretiak at (202) 622-3860; concerning submissions and the hearing, Evangelista Lee at (202) 622-7180 (not toll-free numbers).

#### **SUPPLEMENTARY INFORMATION:**

##### **Paperwork Reduction Act**

The collection of information contained in this notice of proposed

rulemaking has been submitted to the Office of Management and Budget for review in accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. 3507).

Comments on the collection of information should be sent to the Office of Management and Budget, Attn: Desk Officer for the Department of Treasury, Office of Information and Regulatory Affairs, Washington, DC 20503, with copies to the Internal Revenue Service, Attn: IRS Reports Clearance Officer, T:FP, Washington, DC 20224. Alternatively, taxpayers may submit comments electronically via the Internet by selecting the "Tax Regs" option on the IRS Home Page, or by submitting comments directly to the IRS Internet site at <http://www.irs.ustreas.gov/prod/taxregs/comments.html>. Comments on the collection of information should be received by October 15, 1996.

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 control number.

The collection of information under section 367(e)(1) is in § 1.367(e)-1T(c)(1)(ii), (2)(i)(C) and (3). The temporary regulations provide that in order for taxpayers to qualify for either the "U.S. real property holding corporation exception" or the "publicly traded corporation" exception, taxpayers must comply with the reporting requirements contained in § 1.367(e)-1T(c)(1)(ii) and § 1.367(e)-1T(c)(2)(i)(C), respectively. The temporary regulations also modify the reporting requirements under the "gain recognition agreement" exception (§ 1.367(e)-1T(c)(3)). Under the temporary regulations, the controlled corporation, in addition to the distributing corporation, must sign the gain recognition agreement (§ 1.367(e)-1T(c)(3)(ii)(F) and (iii)), extend the statute of limitations accordingly (§ 1.367(e)-1T(c)(3)(ii)(F) and (iv)), and annually report its distributees to the distributing corporation but not the Service (§ 1.367(e)-1T(c)(3)(v)(B)). This information is required by the IRS as a condition for a taxpayer to qualify for an exception to the general rule of taxation under section 367(e)(1), and to avoid the penalties contained under section 6038B. This information will be used to determine whether a taxpayer properly qualifies for a claimed exception. The respondents generally will be U.S. corporations, probably subsidiaries of foreign multinationals, that are either distributing another corporation or being distributed under section 355, pursuant to a corporate restructuring.

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.

*Estimated total annual reporting burden:* 2,124 hours. (This equals the sum of (i) the prior burden of 1,604 hours, and (ii) the additional burden of 520 hours contained in the new regulations.) The estimated annual burden per respondent varies from 1 hour to 8 hours, depending on individual circumstances, with an estimated average of 2 hours.

*Estimated number of respondents:* 462.

*Estimated annual frequency of responses:* Once (in the case of taxpayers that qualify for the U.S. real property holding company exception and the publicly traded company exception). Annually (in the case of taxpayers that qualify for the gain recognition agreement exception).

#### Background

The temporary regulations published in the Rules and Regulations section of this issue of the Federal Register amend the Income Tax Regulations (26 CFR part 1) under section 367(e)(1). The temporary regulations under section 367(e)(1) contain rules relating to the distribution of stock or securities under section 355 by a domestic corporation to a person that is not a U.S. person.

The text of those temporary regulations also serves as the text of these proposed regulations. The preamble to the temporary regulations explains the reasons for the modifications to the final regulations contained in the temporary regulations.

#### Special Analyses

It has been determined that this notice of proposed rulemaking is not a significant regulatory action as defined in EO 12866. Therefore, a regulatory assessment is not required. It is hereby certified that these regulations do not have a significant impact on a substantial number of small entities. This certification is based on the fact that these regulations will primarily affect large multinational corporations with foreign shareholders. The regulations do not significantly alter the reporting or recordkeeping duties of small entities. Therefore, a Regulatory Flexibility Analysis under the Regulatory Flexibility Act (5 U.S.C. chapter 6) is not required. Pursuant to section 7805(f) of the Internal Revenue Code, this notice of proposed rulemaking will be submitted to the Chief Counsel for Advocacy of the Small

Business Administration for comment on their impact on small business.

#### Comments and Notice of Public Hearing

Before these proposed regulations are adopted as final regulations, consideration will be given to any written comments (a signed original and eight (8) copies) that are submitted timely to the Internal Revenue Service. All comments will be available for public inspection and copying.

A public hearing has been scheduled for November 20, 1996, at 10 a.m. in the IRS Auditorium. Because of access restrictions, visitors will not be admitted beyond the building lobby more than 15 minutes before the hearing starts.

The rules of 26 CFR 601.601(a)(3) apply to the hearing.

Persons that wish to present oral comments at the hearing must submit written comments by November 7, 1996, and submit an outline of the topics to be discussed and the time to be devoted to each topic (signed original and eight (8) copies) by October 31, 1996.

A period of 10 minutes will be allotted to each person for making comments.

An agenda showing the scheduling of the speakers will be prepared after the deadline for receiving outlines has passed. Copies of the agenda will be available free of charge at the hearing.

#### Drafting Information

The principal author of these proposed regulations is Philip L. Tretiak of the Office of Associate Chief Counsel (International), IRS. However, other personnel from the IRS and Treasury Department participated in their development.

#### List of Subjects in 26 CFR Part 1

Income tax, Reporting and recordkeeping requirements.

#### Proposed Amendments to the Regulations

Accordingly, 26 CFR part 1 is proposed to be amended as follows:

#### PART 1—INCOME TAXES

Paragraph 1. The authority citation for part 1 continues to read in part as follows:

Authority: 26 U.S.C. 7805. \* \* \*

Par. 2. Section 1.367(e)-1 is added to read as follows:

#### **§ 1.367(e)-1 Treatment of section 355 distributions by U.S. corporations to foreign persons.**

[The text of this proposed section is the same as the text of § 1.367(e)-1T

published elsewhere in this issue of the Federal Register].

Par. 3. Section 1.6038B-1, as proposed on May 16, 1986, at 51 FR 17990, is amended by revising the second sentence of paragraph (b)(2)(i) and adding the text of paragraph (e) to read as follows:

**§ 1.6038B-1 Reporting of transfers described in section 367.**

[The text of proposed paragraphs (b)(2)(i) and (e) are the same as the text of § 1.6038B-1T (b)(2)(i) and (e) published elsewhere in this issue of the Federal Register].

Margaret Milner Richardson,

*Commissioner of Internal Revenue.*

[FR Doc. 96-20631 Filed 8-9-96; 12:19 pm]

BILLING CODE 4830-01-U

## POSTAL SERVICE

### 39 CFR Part 701

#### Postal Electronic Commerce Service

**AGENCY:** Postal Service.

**ACTION:** Proposed rule electronic postmark test; request for comments.

**SUMMARY:** The United States Postal Service is developing "Postal Electronic Commerce Services" that will provide security and integrity to electronic correspondence and transactions, giving them attributes usually associated with First-Class Mail. As part of this effort, the United States Postal Service is testing a limited prototype of an Electronic Postmarking Service that will offer customers a third-party validation of the time and date that an electronic mail document was received by the Postal Service, and validate the existence of a document by ensuring that it was not changed after its handling by the Postal Service. The test is intended to be concluded within 60 days of its start, although it may be extended. To provide guidance for implementing the test, the Postal Service is proposing to add new regulations to title 39 of the Code of Federal Regulations.

**DATES:** Comments must be received on or before September 13, 1996.

**ADDRESSES:** Written comments should be directed to the Manager, Electronic Commerce Services, Room 5636, 475 L'Enfant Plaza, SW., Washington, DC 20260-2427. Copies of all written documents will be available at that address for inspection and photocopying between 9 a.m. and 4 p.m., Monday through Friday.

**FOR FURTHER INFORMATION CONTACT:** Leo Campbell (202) 268-6837.

**SUPPLEMENTARY INFORMATION:** To further its mission of "binding the Nation together through the correspondence of the people," 39 U.S.C. 101, the United States Postal Service is developing services which, through an extension of its traditional paper mail services, will enable and enhance the development of commerce by electronic means. These "Postal Electronic Commerce Services" will provide security and integrity to electronic correspondence and transactions, giving them attributes usually associated with First-Class Mail. As a first step in this effort, the Postal Service is testing a limited prototype pilot of an "Electronic Postmarking Service." Under this new service, the Postal Service will apply a trusted time and date stamp to a document that has been electronically submitted to the Postal Service ("Electronic Postmark"), and then digitally signs the document with a Postal Service private key (defined by a CCITT X.509 § 509 Version 3 certificate). This Electronic Postmark provides evidence of the document's existence at a specific point in time, allows any subsequent change in the document to be identified, and shows that the Electronic Postmarked version of the document was no longer in the possession of the originator at the time of marking.

This Electronic Postmark is a valuable third-party validation of the official character of some documents. For users of electronic commerce, the Electronic Postmark is a way to send important information in a manner that combines the security of postmarked paper with the speed and convenience of an electronic network. Further, the Electronic Postmark, if offered in combination with a public key infrastructure, can be used to validate the digital signature of a sender of documents. At this time, this certification capability is an additional service that the Postal Service will offer only in the event that there is clear demand from its customers.

Although the prototype system for the Electronic Postmark is still in development, it will be FIPS 140-1 compliant and will incorporate U.S. Postal Service Software Process Standards and Security Management Procedures. The Electronic Postmark will use Digital Signature Standard (DSS) as the signing algorithm. Future implementations may incorporate additional or different algorithms. For the prototype test, the service will be provided by contract with an Authorized Computer Service Provider.

This prototype pilot test is intended to last 60 days, although it may be

extended if necessary to achieve more complete test results.

Although exempt from the notice and comment requirements of the Administrative Procedure Act (5 U.S.C. §§ 553 (b), (c)) regarding proposed rulemaking by 39 U.S.C. § 410(a), the Postal Service invites public comment on the following revisions to the Title 39 of the Code of Federal Regulations.

#### List of Subjects in 39 CFR Part 701

Communications, Electronic  
Commerce Services, Postal Service,  
Telecommunications.

It is proposed that chapter I of title 39 be amended as set forth below.

#### SUBCHAPTER I—ELECTRONIC AND COMPUTER-BASED SERVICES

Part 701 in Subchapter I will be added to read as follows:

#### PART 701—POSTAL ELECTRONIC POSTMARK

Authority: 5 U.S.C. 552(a); 39 U.S.C. 101, 401, 403, 404, 3001-3011.

##### § 701.1 Policy and objective.

The Postal Service seeks to offer Electronic Postmark Services that will offer Senders of Messages a third-party validation of the time and date that the Message was received by the Postal Service, and that will validate the existence of the Message by enabling Recipients to determine whether it was changed after its handling by the Postal Service.

##### § 701.2 Trial period.

The Electronic Postmarking Services (defined in § 701.4) are being provided via a prototype system and will be made available to selected Senders as part of a pilot test that is intended to be concluded within 60 days of its start, although it may be extended if necessary to achieve more complete test results. The Regulations in this part will govern that pilot test.

##### § 701.3 Definitions.

For purposes of this part, the following definitions shall apply:

(a) *Authorized Computer Service Provider* means a third party authorized by the Postal Service to accept and process Messages to be Electronically Postmarked and to forward the Postmarked Messages to the Recipient(s).

(b) *Authorized Value-Added Network* means a private computer-based value-added network designated by the Postal Service as authorized to carry Messages to the Postal Service for Electronic Postmarking.

(c) *Certificate* means a computer-based record that identifies the Postal