

## DEPARTMENT OF THE TREASURY

## Customs Service

## 19 CFR Parts 10, 18, and 114

[T.D. 98—10]

RIN 1515-AC03

**Bilateral Carnet Agreement Between the American Institute in Taiwan and the Taipei Economic and Cultural Representative Office**

**AGENCY:** Customs Service, Department of the Treasury.

**ACTION:** Final rule.

**SUMMARY:** This document amends the Customs Regulations which apply to carnets to reflect a bilateral agreement between the Taipei Economic and Cultural Representative in the United States (TECRO) and the American Institute in Taiwan (AIT). This agreement established a TECRO/AIT Carnet for the temporary admission of goods, commercial samples and professional equipment.

**EFFECTIVE DATE:** February 27, 1998.

**FOR FURTHER INFORMATION CONTACT:** Sharon Goodson or Dennis Sequeira, International Organizations and Agreements Division, U.S. Customs, 202-927-0971.

**SUPPLEMENTARY INFORMATION:****Background**

A carnet is an international customs document, backed by an internationally valid guarantee, which may be used for the entry of articles under various customs procedures such as temporary importation and transportation in bond. The carnet is used in place of the usual national customs documentation and guarantees the payment of duties (including taxes and associated penalties) which may become due if the carnet requirements are not satisfied. The existence of a single document rather than numerous national documents facilitates international commerce.

The carnet guarantee is based on chains of national guaranteeing associations established in the countries accepting the carnets. The guaranteeing association is jointly and severally liable with the carnet holder for payment of the sums due in the event of noncompliance with the conditions or the procedures for which the carnet is used.

**Benefits of the TECRO/AIT Carnet**

In recent years, trade between the United States and Taiwan has increased. It is expected that this trend will

continue, and that such trade can be facilitated through the use of carnets. However, Taiwan is currently ineligible to accede to the A.T.A. (Admission Temporaire—Temporary Admission) Carnet Convention, under which carnets facilitate trade among more than fifty contracting parties. Thus, Taiwan has sought access to the carnet facility through the recently concluded bilateral agreement between the Taipei Economic and Cultural Representative in the United States (TECRO) and the American Institute in Taiwan (AIT). This agreement established a TECRO/AIT Carnet for the temporary admission of goods, commercial samples and professional equipment. This agreement was negotiated pursuant to the authority contained in 22 U.S.C. 3305.

On November 4, 1996, Customs published a Notice of Proposed Rulemaking in the **Federal Register** (61 FR 56645) which proposed amending the Customs Regulations to reflect the TECRO/AIT Carnet and solicited comments on the proposal. No comments were received in response to the publication. After further consideration, Customs has determined to proceed to amend the regulations as proposed.

A Notice informing the public of the decision of the Commissioner of Customs regarding the selection of an issuing and guaranteeing association for the TECRO/AIT carnet will be made in a separate publication in the **Federal Register**.

**Regulatory Flexibility Act**

Insofar as the amendment is intended to facilitate international trade and remove some existing impediments to the conduct of business, pursuant to the provisions of the Regulatory Flexibility Act (5 U.S.C. 601 *et seq.*), it is certified that the amendment will not have a significant economic impact on a substantial number of small entities. Accordingly, it is not subject to the regulatory analysis or other requirements of 5 U.S.C. 603 and 604.

**Executive Order 12866**

The amendment does not meet the criteria for a "significant regulatory action" under E.O. 12866.

**Drafting Information**

The principal author of this document was Peter T. Lynch, Regulations Branch, Office of Regulations and Rulings, U.S. Customs Service. However, personnel from other offices participated in its development.

**List of Subjects***19 CFR Part 10*

Customs duties and inspection, Exports, Reporting and recordkeeping requirements.

*19 CFR Part 18*

Common carriers, Customs duties and inspection, Exports, Surety bonds.

*19 CFR Part 114*

Customs duties and inspection, Exports, Trade agreements.

**Amendments to the Regulations**

Parts 10, 18 and 114 of the Customs Regulations (19 CFR parts 10, 18 and 114) are amended as set forth below:

**PART 10—ARTICLES CONDITIONALLY FREE, SUBJECT TO A REDUCED RATE, ETC.**

1. The general authority citation for part 10 continues to read as follows:

**Authority:** 19 U.S.C. 66, 1202 (General Note 20, Harmonized Tariff Schedule of the United States), 1321, 1481, 1484, 1498, 1508, 1623, 1624, 3314.

\* \* \* \* \*

**§ 10.31 [Amended]**

2. Section 10.31 is amended by adding in paragraphs (a)(1) and (a)(2) the phrase "or a TECRO/AIT carnet" immediately after the words "A.T.A. carnet".

**§ 10.39 [Amended]**

3. Section 10.39(d)(2) is amended by adding the words "or Agreement" immediately after the phrase "in the Convention".

**PART 18—TRANSPORTATION IN BOND AND MERCHANDISE IN TRANSIT**

1. The general authority citation for part 18 is revised to read as follows:

**Authority:** 5 U.S.C. 301; 19 U.S.C. 66, 1202 (General Note 20, Harmonized Tariff Schedule of the United States), 1551, 1552, 1553, 1624.

\* \* \* \* \*

**§ 18.1 [Amended]**

2. Section 18.1(a)(3) is amended by adding the phrase "or TECRO/AIT" immediately after the abbreviation "A.T.A." each time it appears.

**§ 18.8 [Amended]**

3. Section 18.8(e)(3) is amended by adding the phrase "or TECRO/AIT" immediately after the abbreviation "A.T.A." each time it appears.

**PART 114—CARNETS**

1. The authority citation for part 114 is revised to read as follows:

**Authority:** 19 U.S.C. 66, 1202 (General Note 20, Harmonized Tariff Schedule of the United States), 1623, 1624.

2. In § 114.1, paragraphs (b) and (c) are amended by adding the phrase “or bilateral Agreement” immediately after the words “Customs Convention” each time they appear, and a new paragraph (g) is added to read as follows:

**§ 114.1 Definitions.**

\* \* \* \* \*

(g) *TECRO/AIT Carnet*. “TECRO/AIT carnet” means the document issued pursuant to the Bilateral Agreement between the Taipei Economic and Cultural Representative Office (TECRO) and the American Institute in Taiwan (AIT) to cover the temporary admission of goods.

3. Section 114.2 is amended by revising the section heading and the introductory text and by adding a new paragraph (d) to read as follows:

**§ 114.2 Customs Conventions and Agreements.**

The regulations in this part relate to carnets provided for in the following Customs Conventions and Agreements:

\* \* \* \* \*

(d) Agreement Between the Taipei Economic and Cultural Representative Office in the United States and the American Institute in Taiwan on TECRO/AIT Carnet for the Temporary Admission of Goods (hereinafter referred to as the Agreement).

**§ 114.3 [Amended]**

4. In § 114.3, the introductory text in paragraph (a) and paragraph (a)(2) are amended by adding the words “or Agreement” immediately after the word “Convention” each time it appears.

**§ 114.11 [Amended]**

5. Section 114.11 is amended by adding the words “or Agreement” immediately after the word “Convention” each time it appears.

6. Section 114.22 is amended by redesignating paragraph (d) as paragraph (e) and adding a new paragraph (d) to read as follows:

**§ 114.22 Coverage of carnets.**

\* \* \* \* \*

(d) *TECRO/AIT carnet*.—(1) *Use*. The TECRO/AIT carnet is acceptable for the following two categories of goods to be temporarily imported, unless importation is prohibited under the laws and regulations of the United States:

(i) Professional equipment; and  
(ii) Commercial samples and advertising material imported for the purpose of being shown or demonstrated with a view to soliciting orders.

(2) *Issue and use*. (i) Issuing associations shall indicate on the cover of the TECRO/AIT carnet the customs territory in which it is valid and the name and address of the guaranteeing association.

(ii) The period fixed for re-exportation of goods imported under cover of a TECRO/AIT carnet shall not in any case exceed the period of validity of that carnet.

\* \* \* \* \*

7. Section 114.23 is amended by adding a new paragraph (c) to read as follows:

**§ 114.23 Maximum period.**

\* \* \* \* \*

(c) *TECRO/AIT carnet*. A TECRO/AIT carnet shall not be issued with a period of validity exceeding one year from the date of issue. This period of validity cannot be extended and must be shown on the front cover of the carnet.

**§ 114.24 [Amended]**

8. Section 114.24 is amended by adding the phrase “or TECRO/AIT” immediately after the abbreviation “A.T.A.”.

**§ 114.25 [Amended]**

9. Section 114.25 is amended by adding the phrase “or TECRO/AIT” immediately after the abbreviation “A.T.A.”.

**§ 114.26 [Amended]**

10. In § 114.26, paragraphs (a) and (b) are amended by adding the phrase “or TECRO/AIT” immediately after the abbreviation “A.T.A.” each time it appears.

**§ 114.31 [Amended]**

11. Section 114.31(b) is amended by adding the phrase “or TECRO/AIT” immediately after the abbreviation “A.T.A.”.

**§ 114.32 [Amended]**

12. Section 114.32 is amended by adding the phrase “or TECRO/AIT” immediately after the abbreviation “A.T.A.” the first time it appears and by adding the phrase “or TECRO/AIT Agreement” immediately after the phrase “A.T.A. Convention”.

**§ 114.33 [Amended]**

13. Section 114.33 is amended by adding the words “or Agreement” immediately after the word “Convention”.

**§ 114.34 [Amended]**

14. Section 114.34 is amended by adding, in the heading and text of paragraph (b), the phrase “or TECRO/AIT” immediately after the abbreviation “A.T.A.” each time it appears.

**George J. Weise,**

*Commissioner of Customs.*

Approved: August 22, 1997.

**Dennis M. O'Connell,**

*Acting Deputy Assistant Secretary of the Treasury.*

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**DEPARTMENT OF THE TREASURY****Internal Revenue Service****26 CFR Part 1**

[TD 8762]

RIN 1545–AB43

**Installment Obligations Received From Liquidating Corporations**

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

**ACTION:** Final regulations.

**SUMMARY:** This document contains final regulations relating to the use of the installment method to report the gain recognized by a shareholder who receives, in exchange for the shareholder's stock, certain installment obligations that are distributed upon the complete liquidation of a corporation. Changes to the applicable tax law were made by the Installment Sales Revision Act of 1980 and the Tax Reform Act of 1986. These regulations affect taxpayers who receive installment obligations in exchange for their stock upon the complete liquidation of a corporation.

**DATES:** This regulation is effective January 28, 1998.

For dates of applicability, see § 1.453–11(e) of these regulations.

**FOR FURTHER INFORMATION CONTACT:** George F. Wright, (202) 662–4950 (not a toll-free number).

**SUPPLEMENTARY INFORMATION:****Background**

Section 453(h), relating to the tax treatment of installment obligations received by a shareholder from a liquidating corporation, was added to the Internal Revenue Code of 1954 by the Installment Sales Revision Act of 1980, Pub. L. 96–471, 94 Stat. 2247, 2250. Proposed regulations under section 453(h) were published in the **Federal Register** for January 13, 1984 (49 FR 1742). Subsequently, section