were invited to participate in the rulemaking proceeding by submitting written comments on the proposal. No comments were received.

The coordinates for this airspace docket are based on North American Datum 83. Class E airspace areas extending upward from 700 feet or more above the surface of the earth are published in paragraph 6005 of FAA Order 7400.9C dated August 17, 1995, and effective September 16, 1995, which is incorporated by reference in 14 CFR 71.1. The Class E airspace listed in this document will be published subsequently in the Order.

The Rule

This amendment to part 71 of Federal Aviation Regulations establishes Class E airspace at John Day, Oregon. The FAA has determined that this regulation only involves an established body of technical regulations for which frequent and routine amendments are necessary to keep them operationally current. It, therefore, (1) is not a ''significant regulatory action'' under Executive Order 12866; (2) is not a ''significant rule'' under DOT Regulatory Policies and Procedures (44 FR 11034; February 26, 1979); and (3) does not warrant preparation of a regulatory evaluation as the anticipated impact is so minimal. Since this is a routine matter that will only affect air traffic procedures and air navigation, it is certified that this rule will not have a significant economic impact on a substantial number of small entities under the criteria of the Regulatory Flexibility Act.

List of Subjects in 14 CFR Part 71

Airspace, Incorporation by reference, Navigation (air).

Adoption of the Amendment

In consideration of the foregoing, the FAA amends 14 CFR part 71 as follows:

PART 71—[AMENDED]

1. The authority citation for 14 CFR part 71 continues to read as follows:

Authority: 49 U.S.C. 106(g), 40103, 40113, 40120; E.O. 10854, 24 FR 9565, 3 CFR, 1959–1963 Comp., p. 389; 14 CFR 11.69.

§ 71.1 [Amended]

2. The incorporation by reference in 14 CFR 71.1 of the Federal Aviation Administration Order 7400.9C, Airspace Designations and Reporting Points, dated August 17, 1995, and effective September 16, 1995, is amended as follows:

Paragraph 6005 Class E airspace areas extending upward from 700 feet or more above the surface of the earth.

ANM–OR E5 John Day, OR

John Day State Airport, OR
(Lat 44°24′14″N, long. 118°57′49″W)

That airspace extending upward from 700 feet above the surface within a 6.5-mile radius of the John Day State Airport; that airspace extending upward from 1,200 feet above the surface within a 9-mile radius of the John Day State Airport, and that airspace within 4 miles either side of a line bearing 076° true from the John Day State Airport, extending from the 9-mile radius to a point 38 miles northeast of the airport, and within an area bounded on the northwest by V357, on the northeast by V4, on the southeast of V269, and on the southwest by V500; excluding that airspace within Federal Airways.

* * * * *

Issued in Seattle, Washington, on May 1, 1996.

Richard E. Prang,

Acting Assistant Manager, Air Traffic Division, Northwest Mountain Region.

[FR Doc. 96–11728 Filed 5–9–96; 8:45 am]

BILLING CODE 4910–13–M

14 CFR Part 71

[Airspace Docket No. 95–AWP–13]

Establishment of Class E Airspace; Hollister, CA

AGENCY: Federal Aviation Administration (FAA), DOT.

ACTION: Final rule.

SUMMARY: This action establishes a Class E airspace area at Hollister, CA. The development of a Global Positioning System (GPS) Standard Instrument Approach Procedure (SIAP) to Runway (RWY) 31 has made this action necessary. The intended effect of this action is to provide adequate controlled airspace for Instrument Flight Rules (IFR) operations at Hollister Municipal Airport, Hollister, CA.

EFFECTIVE DATE: 0901 UTC August 15, 1996.

FOR FURTHER INFORMATION CONTACT: William Buck, Airspace Specialist, Operations Branch, AWP–530, Air Traffic Division, Western-Pacific Region, Federal Aviation Administration, 15000 Aviation Boulevard, Lawndale, California, 90261, telephone (310) 725–6556.

SUPPLEMENTARY INFORMATION:

History

On January 8, 1996, the FAA proposed to amend part 71 of the Federal Aviation Regulations (14 CFR part 71) by establishing a Class E airspace area at Hollister, CA (61 FR 549). On March 11, 1996, the FAA issued a supplemental notice to amend this proposal to establish a Class E airspace area at Hollister, (61 FR 9655). This action will provide adequate controlled airspace to accommodate a GPS SIAP to RWY 31 at Hollister Municipal Airport, Hollister, CA.

Interested parties were invited to participate in this rulemaking proceeding by submitting written comments on the proposals to the FAA. No comments to the proposals were received. Class E airspace designations are published in paragraph 6005 of FAA Order 7400.9C dated August 17, 1995, and effective September 16, 1995, which is incorporated by reference in 14 CFR 71.1. The E airspace designation listed in this document will be published subsequently in this Order.

The Rule

This amendment to part 71 of the Federal Aviation Regulations (14 CFR part 71) establishes a Class E airspace area at Hollister, CA. The development of a GPS SIAP to RWY 31 has made this action necessary. The intended effect of this action is to provide adequate controlled airspace for aircraft executing the GPS RWY 31 SIAP at Hollister Municipal Airport, Hollister, CA.

The FAA has determined that this regulation only involves an established body of technical regulations for which frequent and routine amendments are necessary to keep them operationally current. Therefore, this regulation—(1) is not a ''significant regulatory action'' under Executive Order 12866; (2) is not a ''significant rule'' under DOT Regulatory Policies and Procedures (44 FR 10034; February 26, 1979); and (3) does not warrant preparation of a Regulatory Evaluation as the anticipated impact is so minimal. Since this is a routine matter that will only affect air traffic procedures and air navigation, it is certified that this rule will not have a significant economic impact on a substantial number of small entities under the criteria of the Regulatory Flexibility Act.

List of Subjects in 14 CFR Part 71

Airspace, Incorporation by reference, Navigation (air).

Adoption of the Amendment

In consideration of the foregoing, the Federal Aviation Administration amends 14 CFR part 71 as follows:

PART 71—[AMENDED]

1. The authority citation for 14 CFR part 71 continues to read as follows:

Authority: 49 U.S.C. 106(g), 40103, 40113, 40120; E.O. 10854, 24 FR 9565, 3 CFR, 1959–1963 Comp., p. 389; 14 CFR 11.69.

§ 71.1 [Amended]

2. The incorporation by reference in 14 CFR 71.1 of the Federal Aviation Administration Order 7400.9C, Airspace Designations and Reporting Points, dated August 17, 1995, and effective September 16, 1995, is amended as follows:

Paragraph 6005 Class E airspace areas extending upward from 700 feet or more above the surface of the earth.

* * * * *

AWP CA E5 Hollister, CA [New]

Hollister Municipal Airport, CA
(Lat. 36°53′36″N, long. 121°24′37″W)

That airspace extending upward from 700 feet above the surface within a 4.2-mile radius of the Hollister Municipal Airport and within 2 miles each side of the 142° bearing from the Hollister Municipal Airport, extending from the 4.2-mile radius to 10 miles southeast of the Hollister Municipal Airport and within 2 miles each side of the 320° bearing from the Hollister Municipal Airport extending from the 4.2-mile radius to 5.4 miles northwest of the Hollister Municipal Airport.

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Issued in Los Angeles, California, on April 23, 1996.

Harvey R. Riebel,

Acting Manager, Air Traffic Division, Western-Pacific Region.

[FR Doc. 96–11727 Filed 5–9–96; 8:45 am]

BILLING CODE 4910–13–M

DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

[TD 8669]

RIN 1545–AR18

Computation of Combined Taxable Income Under The Profit Split Method When the Possession Product is a Component Product or an End-Product Form for Purposes of the Possessions Credit Under Section 936

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Final regulations.

SUMMARY: This document contains final regulations relating to the computation of combined taxable income under the profit split method. These regulations amend the current regulations and provide revised rules for taxpayers to compute combined taxable income under the profit split method when the possession product chosen for purposes of section 936(h)(5) of the Internal Revenue Code is a component product or an end-product form. These regulations are necessary to provide guidance to taxpayers electing the profit split method of computing taxable income under section 936(h)(5).

DATES: These regulations are effective May 10, 1996. See Supplementary Information for applicability dates.

FOR FURTHER INFORMATION CONTACT: Jacob Feldman, 202–622–3870 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

On January 12, 1994, the IRS published a notice of proposed rulemaking in the Federal Register (INTL–0068–92, 59 FR 1690, 1994–1 C.B. 820) relating to the computation of combined taxable income under the profit split method under section 936(h)(5) (relating to the possessions credit for U.S. companies doing qualified business in Puerto Rico and certain U.S. possessions). A number of written public comments were received concerning the proposed regulations and a public hearing was held on July 11, 1994. After consideration of all the comments, the proposed regulations are adopted as revised by this Treasury decision. The revisions are discussed below.

Discussion

The proposed regulations would amend § 1.936–6(b)(1), Q&A 12. Under the proposed regulations, combined taxable income for a taxpayer that elects the profit split method for a possession product that is either a component product or an end-product form would be determined by multiplying the combined taxable income of the integrated product that includes the possession product by a production cost ratio. In the case of a component product, the combined taxable income of the integrated product would be multiplied by a ratio the numerator of which is the production costs of the component product and the denominator of which is the production costs of the integrated product. The combined taxable income of an end-product form would be determined in a similar manner using the production costs of the end-product form. The regulations were proposed to be effective for taxable years beginning after 1993.

Taxpayers have argued that the regulations should not be adopted as proposed because they would violate the arm's length standard under section 482 and that a necessary consequence of the abandonment of the arm's length standard would be distortions in taxpayers' income. That is, income would be computed inconsistently for related versus unrelated party sales of the same product, under the same terms and in the same market.

The proposed regulations did not apply the arm's length standard to component products and end-product forms under the profit-split method because application of section 482 in this context is inconsistent with the statutory framework. The effect of the profit split method when applied to possession products is to minimize disputes between taxpayers and the IRS because, unlike section 482 methods, there is no need to perform functional analyses to allocate income among the parties. Because Congress eliminated the section 482 analysis from the profit split method, the proposed regulations did not reinject this analysis into the area of intermediate products.

In response to taxpayer comments, however, the IRS and Treasury are providing an election to taxpayers that sell the same possession product in both component form and integrated form if the transactions meet certain section 482 standards. This method is both simple to apply and produces consistent results with respect to related and unrelated party transactions. Under this method, the combined taxable income from covered sales of the component product shall be determined by using the same per unit combined taxable income as is derived from uncontrolled sales of the product as an integrated product. Taxpayers may elect to compute the combined taxable income for an end-product form in a similar manner if all excluded components are manufactured by a member of the affiliated group that includes the possession corporation and also sold by the group separately in uncontrolled transactions. In that case, the combined taxable income of the end-product form will be computed by reducing the combined taxable income of the integrated product that includes the end-product form by the combined taxable income of the excluded components determined under the rules of section 936 as if the excluded components were possession products. In order to make the election, the uncontrolled sales must meet the comparability standards of the fourth sentence of § 1.482–3(b)(2)(ii)(A), which requires that the uncontrolled and controlled transactions have no differences or minor differences for which adjustment can be made. However, under a no loss limitation, in no case can the taxpayer use as its per