MPGE the QPP. Accordingly, upon its sale of the QPP, B has $500 of QPAI (B's $3,000 DPGR received from U minus B's $2,500 cost of MPGE the QPP).

* * * * *

(f) *Allocation of income and loss by a corporation that is a member of the expanded affiliated group for only a portion of the year*—(1) *In general.* A corporation that becomes or ceases to be a member of an EAG during its taxable year must allocate its taxable income or loss, QPAI, and W–2 wages between the portion of the taxable year that it is a member of the EAG and the portion of the taxable year that it is not a member of the EAG. This allocation of items is made by using the pro rata allocation method described in this paragraph (f)(1). Under the pro rata allocation method, an equal portion of a corporation's taxable income or loss, QPAI, and W–2 wages for the taxable year is assigned to each day of the corporation's taxable year. Those items assigned to those days that the corporation was a member of the EAG are then aggregated.

* * * * *

(g) * * *

(3) *Example.* The following example illustrates the application of paragraphs (f) and (g) of this section:

Example. (i) *Facts.* Corporations X and Y, calendar year corporations, are members of the same EAG for the entire 2010 taxable year. Corporation Z, also a calendar year corporation, is a member of the EAG of which X and Y are members for the first half of 2010 and not a member of any EAG for the second half of 2010. During the 2010 taxable year, neither X, Y, nor Z joins in the filing of a consolidated Federal income tax return. Assume that X, Y, and Z each has W–2 wages in excess of the section 199(b) wage limitation for all relevant periods. In 2010, X has taxable income of $2,000 and QPAI of $600, Y has a taxable loss of $400 and QPAI of ($200), and Z has taxable income of $1,400 and QPAI of $2,400.

(ii) *Analysis.* Pursuant to the pro rata allocation method, $700 of Z's 2010 taxable income and $1,200 of Z's 2010 QPAI are allocated to the first half of the 2010 taxable year (the period in which Z is a member of the EAG) and $700 of Z's 2010 taxable income and $1,200 of Z's 2010 QPAI are allocated to the second half of the 2010 taxable year (the period in which Z is not a member of any EAG). Accordingly, in 2010, the EAG has taxable income of $2,300 (X's $2,000 + Y's ($400) + Z's $700) and QPAI of $1,600 (X's $600 + Y's ($200) + Z's $1,200). The EAG's section 199 deduction for 2010 is therefore $144 (9% of the lesser of the EAG's $2,300 of taxable income or $1,600 of QPAI). Pursuant to § 1.199–7(c)(1), this $144 deduction is allocated to X, Y, and Z in proportion to their respective QPAI. Accordingly, X is allocated $48 of the EAG's section 199 deduction, Y is allocated $0 of the EAG's section 199 deduction, and Z is allocated $96 of the EAG's section 199 deduction. For the second half of 2010, Z has taxable income of $700 and QPAI of $1,200. Therefore, for the second half of 2010, Z has a section 199 deduction of $63 (9% of the lesser of its $700 taxable income or $1,200 QPAI for the second half of 2010). Accordingly, X's 2010 section 199 deduction is $48, Y's 2010 section 199 deduction is $0, and Z's 2010 section 199 deduction is $159, the sum of the $96 section 199 deduction of the EAG allocated to Z for the first half of 2010 and Z's $63 section 199 deduction for the second half of 2010.

* * * * *

■ Par. 5. Section 1.199–8 is amended by:

■ 1. Adding two sentences at the end of paragraph (a).

■ 2. Adding new paragraphs (i)(8) and (i)(9).

The revisions and additions read as follows:

§ 1.199–8 Other rules.

(a) *In general.* * * * For purposes of §§ 1.199–1 through 1.199–9, use of terms such as *payment, paid, incurred,* or *paid or incurred* is not intended to provide any specific rule based upon the use of one term versus another. In general, the use of the term *payment, paid, incurred,* or *paid or incurred* is intended to convey the appropriate standard under the taxpayer's method of accounting.

* * * * *

(i) * * *

(8) *Qualified film produced by the taxpayer.* Section 1.199–3(k) is applicable to taxable years beginning on or after March 7, 2008. A taxpayer may apply § 1.199–3(k) to taxable years beginning after December 31, 2004, and before March 7, 2008. However, for taxable years beginning before June 1, 2006, a taxpayer may rely on § 1.199–3(k) only if the taxpayer does not apply Notice 2005–14 (2005–1 CB 498) (see § 601.601(d)(2)(ii)(*b*) of this chapter) or REG–105847–05 (2005–2 CB 987) (see § 601.601(d)(2)(ii)(*b*) of this chapter) to the taxable year.

(9) *Expanded affiliated groups.* Section 1.199–7(e), *Example 10,* (f)(1), and (g)(3) are applicable to taxable years beginning on or after March 7, 2008. A taxpayer may apply § 1.199–7(e), *Example 10,* to taxable years beginning after December 31, 2004, and before March 7, 2008.

Linda E. Stiff,

Deputy Commissioner for Services and Enforcement.

Approved: March 3, 2008.

Eric Solomon,

Assistant Secretary of the Treasury (Tax Policy).

[FR Doc. E8–4575 Filed 3–6–08; 8:45 am]

BILLING CODE 4830–01–P

DEPARTMENT OF THE TREASURY

DEPARTMENT OF JUSTICE

31 CFR Part 901

[A.G. Order No. 2918–2007]

Treasury RIN 1510–AA91
Justice RIN 1105–AB26

Standards for the Administrative Collection of Claims

AGENCIES: Department of the Treasury; Department of Justice.

ACTION: Interim rule with request for comments.

SUMMARY: The Federal Claims Collection Standards (FCCS), provide governmentwide debt collection procedures and policies for agencies collecting non-tax debts owed to the United States. This rule revises part 901, which specifies the order in which a federal agency is required to apply a partial or installment payment to the various components of a delinquent, non-tax debt owed to the United States. Under the current rule, payments are required to be applied first to penalties, then to administrative costs, then to interest, and last to principal. As revised, the rule would require agencies to apply payments first to administrative costs that are paid out of amounts collected from the debtor (referred to as ''contingency fees'') when such costs are added to the debt, second to penalties, third to administrative costs other than contingency fees, fourth to interest, and last to principal. Additionally, the term ''administrative charges'' is being replaced with ''administrative costs'' for consistency and clarity.

DATES: This rule is effective April 7, 2008. Comments must be received by April 7, 2008.

ADDRESSES: All comments should be addressed to Thomas Dungan, Policy Analyst, Debt Management Services, Financial Management Service, Department of the Treasury, 401 14th Street, SW., Room 435, Washington, DC 20227. A copy of this interim rule is being made available for downloading from the Financial Management Service Web site at the following address: *http://www.fms.treas.gov/debt.* Comments also may be sent electronically through *http://www.regulations.gov* using the electronic comment form provided on that site. An electronic copy of this document is also available at the *http://www.regulations.gov* Web site.

FOR FURTHER INFORMATION CONTACT: Thomas Dungan, Policy Analyst,

Financial Management Service, Department of the Treasury, at (202) 874–6660; Ellen Neubauer, Senior Attorney, Financial Management Service, Department of the Treasury, at (202) 874–6680; or Ruth Harvey, Commercial Litigation Branch, Civil Division, Department of Justice, at (202) 307–0388.

SUPPLEMENTARY INFORMATION: The Federal Claims Collection Standards (FCCS), codified at 31 CFR parts 900 through 904, provide governmentwide debt collection procedures and policies for agencies collecting non-tax debts owed to the United States. Part 901 of the FCCS governs how agencies assess interest, penalties, and administrative costs on delinquent debts. Paragraph (f) of section 901.9 of the FCCS governs how a debtor's partial or installment payments are to be applied to the various components of a debt. Specifically, section 901.9(f) states: ''When a debt is paid in partial or installment payments, amounts received by the agency shall be applied first to outstanding penalties, second to administrative charges, third to interest, and last to principal.'' This rule revises section 901.9(f) of the FCCS by changing the order in which partial or installment payments are to be applied to certain administrative charges, also known as ''administrative costs.''

Administrative costs are the costs incurred by a federal agency to collect a delinquent debt. Such costs include fees paid to another federal agency or to a private collection contractor for debt collection services when those fees are paid from amounts collected from the debtor. *See* 31 U.S.C. 3711(g)(6) and 31 CFR 901.1(f) (authorizing agencies operating Treasury-designated debt collection centers to charge fees that may be paid out of amounts collected) and 31 U.S.C. 3718(d) and 31 CFR 901.5(c) (authorizing agencies to pay private collection contractors out of amounts collected). Such fees, commonly referred to as ''contingency fees,'' must be added to the debt as an administrative cost to the Government, except as otherwise provided by law. *See* 31 U.S.C. 3717(e)(1) and 31 CFR 901.9(a) and (c). Agencies may calculate the amount to be added to the debt as an administrative cost based either on the actual costs incurred or on cost analyses establishing an average cost for processing and handling the agency's delinquent debts. Adding the contingency fee to the delinquent debt based on actual cost provides the best method of ensuring that the components of the debt balance accurately reflect how the amounts collected from the debtor were actually applied by the agency. This revision to the rule affects how an agency applies partial or installment payments only in those cases in which the agency adds the actual amount of the contingency fee to the debt as an administrative cost.

As revised, section 901.9(f) will require agencies to apply partial or installment payments first to contingency fees added to the debt, second to penalties, third to administrative costs other than contingency fees, fourth to interest, and last to principal. The revision will provide consistency between how contingency fees are actually paid out of a debtor's payments and how a debtor's payments are applied to debt components, thereby allowing agencies to more accurately account for the payment of contingency fees from amounts collected.

Example: To illustrate the effect of this change, the following example is provided. Assume a debtor owes $1,500 to the Government, as follows:

$200	Penalty
100	Administrative Costs (excluding contingency fees of $20)
200	Accrued Interest
1,000	Principal
1,500	Balance Due

If a private collection agency (PCA) that charges the Government a 20% contingency fee collects $100 from a debtor, the PCA is paid $20 from the $100 collection before the remaining $80 is returned to the federal agency collecting the debt. The debtor receives a credit of $100 for the amount paid.

Under the current FCCS, the $100 paid by the debtor in this example would be applied first to any penalties owed by the debtor, rather than to the contingency fee paid from the amount collected. Since the debtor in our example owed $200 in penalties, the entire $100 collection would be applied to the debtor's penalties even though the federal agency would have only received $80 in actual cash to apply toward that part of the debt. Additionally, the agency would add the fee charged by the PCA ($20) to the debt as an administrative cost, thereby not reflecting the fact that the debtor had, in effect, paid the contingency fee at the time of making the payment on the debt. Thus, after application of the entire payment to the penalty under the current FCCS, the outstanding balance on the debt would be $1,420, as follows:

$100	Penalty (after applying the $100 received from the debtor);
120	Administrative Costs (after adding the PCA charge of $20);
200	Accrued Interest
1,000	Principal
1,420	Balance Due

As revised, the FCCS would require the federal agency to apply $20 to the contingency fee paid, and to apply the remaining $80 to penalties. After application of the payment to the contingency fee and the penalty, the outstanding balance on the debt would be $1,420, as follows:

$0	Contingency fee (after adding $20 to the debt, and then subtracting $20 as paid);
120	Penalty (after applying the remaining $80 paid by the debtor, the net amount actually received by the agency);
100	Administrative Costs (other than contingency fees);
200	Accrued Interest
1,000	Principal
1,420	Balance Due

For an agency that does not add the cost of the contingency fee to the debt, this revision to the FCCS will have no practical effect. If the debt in our example was owed to an agency that does not add the contingency fee to the debt, the $100 payment made by the debtor would be applied entirely to the penalty as follows:

$100	Penalty (after applying the $100 paid by the debtor without deduction for the contingency fee paid by the agency to the PCA);
100	Administrative Costs (other than contingency fees);
200	Accrued Interest
1,000	Principal
1,400	Total

This rule also replaces the term ''administrative charges'' in paragraphs 901.9(f) and 901.9(g) with the term ''administrative costs'' for consistency and clarity.

Regulatory Flexibility Act

The Department of the Treasury and Department of Justice are promulgating this interim rule without opportunity for prior public comment pursuant to the Administrative Procedure Act, 5 U.S.C. 553 (the ''APA''). The notice and comment requirements of the APA do not apply to the interim rule for two reasons. First, the interim rule concerns accounting methods as applied to a component of a debt (that is, certain administrative costs) and does not result

in any change to balances due by a debtor on any debt owed to the United States. The interim rule therefore addresses an internal ''agency * * * procedure, or practice'' within the meaning of section 553(b)(3)(A). Second, and relatedly, the Departments have determined that a comment period would be ''unnecessary'' under section 553(b)(3)(B), as the interim rule does not alter or affect the rights, interests, or duties of any person or entity. Because no notice of proposed rulemaking is required, the provisions of the Regulatory Flexibility Act (5 U.S.C. 601 *et seq.*) do not apply.

The public is invited to submit comments on the interim rule, which will be taken into account before a final rule is issued.

Regulatory Analysis

This action is limited to agency organization and management as described by Executive Order 12866 ((3(d)(3) and, therefore, is not a ''regulation'' as defined by that Executive Order. Accordingly, review of this action by the Office of Management and Budget is not required.

Congressional Review Act

This action pertains to agency organization and management and does not substantially affect the rights or obligations of non-agency parties and, accordingly, is not a ''rule'' as that term is used by the Congressional Review Act (Subtitle E of the Small Business Regulatory Enforcement Fairness Act of 1996 (SBREFA)). Therefore, the reporting requirement of 5 U.S.C. 801 does not apply.

List of Subjects in Part 901

Administrative practice and procedure, Claims, Federal employees, Penalties, Privacy.

Authority and Issuance

■ For the reasons set forth in the preamble, part 901 of title 31 of the Code of Federal Regulations is amended as follows:

PART 901—STANDARDS FOR THE ADMINISTRATIVE COLLECTION OF CLAIMS

■ 1. The authority citation for part 901 continues to read as follows:

Authority: 31 U.S.C. 3701, 3711, 3716, 3717, 3718 and 3720B.

■ 2. In § 901.9, revise paragraph (f) to read as follows:

§ 901.9 Interest, penalties and administrative costs.

* * * * *

(f) When a debt is paid in partial or installment payments, amounts received by the Government shall be applied first to any contingency fees added to the debt, second to outstanding penalties, third to administrative costs other than contingency fees, fourth to interest, and last to principal. For purposes of this paragraph (f), ''contingency fees'' are administrative costs resulting from fees paid by a Federal agency to other Federal agencies or private collection contractors for collection services rendered when the fees are paid from the amounts collected from a debtor.

* * * * *

■ 3. In § 901.9, revise paragraph (g) by removing the word ''charges'' in the first sentence and adding in its place the word ''costs''.

Dated: February 28, 2008.

Henry M. Paulson, Jr.,

Secretary of the Treasury.

Dated: November 6, 2007.

Peter D. Keisler,

Acting Attorney General.

[FR Doc. E8–4586 Filed 3–6–08; 8:45 am]

BILLING CODE 4810–35–P

DEPARTMENT OF DEFENSE

Department of the Navy

32 CFR Part 700

[USN–2007–0050]

RIN 0703–AA84

Fraternization and Sexual Harassment

AGENCY: Department of Navy, DoD.

ACTION: Final rule.

SUMMARY: The Department of the Navy is amending its rules to remove existing sections relating to Fraternization and Sexual Harassment among naval personnel. These rules relate solely to internal personnel matters. Therefore, it has been determined that these rules are not required to be published in the Code of Federal Regulations.

DATES: *Effective Date:* This rule is effective March 7, 2008.

FOR FURTHER INFORMATION CONTACT: LT Tanya Cruz, JAGC, U.S. Navy, Legislation and Regulations Branch, Administrative Law Division, (Code 13), Office of the Judge Advocate General, Department of the Navy, 1322 Patterson Ave., SE., Suite 3000, Washington Navy Yard, DC 20374–5066, telephone: 703–604–8200.

SUPPLEMENTARY INFORMATION: On September 14, 1990, the Secretary of the Navy issued, revised, and amended the Navy Regulations in accordance with 10 U.S.C. Section 6011. In 1993, the Secretary of the Navy amended two articles of the Navy Regulations relating to Fraternization and Sexual Harassment among naval personnel. The 1993 amendment was not reflected in the **Federal Register** publication of the Navy Regulations, 64 FR 56061 dated October 15, 1999. The Department of the Navy seeks to remove these two sections from the Code of Federal Regulations. In accordance with 5 U.S.C. Section 552, it has been determined that these rules are not required to be published as they relate solely to internal personnel matters. The Navy Regulations articles on Fraternization and Sexual Harassment remain in effect and may be accessed at the Department of the Navy Directives Web site at *http://neds.daps.dla.mil//.*

List of Subjects in 32 CFR Part 700

Military personnel, Organization and functions (Government agencies), Reporting and recordkeeping requirements.

■ For the reasons set forth in the preamble, the Department of the Navy hereby amends 32 CFR part 700 as follows:

PART 700—UNITED STATES NAVY REGULATIONS AND OFFICIAL RECORDS

■ 1. The authority citation for 32 CFR part 700 continues to read as follows:

Authority: 10 U.S.C. 6011.

§§ 700.1165 and 700.1166 [Removed]

■ 2. Remove §§ 700.1165 and 700.1166.

Dated: February 28, 2008.

T.M. Cruz,

Lieutenant, Judge Advocate General's Corps, U.S. Navy, Federal Register Liaison Officer.

[FR Doc. E8–4210 Filed 3–6–08; 8:45 am]

BILLING CODE 3810–FF–P

POSTAL SERVICE

39 CFR Part 20

Revised Standards for First-Class Mail International™ Service; Correction

AGENCY: Postal Service™.

ACTION: Final rule; correction.

SUMMARY: The Postal Service published in the **Federal Register** of February 20, 2008, a document reflecting the change to shape-based standards for First-Class Mail International. Inadvertently, a table in the section titled *Country Rate Groups and Weight Limits*; the two right-most columns had duplicate mail-