

TABLE 1.—MATERIAL INCORPORATED BY REFERENCE

Dowty Propellers Alert Service Bulletin No.	Page	Revision	Date
61-A1133	All	Original	October 17, 2006.
61-A1134	All	Original	October 17, 2006.

Issued in Burlington, Massachusetts, on November 1, 2006.
Peter A. White,
Acting Manager, Engine and Propeller Directorate, Aircraft Certification Service.
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DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 39

[Docket No. FAA-2004-20007; Directorate Identifier 2004-CE-50-AD; Amendment 39-14798; AD 2006-23-01]

RIN 2120-AA64

Airworthiness Directives; Air Tractor, Inc. Model AT-602 Airplanes

AGENCY: Federal Aviation Administration (FAA), DOT.

ACTION: Final rule.

SUMMARY: The FAA adopts a new airworthiness directive (AD) for all Air Tractor, Inc. (Air Tractor) Model AT-602 airplanes. This AD requires you to repetitively inspect (using the eddy current method) the wing center splice joint two outboard fastener holes on both of the wing main spar lower caps

for fatigue cracking; repair or replace any wing main spar lower cap where fatigue cracking is found; and report any fatigue cracking found. This AD results from fatigue cracking at the wing center splice joint outboard fastener hole in one of the wing main spar lower caps. We are issuing this AD to detect and correct cracks in the wing main spar lower cap, which could result in failure of the spar cap and lead to wing separation and loss of control of the airplane.

DATES: This AD becomes effective on December 14, 2006.

As of December 14, 2006, the Director of the Federal Register approved the incorporation by reference of certain publications listed in the regulation.

ADDRESSES: To get the service information identified in this AD, contact Air Tractor, Inc. at P.O. Box 485, Olney, Texas 76374; telephone: (940) 564-5616; or fax: (940) 564-5612.

To view the AD docket, go to the Docket Management Facility; U.S. Department of Transportation, 400 Seventh Street, SW., Nassif Building, Room PL-401, Washington, DC 20590-0001 or on the Internet at <http://dms.dot.gov>. The docket number is FAA-2004-20007; Directorate Identifier 2004-CE-50-AD.

FOR FURTHER INFORMATION CONTACT:

Andrew McAnaul, Aerospace Engineer, ASW-150 (c/o MIDO-43), 10100 Reunion Place, Suite 650, San Antonio, Texas 78216; telephone: (210) 308-3365; fax: (210) 308-3370.

SUPPLEMENTARY INFORMATION:

Discussion

On August 3, 2006, we issued a proposal to amend part 39 of the Federal Aviation Regulations (14 CFR part 39) to include an AD that would apply to all Air Tractor, Inc. (Air Tractor) Model AT-602 airplanes. This proposal was published in the **Federal Register** as a supplemental notice of proposed rulemaking (NPRM) on August 9, 2006 (71 FR 45467). The supplemental NPRM proposed to require you to repetitively inspect (using the eddy current method) the wing center splice joint two outboard fastener holes on both of the wing main spar lower caps for fatigue cracking; repair or replace any wing main spar lower cap where fatigue cracking is found; and report any fatigue cracking found.

The following table contains AD actions that address the wing spar safe life of the Air Tractor airplane fleet:

RELATED AD ACTIONS

AD No.	Affected air tractor model airplanes	Status
2000-14-51	AT-501, AT-502, and AT-502A	Superseded by AD 2001-10-04.
2001-10-04	AT-400, AT-500, and AT-800 Series	Revised by AD 2001-10-04 R1.
2001-10-04 R1	AT-400, AT-500, and AT-800 Series	Superseded by AD 2002-11-05.
2002-11-05	AT-400, AT-401, AT-401B, AT-402, AT-402A, AT-402B, AT-501, AT-802, and AT-802A.	Revised by AD 2002-11-05 R1.
2002-13-02	AT-300, AT-301, AT-302, AT-400, and AT-400A Airplanes.	Superseded by AD 2003-06-01.
2002-11-03	AT-502, AT-502A, AT-502B, and AT-503A	Superseded by AD 2002-26-05.
2002-26-05	AT-502, AT-502A, AT-502B, and AT-503A	Current.
2003-06-01	AT-300, AT-301, AT-302, AT-400, and AT-400A ...	Current.
2002-11-05 R1	AT-501	Current.
2006-08-08	AT-400, AT-401, AT-401B, AT-402, AT-402A, and AT-402B.	Current.
2006-08-09	AT-802 and AT-802A	Current.

You may view these ADs at the following Internet Web site addresses: http://www.airweb.faa.gov/Regulatory_and_Guidance_Library/rgAD.nsf/MainFrame?OpenFrameSet&www.gpoaccess.gov/fr/index.html.

Comments

We provided the public the opportunity to participate in developing this AD. The following presents the comments received on the proposal and FAA's response to each comment:

Comment Issue No. 1: Publish the Manufacturer Service Information

Jack Buster with the Modification and Replacement Parts Association (MARPA) provides comments on how the FAA addresses publishing

manufacturer service information as part of a proposed AD action. The commenter states that the proposed rule attempts to require compliance with a public law by reference to a private writing (as referenced in paragraph (e) of the proposed AD). The commenter would like the FAA to incorporate by reference (IBR) the Snow Engineering Company service information.

We agree with Mr. Buster. However, we do not IBR any document in a proposed AD action, instead we IBR the document in the final rule. Since we are issuing the proposal as a final rule AD action, the service information referenced in the NPRM is incorporated by reference.

Comment Issue No. 2: Availability of IBR Documents in the Docket Management System (DMS)

Mr. Buster requests IBR documents be made available to the public by publication in the **Federal Register** or in the Docket Management System (DMS).

We are currently reviewing issues surrounding the posting of service bulletins in the Department of Transportation's DMS as part of the AD docket. Once we have thoroughly examined all aspects of this issue and have made a final determination, we will consider whether our current practice needs to be revised.

Conclusion

We have carefully reviewed the available data and determined that air

safety and the public interest require adopting the AD as proposed except for minor editorial corrections. We have determined that these minor corrections:

- Are consistent with the intent that was proposed in the NPRM for correcting the unsafe condition; and
- Do not add any additional burden upon the public than was already proposed in the NPRM.

Costs of Compliance

We estimate that this AD affects 107 airplanes in the U.S. registry.

We estimate the following costs to do the inspection:

Labor cost	Parts cost	Eddy current inspection	Total cost per airplane	Total cost on U.S. operators
Initial inspection and installation of access panels—24 work-hours × \$80 = \$1,920	\$645	*\$500	\$3,065	\$327,955
Repetitive Inspection (each)	60	*800	860	92,020

*Eddy current inspections are an estimated flat cost that includes labor and use of equipment.

We estimate the following costs to do any necessary repairs that would be

required based on the results of the proposed inspection. We have no way of

determining the number of airplanes that may need this repair:

Labor cost	Parts cost	Total cost per airplane
Install web plate, 8-bolt splice blocks, and cold work fastener holes: Air Tractor estimated a labor cost of \$12,100. When broken down into work-hours, we estimated 151 work-hours to complete the task. 151 work-hours × \$80 = \$12,080	\$6,900	\$18,980
Cold work fastener holes following Snow Engineering Co. Service Letter #244, dated April 25, 2005: 19 work-hours × \$80 = \$1,520	1,350	2,870

Authority for This Rulemaking

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

We are issuing this rulemaking under the authority described in Subtitle VII, Part A, Subpart III, Section 44701, "General requirements." Under that section, Congress charges the FAA with promoting safe flight of civil aircraft in air commerce by prescribing regulations for practices, methods, and procedures the Administrator finds necessary for safety in air commerce. This regulation is within the scope of that authority because it addresses an unsafe condition that is likely to exist or develop on products identified in this AD.

Regulatory Findings

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

For the reasons discussed above, I certify that this AD:

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

We prepared a summary of the costs to comply with this AD (and other information as included in the Regulatory Evaluation) and placed it in

the AD Docket. You may get a copy of this summary by sending a request to us at the address listed under **ADDRESSES**. Include "Docket No. FAA-2004-20007; Directorate Identifier 2004-CE-50-AD" in your request.

List of Subjects in 14 CFR Part 39

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

Adoption of the Amendment

■ Accordingly, under the authority delegated to me by the Administrator, the Federal Aviation Administration amends part 39 of the Federal Aviation Regulations (14 CFR part 39) as follows:

PART 39—AIRWORTHINESS DIRECTIVES

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

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

§ 39.13 [Amended]

■ 2. FAA amends § 39.13 by adding a new AD to read as follows:

2006-23-01 Air Tractor, Inc.: Amendment 39-14798; Docket No. FAA-2004-20007; Directorate Identifier 2004-CE-50-AD.

Effective Date

(a) This AD becomes effective on December 14, 2006.

Affected ADs

(b) None.

Applicability

(c) This AD affects Model AT-602 airplanes, all serial numbers beginning with

602-0337, that are certificated in any category.

Unsafe Condition

(d) This AD is the result of fatigue cracking of the wing main spar lower cap at the centerline splice joint outboard fastener hole. The actions specified in this AD are intended to detect and correct cracks in the wing main spar lower cap, which could result in failure of the spar cap and lead to wing separation and loss of control of the airplane.

Compliance

(e) To address the problem, do the following:

(1) Before doing the initial eddy current inspection required in paragraph (e)(2) of this

AD, gain access for the inspection by cutting inspection holes, modifying the vent tube, and installing cover plates; unless already done. Follow Snow Engineering Co. Service Letter #204, revised March 26, 2001, Drawing titled "602 Spar Inspection Holes and Vent Tube Mod.," dated November 13, 2003.

(2) Eddy current inspect the wing center splice joint outboard two fastener holes in both the right and left wing main spar lower caps for cracks. Follow Snow Engineering Co. Process Specification #197, Revised June 4, 2002. For the following airplanes, use the wing spar lower cap hours time-in-service (TIS) schedule below in Table 1 of this AD to do the initial and repetitive inspections:

TABLE 1.—COMPLIANCE TIMES FOR INSPECTION

Serial Nos.	Condition	Initially inspect	Repetitively inspect thereafter at the following intervals
(i) 602-0337 through 602-0584	As manufactured	Upon accumulating 2,000 hours TIS or within 50 hours TIS after December 14, 2006 (the effective date of this AD), whichever occurs later, unless already done.	1,000 hours TIS.
(ii) 602-0337 through 602-0584	Modified with cold-worked fastener holes following Snow Engineering Co. Service Letter #244, dated April 25, 2005.	If performing the cold-working procedure in Service Letter #244, it includes the eddy current inspection.	2,000 hours TIS.

(3) Do an eddy current inspection as part of the cold working procedure in Service Letter #244, dated April 25, 2005, even if the wing spar was previously inspected.

(4) One of the following must do the inspection:

(i) A level 2 or 3 inspector certified in eddy current inspection using the guidelines established by the American Society for Nondestructive Testing or NAS 410; or

(ii) A person authorized to perform AD maintenance work and who has completed and passed the Air Tractor, Inc. training course on Eddy Current Inspection on wing lower spar caps.

(f) For the airplanes listed in paragraph (e)(2) of this AD, as terminating action for the inspection requirements, you may modify your wing by installing part number (P/N) 20996-2 steel web plate and P/N 20985-1/2 8-bolt splice blocks following Snow Engineering Co. Drawing 20998, Revision B, dated September 28, 2004, and cold work the lower spar cap two outboard fastener holes at the wing center section splice connection following Snow Engineering Co. Service Letter #240, dated September 30, 2004.

(g) For all affected airplanes listed in paragraph (e)(2) of this AD, repair or replace any cracked spar cap before further flight. For repair or replacement, do one of the following:

(1) For cracks that can be removed by performing the terminating action listed in paragraph (f) of this AD above, perform the actions in paragraph (f) of this AD.

(2) For cracks that can not be removed by performing the terminating action in paragraph (f) of this AD, you must replace the

lower spar caps and associated parts listed in paragraph (h) of this AD before continued flight.

(h) For all Model AT-602 airplanes, upon accumulating 6,500 hours TIS on the wing spar lower caps or within the next 50 hours TIS after December 14, 2006 (the effective date of this AD), whichever occurs later, replace the wing lower spar caps, splice blocks and hardware, wing attach angles and hardware, and install the steel web plate, P/N 20996-2, if not already installed, following Snow Engineering Co. Drawing 20776, Sheet 2, Revision A, dated August 30, 2004. Compliance with this paragraph terminates the inspection requirements of paragraph (e)(2) of this AD.

(i) Report any cracks you find within 10 days after the cracks are found or within 10 days after December 14, 2006 (the effective date of this AD), whichever occurs later. Include in your report the airplane serial number, airplane TIS, wing spar cap TIS, crack location and size, corrective action taken, and a point of contact name and phone number. Send your report to Andrew McAnaul, Aerospace Engineer, ASW-150 (c/o MIDO-43), 10100 Reunion Place, Suite 650, San Antonio, Texas 78216; telephone: (210) 308-3365; facsimile: (210) 308-3370. The Office of Management and Budget (OMB) approved the information collection requirements contained in this regulation under the provisions of the Paperwork Reduction Act of 1980 (44 U.S.C. 3501 and those following sections) and assigned OMB Control Number 2120-0056.

Alternative Methods of Compliance (AMOCs)

(j) The Manager, Fort Worth Airplane Certification Office, FAA, ATTN: Andrew McAnaul, Aerospace Engineer, ASW-150 (c/o MIDO-43), 10100 Reunion Place, Suite 650, San Antonio, Texas 78216; telephone: (210) 308-3365; facsimile: (210) 308-3370, has the authority to approve AMOCs for this AD, if requested using the procedures found in 14 CFR 39.19.

Related Information

(k) None.

Material Incorporated by Reference

(l) You must use the service information specified in Table 2 of this AD to do the actions required by this AD, unless the AD specifies otherwise.

(1) The Director of the Federal Register approved the incorporation by reference of this service information under 5 U.S.C. 552(a) and 1 CFR part 51.

(2) For service information identified in this AD, contact Air Tractor, Inc. at address P.O. Box 485, Olney, Texas 76374; telephone: (940) 564-5616; or facsimile: (940) 564-5612.

(3) You may review copies at the FAA, Central Region, Office of the Regional Counsel, 901 Locust, Kansas City, Missouri 64106; or at the National Archives and Records Administration (NARA). For information on the availability of this material at NARA, call 202-741-6030, or go to: http://www.archives.gov/federal_register/code_of_federal_regulations/ibr_locations.html.

TABLE 2.—MATERIAL INCORPORATED BY REFERENCE

Snow Engineering Co. service information	Date
Process Specification #197.	Revised June 4, 2002.
Drawing 20776, Sheet 2, Revision A.	August 30, 2004.
Service Letter #204 ...	Revised March 26, 2001.
Service Letter #240 ...	September 30, 2004.
Drawing 20998, Revision B.	September 28, 2004.
Service Letter #244 ...	April 25, 2005.

Issued in Kansas City, Missouri, on October 26, 2006.

James E. Jackson,

Acting Manager, Small Airplane Directorate, Aircraft Certification Service.

[FR Doc. E6-18688 Filed 11-8-06; 8:45 am]

BILLING CODE 4910-13-P

DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

[TD 9296]

RIN 1545-BD60

Credit for Increasing Research Activities

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Final regulations and removal of temporary regulations.

SUMMARY: This document contains final regulations relating to the computation and allocation of the credit for increasing research activities for members of a controlled group of corporations or a group of trades or businesses under common control. These final regulations reflect changes made to section 41 by the Revenue Reconciliation Act of 1989, which introduced the current computational regime for the credit, and the Small Business Job Protection Act of 1996, which introduced the alternative incremental research credit.

DATES: *Effective Date:* These regulations are effective November 9, 2006.

Applicability Dates: For dates of applicability see §§ 1.41-6(j) and 1.41-8(b)(5).

FOR FURTHER INFORMATION CONTACT: Nicole R. Cimino (202) 622-3120 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

This document amends 26 CFR part 1 to provide revised rules for the research credit under section 41, specifically section 41(f). On May 24, 2005, the Treasury Department and the IRS published in the **Federal Register** (70 FR 29662) proposed amendments to the regulations under section 41(f) by cross-reference to temporary regulations (REG-134030-04) and temporary regulations (70 FR 29596) (TD 9205) (collectively, the 2005 regulations) relating to the computation and allocation of the credit for increasing research activities (research credit) under section 41 for members of a controlled group of corporations or a group of trades or businesses under common control (controlled groups). The 2005 notice of proposed rulemaking withdrew the proposed regulations published in the **Federal Register** on July 29, 2003 (68 FR 44499) (REG-133791-02) (the 2003 proposed regulations). A public hearing was held on October 19, 2005. After considering the comments received and the statements made at the public hearing regarding the 2005 regulations, the 2005 regulations are adopted as revised by this Treasury decision. These final regulations generally retain the provisions of the 2005 regulations with the modifications discussed below.

Summary of Comments and Explanation of Provisions

Allocation of the Group Credit

The 2005 regulations required that the group credit that did not exceed the sum of the stand-alone entity credits of all the members of the group be allocated among the members of a controlled group in proportion to the relative amounts of each individual member's stand-alone entity credit, computed for each member using the method that would have yielded the largest stand-alone entity credit for that member. Any excess of the group credit over the sum of the stand-alone entity credits of all the members of the group was allocated among all the members of the group based on the ratio of an individual member's qualified research expenditures (QREs) to the sum of all the members' QREs.

Although commentators generally agreed that the 2005 regulations fixed the anomalous results (for example, none of the group credit would be allocated to the members of the controlled group if no member had stand-alone entity credits) created by the method in the 2003 proposed regulations, some commentators continued to disagree with the stand-

alone entity credit method.

Commentators again suggested that the members of a controlled group should be permitted to use any reasonable method to allocate the group credit as long as the group's members collectively do not claim more than 100 percent of the group credit, or that if one method must be prescribed for all situations, a method that allocates the group credit based on the relative amounts of each member's total QREs (gross QREs method) is more appropriate than any other method.

The Treasury Department and the IRS continue to believe that the allocation method under section 41(f) should be based on a group member's QREs in excess of a base amount, and that the stand-alone entity credit method reflects the incremental nature of the credit. The Treasury Department and the IRS believe that the stand-alone entity credit method of the 2005 regulations is consistent with the purpose of section 41(f) and its underlying legislative history. Further, a single, prescribed method is necessary to ensure the group's members collectively do not claim more than 100 percent of the group credit. For the reasons stated above and in the preamble to the 2005 regulations, the final regulations do not adopt the changes suggested by the commentators, and retain the allocation method contained in the 2005 regulations.

Special Allocation Rule for Consolidated Groups

The 2005 regulations provide that, for purposes of allocating the group credit among the members of a controlled group (first-tier allocation), a consolidated group (whose members are members of the controlled group) is treated as a single member of the controlled group, and a single stand-alone entity credit is computed for the consolidated group. If the consolidated group is the only member of the controlled group, the stand-alone entity credit computed for the consolidated group is equal to the group credit. The portion of the group credit allocated to a consolidated group must be allocated among the members of the consolidated group (second-tier allocation) in proportion to the stand-alone entity credits of the members of the consolidated group. Under the 2005 regulations, this rule applied only to taxable years ending on or after May 24, 2005.

One commentator argued that the treatment of a consolidated group as a single member of a controlled group is contrary to the statutory language of sections 41(f)(5) and 1563. The