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8A918 Marine Boilers.

License Requirements

Reason for Control: RS, AT, UN.

Controls	Country chart
RS applies to entire entry .. AT applies to entire entry .. UN applies to entire entry	RS Column 2. AT Column 1. Iraq, North Korea, and Rwanda.

■ 23. In Supplement No. 1 to part 774, Category 9—“Propulsion Systems, Space Vehicles and Related Equipment” is amended by revising the “License Requirements” section of ECCNs 9A018, 9A991, 9D018, and 9E018 to read as follows:

9A018 Equipment on the Wassenaar Arrangement Munitions List.

License Requirements

Reason for Control: NS, RS, AT, UN.

Control(s)	Country chart
NS applies to entire entry .. RS applies to 9A018.a and b. AT applies to entire entry .. UN applies to entire entry	NS Column 1. RS Column 2. AT Column 1. Iraq, North Korea, and Rwanda.

* * * * *
9A991 “Aircraft”, n.e.s., and gas turbine engines not controlled by 9A001 or 9A101 and parts and components, n.e.s.

License Requirements

Reason for Control: AT, UN.

Control(s)	Country chart
AT applies to entire entry .. UN applies to 9A991.a	AT Column 1. Iraq, North Korea, and Rwanda.

License Requirement Notes: There is no de minimis level for foreign-made aircraft described by this entry that incorporate Commercial Standby Instrument Systems (CSIS) that integrate QRS11-00100-100/101 Micromachined Angular Rate Sensors (see § 734.4(a) of the EAR).

* * * * *
9D018 “Software” for the “use” of equipment controlled by 9A018.

License Requirements

Reason for Control: NS, RS, AT, UN.

Control(s)	Country chart
NS applies to entire entry .. RS applies to 9A018.a and b.	NS Column 1. RS Column 2.

Control(s)	Country chart
AT applies to entire entry .. UN applies to entire entry	AT Column 1. Iraq, North Korea, and Rwanda.

* * * * *
9E018 “Technology” for the “development” of equipment controlled by 9A018.

License Requirements

Reason for Control: NS, RS, AT, UN.

Control(s)	Country chart
NS applies to entire entry .. RS applies to 9A018.a and b. AT applies to entire entry .. UN applies to entire entry	NS Column 1. RS Column 2. AT Column 1. Iraq, North Korea, and Rwanda.

Dated: January 22, 2007.

Christopher A. Padilla,
Assistant Secretary for Export Administration.

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BILLING CODE 3510-33-P

DEPARTMENT OF HOMELAND SECURITY

Bureau of Customs and Border Protection

DEPARTMENT OF THE TREASURY

19 CFR Parts 24 and 111

[USCBP-2006-0035; CBP Dec. 07-01]

RIN 1505-AB62

Fees for Certain Services

AGENCIES: Customs and Border Protection, Department of Homeland Security; Department of the Treasury.

ACTION: Final rule.

SUMMARY: This document amends the rules dealing with customs financial and accounting procedures by revising the fees charged for certain customs inspectional services under section 13031 of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, and incorporates two technical corrections to the existing fee chart.

DATES: Final rule effective April 1, 2007.

FOR FURTHER INFORMATION CONTACT: For information concerning user fee policy and rates, contact Mr. Jerry Petty, Director, Cost Management Division, 1300 Pennsylvania Avenue NW., Room

4.5A, Washington, DC 20229.
Telephone: (202) 344-1317.

SUPPLEMENTARY INFORMATION:

Background

CBP collects fees to pay for the costs incurred in providing customs services in connection with certain activities under the authority of section 13031 of the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA), as amended, codified at section 19 U.S.C. 58c.

On October 22, 2004, the President signed the American Jobs Creation Act of 2004 (Pub. L. 108-357). Section 892 of the American Jobs Creation Act amended 19 U.S.C. 58c to renew the fees provided under COBRA, which would have otherwise expired March 1, 2005, and to allow the Secretary of the Treasury to increase such fees by an amount not to exceed 10 percent in the period beginning fiscal year 2006 through the period for which fees are authorized by law. Regulations concerning user fees, among other customs revenue functions, are promulgated under the authority of the Secretary of the Treasury pursuant to Treasury Department Order No. 100-16. (See Appendix to 19 CFR Part 0).

On April 24, 2006, CBP published a notice of proposed rulemaking in the **Federal Register** (71 FR 20922) proposing to amend the regulations in accordance with the current statutory provisions by increasing the fees for: (1) Customs services provided in connection with the arrival of certain commercial vessels, commercial trucks, railroad cars, private aircraft and private vessels, passengers aboard commercial aircraft and commercial vessels, and barges or other bulk carrier arrivals, (2) each item of dutiable mail for which a customs officer prepares documentation, and (3) annual customs brokers permits. The comment period ended on May 24, 2006.

Discussion of Comments

A total of six commenters responded to the solicitation of comments on the notice of proposed rulemaking. These comments were received from the recreational boating associations, industry and travel agent products services, carrier/vessel concerns, air transport associations, and other members of the general traveling and importing public. The comments are discussed below.

Comment: One commenter supported the proposed fee increases as appropriate to reflect the costs incurred by the agency for services provided. The commenter also suggested raising the annual maximum fees and each of the

annual fee caps by the maximum 10% permitted by law.

CBP response: The COBRA, as amended (Pub. L. 108-357, Section 892), does not authorize an increase in annual fee caps. Therefore, the suggestion to raise the annual maximum fees and each of the annual fee caps involves legislative policy issues. In the absence of further legislative changes, CBP is bound by the current statutory provisions which do not provide the legal basis to support such regulatory changes suggested by the commenter.

Comment: One commenter suggested that CBP establish an on-line ACE (Automated Commercial Environment) carrier account capable of tracking among other things all CBP fees and tonnage taxes as well as penalties issued by CBP and the United States Coast Guard to a vessel. The commenter also suggested that the ACE account record should be capable of displaying accumulated fees charged to each vessel regardless of which SCAC (Standard Carrier Alpha Code) and carrier bond were associated with those charges.

CBP response: This comment relates to issues that are beyond the scope of the proposed rulemaking.

Comment: An association representing private vessel owners stated its opposition to the increase in the annual decal fee for private vessels from \$25.00 to \$27.50, on the basis that it is inherently unfair. The commenter stated that while the annual decal fee currently applies to vessels 30 feet in length or greater, CBP must expend an equal amount of time and expense on all vessels crossing the border, not just those 30 feet in length or greater. The commenter suggested that if CBP retains the annual decal fee of \$25.00, but removes the specific exemption for private pleasure vessels of less than 30 feet in length, that this action would generate far more revenue for CBP than raising the annual decal fee only for vessels 30 feet in length or greater to \$27.50.

CBP response: The specific exemption for private pleasure vessels of less than 30 feet in length not carrying goods required to be declared was included in 19 CFR 24.22(e), when it was promulgated because CBP incurs no processing costs in clearing private pleasure vessels of less than 30 feet in length not carrying goods required to be declared. Pursuant to the amended COBRA (Pub. L. 108-357, section 892), and in relevant part, fees may be charged in amounts that are reasonably related to the costs of providing customs services. CBP is not authorized to collect a fee because the agency would like to generate more revenue.

Accordingly, we cannot implement the commenter's suggested course of action.

Comment: Two commenters stated that the final rule should specify the effective date of the user fee increase applicable to commercial airline passengers. One commenter suggested the effective date should be no earlier than 60 to 90 days after the final rule is published, and two commenters requested sufficient time to allow the industry to adjust their systems to collect the increased fee. One commenter urged that the regulations be amended to make clear and precise that the proper amount of the user fee to be collected from a passenger shall be the amount of the fee in effect at the time that a ticket is issued. One commenter stated that the increased fee should apply only to tickets issued on and after the effective date, so that carriers do not have to collect an additional fifty cents for tickets already issued.

CBP response: We have specified that the final rule's effective date will be more than 60 days after the date it is published to permit industry to adjust their systems to collect the increased fee amounts.

In response to the commenter's concern about the proper amount of the user fee to be collected, the statute sets forth the general rule that the fee shall be collected from the passenger by the person who issues a transportation document or ticket and that such collection shall take place when the document or ticket is issued. The collection procedures in the regulations at § 24.22(g)(4)(ii), state, in relevant part, that the collection of the fees shall take place when a through ticket or travel document is issued.

Given this statutory and regulatory specificity and clarity, amending the regulations as this commenter suggests is not necessary. The increased fee shall apply prospectively, that is, only to tickets issued on and after the effective date of the fee increase. For example, if a ticket has been issued prior to the effective date of the increased fee rates, and the flight does not take place until after the effective date of the increased fee rates, CBP is not authorized by law to retroactively collect the fifty cents from the carrier. As such, the date that the ticket is issued is the relevant event to which the effective date provision applies.

Comment: One commenter stated that the proposed rule to increase the customs user fee paid by international passengers arriving by commercial aircraft from \$5.00 to \$5.50 did not suggest that these passengers would actually experience a more efficient and pleasant clearance process upon arrival

in the United States. The commenter suggested that the number of CBP officers at U.S. airports must be increased to meet the demands of increasing international traffic and prevent passengers from waiting in long lines in the inspection facilities.

CBP response: In FY 2005 approximately 73% of the total collections in the COBRA user fee account came from international air passengers. These passengers stand to benefit from the additional revenue collected. CBP estimates that the additional revenue will support the following central priorities of increased staffing of no less than 200 new CBP Officer positions, and the funding of overtime pay which will allow for more targeting, enforcement, special operations, and backfilling, where necessary.

More officers on more shifts would allow CBP to fully match staff-to-workload and address any workload movement quickly, thereby meeting CBP's processing goals as well as providing better service to passengers.

Comment: One commenter noted that the Secretary of the Treasury is required by statute to apply the funds generated by the customs user fees to cover specific costs. The commenter stated that the statute allows the funds to be used for the salaries of full-time and part-time CBP officers only after five other costs, such as overtime compensation and premium pay, have been met. The commenter stated nothing in the proposed rule gives any information about how the user fee funds are allocated among the various options and how they interrelate, e.g., could overtime compensation be decreased in order to hire additional full-time or part-time CBP officers at airports.

CBP response: The statute specifically stipulates the order of reimbursements from the user fees collected for costs incurred. First, the Secretary of the Treasury shall directly reimburse from the fees collected the amount paid for the costs incurred by the Secretary in: Paying overtime compensation, premium pay, and agency contributions to the Civil Service Retirement and Disability Fund; providing all preclearance services for which the recipients of such services are not required to reimburse the Secretary of the Treasury; and paying foreign language proficiency awards. To the extent funds remain available, reimbursements for costs incurred in providing salaries for full-time and part-time inspectional personnel and equipment that enhance customs services for those persons or entities

that are required to pay fees under paragraphs (1) through (8) of subsection (a) of 19 U.S.C. 58c are distributed on a basis proportionate to the fees collected under subsection (a)(1) through (a)(8) of 19 U.S.C. 58c. To the extent funds remain available, reimbursements are made for costs incurred in providing salaries for up to 50 full-time equivalent inspectional positions to provide preclearance services. See 19 U.S.C. 58c(f)(3)(A)(i)–(iii). This is the allocation authorized by the statute.

Fees collected under subsection (a) of 19 U.S.C. 58c, with two exceptions, shall be deposited as offsetting receipts into the Customs User Fee Account. Section 13031(f) of the Consolidated Omnibus Budget Reconciliation Act of 1985 (19 U.S.C. 58c(f)) was amended by section 892 of Pub. L. 108–357 to specify that, except as otherwise provided in the subsection, all funds in the Customs User Fee Account shall be available to pay the costs incurred by CBP in conducting customs revenue functions as defined in section 415 of the Homeland Security Act of 2002 (other than functions performed by the Office of International Affairs referred to in section 415(8) of that Act), and for automation (including the Automation Commercial Environment computer system), and for no other purpose. Paragraph (f)(2) of 19 U.S.C. 58c also states that so long as there is a surplus of funds in the Customs User Fee Account, the Secretary of the Treasury may not reduce personnel staffing levels for providing commercial clearance and preclearance services.

Comment: One commenter stated it was difficult to determine whether air passengers paying the proposed increases in customs user fees will derive any benefits or whether the proposed increases were justified because the proposed rule does not provide the types of costs included in the chart showing the fiscal year 2004 obligations, and does not account for savings from the consolidation of certain agricultural, customs, and immigration inspection functions into CBP.

CBP response: The customs user fees are authorized by statute. In Public Law 108–357, the Congress authorized the Secretary of the Treasury to charge fees in amounts that are reasonably related to the costs of providing customs services in connection with the activity or item for which the fee is charged, except that in no case may the fee charged exceed by more than 10 percent the amount otherwise prescribed. The amounts of the proposed fees are

reasonably related to the costs of providing customs services.

The types of costs associated with providing customs services include salaries and benefits, overtime, rent, supplies and equipment, training, travel, utilities, and overhead. The increased fees will support more CBP officer positions at airports and new technology and equipment. As a result, air passengers will benefit from enhanced and timely passenger facilitation.

Regarding the question of whether the proposed increases account for savings from the consolidation of the immigration, customs and agricultural functions in aircraft passenger processing, a CBP officer accounts for time and costs spent performing these services separately according to work activity and function. The inspectional services provided and the associated costs are identified as legacy Customs, legacy Immigration, and legacy Agriculture functions, depending on which legacy organization performed each function.

While certain components of the legacy agencies have been combined to form CBP, the statutory and regulatory authorities for those agencies and associated functions have not been consolidated. Therefore, all user fees are collected in distinct accounts (Customs User Fee Account, Immigration User Fee Account, Land Border Inspection Fee Account, etc.) and are only used to cover costs based on function and authorized by their respective legislation. User fee program costs are also segregated from all other costs.

Comment: Two commenters stated that the immigration, customs, and agriculture user fees should be consolidated into a single user fee for CBP inspection services provided to air passengers. The commenters stated that consolidation of the three inspectional fees would provide for greater efficiency. One commenter stated that consolidation of the user fees would result in more streamlined and transparent accounting, and would enable the agency to look at the cost of an air passenger inspection in relation to what an air passenger pays in user fees.

CBP response: While certain components of the legacy agencies have been combined to form CBP, the statutory and regulatory authorities for these agencies and their associated functions remain unchanged. The legacy Customs user fee authority resides with the Secretary of the Treasury. The legacy INS user fee authority resides with the Attorney General. The legacy APHIS user fee authority resides with

the Secretary of Agriculture. Presently, CBP has no authority to consolidate user fees. In the administration and collection of user fees, CBP is bound by current statutory law and must capture user fee costs based on function, that is, agriculture, customs, and immigration. CBP receives only a portion of the total user fees from the immigration and agriculture user fee accounts. Since CBP lacks the necessary authority to modify the immigration and agriculture user fees, a consolidated average cost of an inspection is neither appropriate nor possible at this time. However, CBP recognizes the benefits of consolidation, including streamlining the collection process and improving the management of the user fees. CBP is looking at options to improve the structuring of fees.

Comment: One commenter stated that aviation security is a matter of national security, a Federal Government responsibility that should be funded accordingly, and not by increasing user fees.

CBP response: The user fees are for the customs inspection and processing of passengers as authorized by the COBRA statute and the authority to increase the fees is specifically provided in law. Moreover, most aviation security inspection is performed outside of the context of these user fees.

Comment: One commenter stated that the airline industry faces a disproportionate and ever increasing tax burden. The commenter stated that implementation of this proposal would clearly worsen this inequitable situation and further stultify an airline's ability to serve the traveling and shipping public.

CBP response: While CBP understands the concerns of the airline industry, the authority to increase inspection fees was specifically provided in law two years ago, and this increase is consistent with that statute.

Comment: One commenter stated that the statement in the notice of proposed rulemaking regarding the minimal impact on business from the increase in user fees since user fees come from individual travelers, demonstrates a basic misunderstanding of the realities of contemporary airline economics. The commenter stated that the intense competition in the airline industry forces carriers to absorb these taxes and fees. The commenter stated that it is the airline, and ultimately its employees and shareholders, that principally bear the burden of increased fees.

CBP response: CBP notes that under the statute, entities issuing a document or ticket are authorized to collect the customs fee from an individual at the time the document or ticket is issued.

This regulation does not change the method for collecting that fee, nor does this rule establish a new class of fees; it is only increasing the current fee collected by a maximum of 10 percent.

Comment: One commenter stated that it has repeatedly requested an analysis of the actual average cost of an inspection for airline passengers since the consolidation of the three border inspection agencies, Immigration and Naturalization Service (INS), U.S. Customs Service (Customs), and the Animal and Plant Health Inspection Service (APHIS) into CBP. The commenter stated that among the justifications for the consolidation were greater efficiency, enhanced cost savings, and a more coordinated approach to the way in which inspection user fees were levied. The commenter stated that the proposed rule provides no analytical information on the cost of an inspection. The commenter concluded that no fee increase should be implemented absent the cost information and an opportunity to comment in response.

CBP response: The current fees charged and collected for the provision of customs services in connection with the arrival of passengers aboard a commercial vessel or commercial aircraft are set by statute at 19 U.S.C. 58c. Public Law 108-357 authorizes the Secretary of the Treasury to charge fees in amounts that are reasonably related to the costs of providing customs services in connection with the activity or item for which the fee is charged, except that in no case may the fee charged exceed by more than 10 percent the amount otherwise authorized. CBP has proposed to raise the customs user fees for related customs inspectional services based on costs and as authorized by the statute. CBP has analyzed the costs of providing customs services and the fee collections for these corresponding customs services, and has published the collections received and obligations incurred in Fiscal Year 2004, in the **Federal Register** (71 FR 20922) on April 24, 2006.

Comment: One commenter stated that the collection of a \$1.75 fee from commercial vessel passengers (to be raised by 10 percent in the proposed rule to \$1.93) for the exact same inspection that airline passengers experience, results in fee collections from airline passengers that subsidize the inspections of cruise ship passengers. The commenter stated that this inequity needed to be rectified.

CBP response: The current fees charged and collected for the provision of customs services in connection with the arrival of passengers aboard a

commercial vessel or commercial aircraft are set by statute at 19 U.S.C. 58c. In fiscal year 2006, and in each succeeding fiscal year for which fees are authorized, Public Law 108-357 authorizes the Secretary of the Treasury to charge fees in amounts that are reasonably related to the costs of providing customs services in connection with the activity or item for which the fee is charged, except that in no case may the fee charged exceed by more than 10 percent the amount otherwise authorized. As the respective fees are established by statute, this comment is beyond the scope of this rulemaking.

Conclusion of Comment Analysis

Based upon the analysis of the comments as discussed above, CBP has decided to adopt the proposed rule published on April 24, 2006, without change.

Additional Changes to the Regulations

In addition to the changes of the fee amounts in the regulatory text of Parts 24 and 111, as proposed in the proposed rulemaking published on April 24, 2006, the final regulations incorporate two technical corrections to the fee chart at 19 CFR 24.22(g)(2). The fee chart was intended as a tool to help readers understand the application of the fee structure explained in the regulatory text at 19 CFR 24.22(g)(1). However, in two locations, the fee chart did not accurately reflect the regulatory text.

The fee chart is being corrected to reflect the regulatory text at 19 CFR 24.22(g)(1)(i)(A) and (B). Paragraph (g)(1)(i)(A) provides for the collection of a fee for services provided in connection with the arrival of passengers aboard commercial aircraft from Canada, Mexico, any territories and possessions of the United States, and any adjacent islands ("Specified Location" (SL)), when the journey of the arriving passenger originates in a place outside the United States other than an SL. The chart is accordingly amended to state that a fee is assessed in such a situation. The chart is also amended to reflect the language of paragraph (g)(1)(i)(B) that a fee is assessed when the journey of the arriving passenger from an SL originates in the United States and includes travel to a country other than to an SL.

The Regulatory Flexibility Act

This rule generally affects individuals and large commercial carriers. The increase in fees is 10 percent over the amounts currently paid by users of the customs services for which each fee is charged. Accordingly, CBP certifies that

this final rule will not have a significant impact on a substantial number of small entities because the majority of fees will come from individual travelers into the United States. Therefore, it is not subject to the analysis provisions of the Regulatory Flexibility Act, as amended (5 U.S.C. 601 *et seq.*). The American Jobs Creation Act specifically provides that the Secretary of the Treasury shall charge fees that are reasonably related to these activities.

Executive Order 12866

This rule does not meet the criteria for a "significant regulatory action" as specified in E.O. 12866. Accordingly, a regulatory impact analysis is not required.

Signing Authority

This document is being issued in accordance with § 0.1(a) of Chapter I of Title 19, Code of Federal Regulations (19 CFR 0.1) pertaining to the exercise of authority to approve regulations in 19 CFR chapter I.

List of Subjects

19 CFR Part 24

Accounting, Claims, Customs duties and inspection, Fees, Financial and accounting procedures, Imports, Taxes, User fees.

19 CFR Part 111

Administrative practice and procedure, Brokers, Customs duties and inspection, Imports, Licensing.

Amendments to the Regulations

■ For the reasons set forth above, parts 24 and 111 of the Customs and Border Protection Regulations (19 CFR parts 24 and 111) are amended as follows:

PART 24—CUSTOMS FINANCIAL AND ACCOUNTING PROCEDURE

■ 1. The authority citation for part 24 continues to read in part as follows:

Authority: 5 U.S.C. 301; 19 U.S.C. 58a-58c, 66, 1202 (General Note 3(i), Harmonized Tariff Schedule of the United States), 1505, 1520, 1624; 26 U.S.C. 4461, 4462; 31 U.S.C. 9701; Public Law 107-296, 116 Stat. 2135 (6 U.S.C. 1 *et seq.*)

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■ 2. Amend § 24.22 as follows:

■ a. In paragraph (b)(1)(i), the figure "\$397" is removed and, in its place, the figure "\$437" is added.

■ b. In paragraph (b)(2)(i), the figure "\$100" is removed and, in its place, the figure "\$110" is added.

■ c. In paragraph (c)(1), the figure "\$5" is removed and, in its place, the figure "\$5.50" is added.

- d. In paragraph (d)(1), the figure “\$7.50” is removed and, in its place, the figure “\$8.25” is added.
- e. In paragraph (e)(1), the figure “\$25” is removed and, in its place, the figure “\$27.50” is added.
- f. In paragraph (e)(2), the figure “\$25” is removed and, in its place, the figure “\$27.50” is added.
- g. In paragraph (f), the figure “\$5” is removed and, in its place, the figure “\$5.50” is added.

- h. In paragraph (g)(1)(i), the figure “\$5” is removed and, in its place, the figure “\$5.50” is added.
- i. In paragraph (g)(1)(ii), the figure “\$1.75” is removed and, in its place, the figure “\$1.93” is added.
- j. In paragraph (g)(2), the table is revised to read as set forth below.
- k. In paragraph (g)(5)(v), the figure “\$5” is removed and, in its place, the figure “\$5.50” is added; and, the figure “\$1.75” is removed and, in its place, the figure “\$1.93” is added.

- l. In paragraph (i)(7), the figure “\$5” is removed and, in its place, the figure “\$5.50” is added.
- m. In paragraph (i)(8), the figure “\$1.75” is removed and, in its place, the figure “\$1.93” is added.

The revision reads as follows:

§ 24.22 Fees for certain services.

- * * * * *
- (g) * * *
- (2) * * *

Place where journey originates (see (g)(1)(iv))	Fee status for arrival from SL		Fee status for arrival from other than SL	
	Vessel	Aircraft	Vessel	Aircraft
SL	\$1.93	No fee	No fee	No fee.
Other than SL or U.S.	1.93	\$5.50	\$5.50	\$5.50.
U.S.*	1.93	No fee	N/A	N/A.
U.S.**	1.93	\$5.50	\$5.50	\$5.50.

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PART 111—CUSTOMS BROKERS

■ 3. The authority citation for part 111 continues to read in part as follows:

Authority: 19 U.S.C. 66, 1202, (General Note 3(i), Harmonized Tariff Schedule of the United States), 1624, 1641.

* * * * *

Section 111.96 also issued under 19 U.S.C. 58c; 31 U.S.C. 9701.

■ 4. Section 111.19 is amended in paragraph (c) by removing all the figures reading “\$125” and adding in their place the figure “\$138”.

■ 5. Section 111.96 is amended in paragraph (c) by removing all the figures reading “\$125” and adding in their place the figure “\$138”.

Deborah J. Spero,

Acting Commissioner, Bureau of Customs and Border Protection.

Approved: January 23, 2007.

Timothy E. Skud,

Deputy Assistant Secretary of the Treasury.

[FR Doc. 07–335 Filed 1–25–07; 8:45 am]

BILLING CODE 9114–14–P

DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 31

[TD 9276]

RIN 1545–BD96

Flat Rate Supplemental Wage Withholding; Correction

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Correcting amendment.

SUMMARY: This document contains correction to final regulations (TD 9276) that were published in the **Federal Register** on Tuesday, July 25, 2006 (71 FR 42049), amending the regulations that provide for determining the amount of income tax withholding on supplemental wages. These regulations apply to all employers and others making supplemental wage payments to employees.

DATES: The correction is effective January 1, 2007.

FOR FURTHER INFORMATION CONTACT: A.G. Kelley, (202) 622–6040 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

The final regulations that are the subject of this correction are under sections 3401 and 3402 of the Internal Revenue Code.

Need for Correction

As published, final regulations (TD 9276) contain an error that may prove to be misleading and is in need of clarification.

List of Subjects in 26 CFR Part 31

Employment taxes, Income taxes, Penalties, Pensions, Railroad retirement, Reporting and recordkeeping requirements, Social Security, Unemployment compensation.

Correction of Publication

■ Accordingly, 26 CFR part 31 is corrected by making the following correcting amendment:

PART 31—EMPLOYMENT TAXES AND COLLECTION OF INCOME TAX AT SOURCE

■ **Paragraph 1.** The authority citation for part 31 continues to read, in part, as follows:

Authority: 26 U.S.C. 7805 * * *

■ **Par. 2.** Section 31.3402(g)–1(a)(8) is amended by revising the last sentence of *Example 3* paragraph (iv). The revision reads as follows:

§ 31.3402(g)–1 Supplemental wage payments.

(a) * * *

(8) * * *

Example 3. * * *

(iv) * * * If R elects to use optional flat rate withholding provided under paragraph (a)(7)(iii)(F) of this section, withholding would be calculated at 25 percent of the \$1,000,000 portion of the payment and would be \$250,000.

* * * * *

LaNita Van Dyke,

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

[FR Doc. E7–1051 Filed 1–25–07; 8:45 am]

BILLING CODE 4830–01–P