Issued in Kansas City, Missouri, on August 3, 2006.

John R. Colomy,

Acting Manager, Small Airplane Directorate, Aircraft Certification Service.

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DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

[REG–118775–06]

RIN 1545–BF64

Revisions to Regulations Relating to Repeal of Tax on Interest of Nonresident Alien Individuals and Foreign Corporations Received From Certain Portfolio Debt Investments; Hearing

AGENCY: Internal Revenue Service, Treasury.

ACTION: Changes of date and location for public hearing.

SUMMARY: This document provides changes of date and location for a public hearing on proposed regulations under sections 871 and 881 of the Internal Revenue Code (Code) relating to the exclusion from gross income of portfolio interest paid to a nonresident alien individual or foreign corporation.

DATES: The public hearing originally scheduled for Thursday, September 7, 2006, at 10 a.m. is rescheduled for Friday, October 6, 2006, at 10 a.m. Outlines of topics to be discussed at the public hearing will be due by August 24, 2006.

ADDRESSES: The public hearing was originally being held in the IRS Auditorium, Internal Revenue Building, 1111 Constitution Avenue, NW., Washington DC. The hearing location has changed. The public hearing will be held in the IRS Auditorium, New Carrollton Federal Building, 5000 Ellin Road, Lanham, Maryland 20706.

FOR FURTHER INFORMATION CONTACT: Guy R. Traynor, (301) 922–0539 (not a toll free number) or Richard Hurst at *Richard.A.Hurst@irscounsel.treas.gov.*

SUPPLEMENTARY INFORMATION:

A notice of proposed rulemaking and notice of public hearing (REG–118775–06) appearing in the **Federal Register** on Tuesday, June 13, 2006 (71 FR 34047), announced that a public hearing on proposed regulations relating to the exclusion from gross income of portfolio interest paid to a nonresident alien individual or foreign corporation would be held on Thursday, September 7, 2006, beginning at 10 a.m. in the IRS Auditorium, 1111 Constitution Avenue, NW., Washington, DC.

The date and location of the hearing have changed. The hearing is rescheduled for Friday, October 6, 2006, beginning at 10 a.m. in the IRS Auditorium, New Carrollton Federal Building, 5000 Ellin Road, Lanham, Maryland 20706.

A period of 10 minutes is allotted to each person for presenting oral comments. The IRS will prepare an agenda containing the schedule of speakers. Copies of the agenda will be made available, free of charge, at the hearing.

Guy R. Traynor,

Chief, Publications and Regulations Branch, Legal Processing Division, Associate Chief Counsel (Procedure and Administration).

[FR Doc. E6–12887 Filed 8–8–06; 8:45 am]

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DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Parts 1 and 602

[REG–118788–06]

RIN 1545–BF63

Definition of Essential Governmental Function Under Section 7871 and Limitation to Activities Customarily Performed by States and Local Governments

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Advance notice of proposed rulemaking.

SUMMARY: This document applies to Indian tribal governments and to State and local governments that issue bonds for the benefit of Indian tribal governments. This document describes rules that the IRS and the Treasury Department anticipate proposing, in a notice of proposed rulemaking, regarding the definition of an essential governmental function under section 7871(c) of the Internal Revenue Code and the limitation of that term to activities customarily performed by State and local governments for purposes of section 7871(e) of the Internal Revenue Code. This document also invites comments from the public regarding this proposed standard.

DATES: Written or electronic comments must be submitted by November 7, 2006.

ADDRESSES: Send submissions to: CC:PA:LPD:PR (REG–118788–06), Room 5203, Internal Revenue Service, PO Box 7604, Ben Franklin Station, Washington, DC 20044. Submissions may be sent electronically, via the IRS Internet site at *http://www.irs.gov/regs* or via the Federal eRulemaking Portal at *http://www.regulations.gov* (indicate IRS and REG–118788–06).

FOR FURTHER INFORMATION CONTACT: Concerning submissions, Kelly Banks, (202) 927–1443; concerning the proposed rules, Timothy L. Jones or Aviva M. Roth, (202) 622–3980 (not toll-free numbers).

SUPPLEMENTARY INFORMATION:

Background

Section 7871(a)(4) of the Internal Revenue Code of 1986 provides that an Indian tribal government is to be treated as a State ''subject to subsection (c), for purposes of section 103 (relating to State and local bonds)''. Section 7871(c)(1) provides that ''section 103(a) shall apply to any obligation (not described in paragraph (2)) issued by an Indian tribal government (or subdivision thereof) only if such obligation is part of an issue substantially all of the proceeds of which are to be used in the exercise of any essential governmental function''. Section 7871(e) provides that ''[f]or purposes of this section, the term 'essential governmental function' shall not include any function which is not customarily performed by State and local governments with general taxing powers''.

Section 7871 was originally enacted in 1982 by The Indian Tribal Government Tax Status Act, Public Law 97–473, 96 Stat. 2605 § 202 (1983). In the legislative history to that Act, the Senate Finance Committee indicated that tax-exempt bond financing was not intended to be available to Indian tribal governments for ''commercial or industrial activities (or other activities other than essential governmental functions).'' S. Rep. No. 97–646, at 13–14 (1982).

Section 7871(e) was added to the statute by The Omnibus Budget Reconciliation Act of 1987, Public Law 100–203, 101 Stat. 1330, § 10632(a) (1987). In the legislative history to this provision, the House Ways and Means Committee criticized 1984 Temporary Treasury Regulations interpreting the term essential governmental function in section 7871(c) for including certain activities eligible for Federal funding in that definition. The House Ways and Means Committee stated that the reason for this amendment was that the Committee was concerned about reports that Indian tribal governments were issuing tax-exempt bonds for interests in

''commercial and industrial enterprises''. The Committee further included the following statement about section 7871(e):

> The bill clarifies that, with respect to bonds issued by Indian tribal governments, the term 'essential governmental function' does not include any governmental function that is not customarily performed (and financed with governmental tax-exempt bonds) by State and local governments with general taxing powers. For example, issuance of bonds to finance commercial or industrial facilities (e.g., private rental housing, cement factories, or mirror factories) which bonds technically may not be private activity bonds is not included within the scope of the essential governmental function exception.
>
> Additionally, the committee wishes to stress that only those activities that are customarily financed with governmental bonds (e.g., schools, roads, governmental buildings, etc.) are intended to be within the scope of this exception, notwithstanding that isolated instances of a State or local government issuing bonds for another activity may occur.

H.R. Rep. No. 100–391, at 1139 (1987).

The 1987 Conference Committee adding the limited manufacturing facility provision of section 7871(c)(3)(A), noted that:

> A facility which does not qualify as a manufacturing facility for purposes of this provision may nonetheless be financed with tax-exempt bonds issued by a tribal government provided that the facility satisfies the 'essential governmental function' standard (i.e., the facility is comparable to facilities that are customarily acquired or constructed and operated by States and local governments). For example, a building used for offices for a tribal government itself would be comparable to State or local government office buildings, and therefore, could be financed with tax-exempt bonds. As another example, a lodge owned and operated by a tribal government may be eligible for tax-exempt financing if it is comparable to lodges customarily owned and operated by State park or recreation agencies.

H.R. Rep. No. 100–495, at 1012 n.5 (1987) (Conf. Rep.).

The IRS has become aware of an increasing number of instances in which taxpayers have raised questions about the application of section 7871(e). Accordingly, the Treasury Department and the IRS have determined to seek public comment in advance of issuing proposed regulations in this area.

Explanation of Provisions

The Treasury Department and the IRS anticipate that the proposed regulations will provide that for purposes of section 7871(c) and section 7871(e), an activity will be considered an essential governmental function that is customarily performed by State and local governments if: (1) There are numerous State and local governments with general taxing powers that have been conducting the activity and financing it with tax-exempt governmental bonds, (2) State and local governments with general taxing powers have been conducting the activity and financing it with tax-exempt governmental bonds for many years, and (3) the activity is not a commercial or industrial activity. The proposed regulations will further provide that examples of activities customarily performed by State and local governments include, but are not limited to, public works projects such as roads, schools, and government buildings.

Request for Comments

Before the notice of proposed rulemaking is issued, consideration will be given to any written comments that are submitted timely (preferably a signed original and eight (8) copies) to the IRS. All comments will be available for public inspection and copying.

Drafting Information

The principal authors of this advance notice of proposed rulemaking are Aviva M. Roth and Timothy L. Jones, Office of the Chief Counsel (Tax-exempt and Government Entities), however, other personnel from the IRS and Treasury Department participated in its development.

Mark E. Matthews,

Deputy Commissioner for Services and Enforcement.

[FR Doc. E6–12884 Filed 8–8–06; 8:45 am]

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DEPARTMENT OF DEFENSE

Department of the Army

32 CFR Part 537

RIN 0702–AA55

[Docket No. USA–2006–0023]

Claims on Behalf of the United States

AGENCY: Department of the Army, DOD.

ACTION: Proposed rule; request for comments.

SUMMARY: The Department of the Army proposes to amend its regulation to reflect a substantial revision of AR 27–20, an Army publication which governs the processing of claims worldwide. The purpose of this revision is to make AR 27–20 clearer and easier to use, after years of piecemeal amendments. This rewrite also ensures that AR 27–20 is in keeping with current statutes, legal opinions and Department of Justice guidance pertaining to claims processing. This updated rule will expedite payment of meritorious claims throughout the world. AR 27–20 includes rules for processing affirmative claims, i.e., recovery actions on behalf of the United States.

DATES: Comments submitted on or before October 10, 2006 will be considered.

ADDRESSES: You may submit comments, identified by ''32 CFR Part 537, Docket No. USA–2006–0023 and or RIN 0702–AA55'' in the subject line, by any of the following methods:

- *Federal eRulemaking Portal: http://www.regulations.gov.* Follow the instructions for submitting comments.
- *Mail:* Federal Docket Management System Office, 1160 Defense Pentagon, Washington, DC 20301–1160.

Instructions: All submissions received must include the agency name and docket number or Regulatory Information Number (RIN) for this **Federal Register** document. The general policy for comments and other submissions from members of the public is to make these submissions available for public viewing on the Internet at *http://www.regulations.gov* as they are received without change, including any personal identifiers or contact information.

FOR FURTHER INFORMATION CONTACT: George Westerbeke (301) 677–7009, x220.

SUPPLEMENTARY INFORMATION:

A. Background

This rule was previously published. The Administrative Procedure Act, as amended by the Freedom of Information Act requires that certain policies and procedures and other information concerning the Department of the Army be published in the **Federal Register**. The policies and procedures covered by this regulation fall into that category.

Rules for processing affirmative claims are found mostly in Chapter 14 of AR 27–20; however, rules for processing maritime affirmative claims are contained in Chapter 8. For purposes of this **Federal Register** publication and its corresponding codification in the Code of Federal Regulations, all rules for affirmative claims processing have been incorporated into 32 CFR part 537. AR 27–20 and its companion DA Pam 27–162 will be available on the Web site of the U.S. Army Publications Directorate, *http://www.apd.army.mil*, within a few months of the date of this **Federal Register** publication of 32 CFR part 537.