

percent of the capital and profits of D, an entity organized in country M. D is a partnership for U.S. income tax purposes, but is a corporation for country M tax purposes. D uses the "u" as its functional currency and the calendar year as its taxable year for both U.S. tax purposes and country M tax purposes. Country M imposes an income tax described in paragraph (a)(1) of this section at a rate of 30 percent at the entity level on the taxable income of D. On September 30, 2008, A sells its 50 percent interest in D to C. A's sale of its partnership interest results in a termination of the partnership under section 708(b) for U.S. tax purposes. As a result of the termination, "old" D's taxable year closes on September 30, 2008 for U.S. tax purposes. New D also has a short U.S. taxable year, beginning on October 1, 2008, and ending on December 31, 2008. The sale of A's interest does not close D's taxable year for country M tax purposes. D has 400u of taxable income for its 2008 foreign taxable year with respect to which country M imposes 120u equal to \$120 of income tax.

(i) *Result.* Under paragraph (f)(3)(i) of this section, hybrid partnership D is legally liable for the \$120 of country M income tax imposed on its net income. Because D's taxable year closes on September 30, 2008, for U.S. tax purposes, but does not close for country M tax purposes, under paragraph (f)(3)(i) of this section the \$120 of country M tax must be allocated under the principles of § 1.1502-76(b) between the short U.S. taxable years of terminating D and new D. See § 1.704-1(b)(4)(viii) for rules relating to the allocation of terminating D's country M taxes between A and B and the allocation of new D's country M taxes between B and C.

Example 9. (i) *Facts.* A, a United States person engaged in construction activities in country X, is subject to the country X income tax. Country X has contracted with A for A to construct a naval base. A is a dual capacity taxpayer (as defined in paragraph (a)(2)(ii)(A) of this section) and, in accordance with paragraphs (a)(1) and (c)(1) of § 1.901-2A, A has established that the country X income tax as applied to dual capacity persons and the country X income tax as applied to persons other than dual capacity persons together constitute a single levy. A has also established that that levy is an income tax within the meaning of paragraph (a)(1) of this section. Pursuant to the terms of the contract, country X has agreed to assume any country X income tax liability that A may incur with respect to A's income from the contract.

(ii) *Result.* For U.S. income tax purposes, A's income from the contract includes the amount of tax that is imposed by country X on A with respect to its income from the contract and that is assumed by country X; and the amount of the tax liability assumed by country X is considered to be paid by A. By reason of paragraph (f)(5) of this section, country X is not considered to provide a subsidy, within the meaning of section 901(i) and paragraph (e)(3) of this section, to A.

* * * * *

(h) *Effective Date.* Paragraphs (a) through (e) and paragraph (g) of this section, § 1.901-2A and § 1.903-1 apply to taxable years beginning after

November 14, 1983. Paragraph (f) of this section is effective for foreign taxes paid or accrued during taxable years of the taxpayer beginning on or after January 1, 2007.

Mark E. Matthews,

Deputy Commissioner for Services and Enforcement.

[FR Doc. E6-12358 Filed 8-3-06; 8:45 am]

BILLING CODE 4830-01-P

DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Parts 1 and 31

[REG-146893-02; REG-115037-00; REG-138603-03]

RIN 1545-BB31, 1545-AY38, 1545-BC52

Treatment of Services Under Section 482 Allocation of Income and Deductions From Intangibles Stewardship Expense

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Notice of proposed rulemaking by cross-reference to temporary regulations, notice of proposed rulemaking, and notice of public hearing.

SUMMARY: In a separate part to this issue of the **Federal Register**, the IRS is issuing temporary regulations relating to the treatment of controlled services transactions under section 482. These temporary regulations also provide guidance regarding the allocation of income from intangibles, in particular with respect to contribution by a controlled party to the value of an intangible owned by another controlled party as it relates to controlled services transactions and modify the regulations under section 861 concerning stewardship expenses to be consistent with the changes made to the regulations under section 482. The text of those regulations also serves as the text of these proposed regulations. These proposed regulations also contain a coordination rule with global dealing operations. The Treasury Department and the IRS are presently working on new global dealing regulations and intend that when final regulations are issued, those regulations, not § 1.482-9T, will govern the evaluation of the activities performed by a global dealing operation within the scope of those regulations. Pending finalization of the global dealing regulations, taxpayers may rely on the proposed global dealing regulations, not the temporary services regulations, to govern financial

transactions entered into in connection with a global dealing operation as defined in proposed § 1.482-8. Therefore, proposed regulations under § 1.482-9(m)(5) clarify that a controlled services transaction does not include a financial transaction entered into in connection with a global dealing operation. These proposed regulations potentially affect controlled taxpayers within the meaning of section 482. This document also provides notice of a public hearing on these proposed regulations.

DATES: Written or electronic comments must be received by November 2, 2006.

ADDRESSES: Send submissions to: CC:PA:LPD:PR (REG-146893-02, REG-115037-00, and REG-138603-03), 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 Federal eRulemaking Portal at <http://www.regulations.gov> (IRS REG-146893-02, REG-115037-00, and REG-138603-03).

FOR FURTHER INFORMATION CONTACT: Concerning the proposed regulations, Thomas A. Vidano, (202) 435-5265, or Carol B. Tan, (202) 435-5265 for matters relating to section 482, or David Bergkuist (202) 622-3850 for matters relating to stewardship expenses; concerning submission of comments, the hearing, and/or, to be placed on the building access list to attend the hearing, [Insert Name], (202) 622-7180 (not toll-free numbers).

SUPPLEMENTARY INFORMATION:

Background and Explanation of Provisions

Temporary regulations in the Rules and Regulations section of this issue of the **Federal Register** amend the Income Tax Regulations (26 CFR parts 1 and 31) relating to section 482. The temporary regulations set forth guidance on the treatment of controlled services transactions, the allocation from intangibles under section 482, and stewardship expenses under section 861. The text of those regulations also serves as the text of these proposed regulations. The preamble to the temporary regulations explains the temporary regulations and these proposed regulations. These proposed regulations potentially affect controlled taxpayers within the meaning of section 482.

Special Analyses

It has been determined that this notice of proposed rulemaking is not a significant regulatory action as defined

in Executive Order 12866. Therefore, a regulatory assessment is not required. It also has been determined that section 553(b) of the Administrative Procedure Act (5 U.S.C. chapter 5) does not apply to these regulations, and because the regulation does not impose a collection of information on small entities, the Regulatory Flexibility Act (5 U.S.C. chapter 6) does not apply. Pursuant to section 7805(f) of the Internal Revenue Code (Code), this regulation has been submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on their impact on small business.

Comments and Public Hearing

Before these proposed regulations are adopted as final regulations, consideration will be given to any written comments (a signed original and eight (8) copies) or electronic comments that are submitted timely to the IRS. The IRS and Treasury Department specifically request comments on the clarity of the proposed rule and how it may be made easier to understand. All comments will be available for public inspection and copying.

A public hearing will be scheduled if requested in writing by any person that timely submits written comments. If a public hearing is scheduled, notice of the date, time, and place for the public hearing will be published in the **Federal Register**.

Drafting Information

The principal authors of these regulations are Thomas A. Vidano and Carol B. Tan, Office of Associate Chief Counsel (International).

List of Subjects

26 CFR Part 1

Income taxes, Reporting and recordkeeping requirements.

26 CFR Part 31

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

Proposed Amendments to the Regulations

Accordingly, 26 CFR parts 1 and 31 are proposed to be amended as follows:

PART 1—INCOME TAXES

Paragraph. 1. The authority citation for part 1 is amended by adding an entry in numerical order to read in part as follows:

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

Section 1.482–9 also issued under 26 U.S.C. 482. * * *

Par. 2. Section 1.482–0 is amended as follows:

- 1. The section heading is revised.
- 2. The entries for § 1.482–2(b) are revised.
- 3. The entries for § 1.482–4(f)(3), (f)(4) and (f)(5) are revised and new entries for § 1.482–4(f)(6) are added.
- 4. New entries for §§ 1.482–6T(c)(3)(i)(B)(1) and (2) and 1.482–9T are added.

The revisions and additions read as follows:

§ 1.482–0 Outline of regulations under section 482.

* * * * *

[The text of the proposed amendment to § 1.482–0 is the same as the text of § 1.482–0T published elsewhere in this issue of the **Federal Register**.]

Par. 3. Section 1.482–1 is amended as follows:

- 1. Paragraphs (a)(1), (b)(2)(i), (d)(3)(ii)(C) *Example 3*, (d)(3)(v), (f)(2)(ii)(A), (f)(2)(iii)(B), (g)(4)(i), (g)(4)(iii) and paragraph (i) are revised.
- 2. Paragraphs (d)(3)(ii)(C), *Example 4* and *Example 5* and (j) are added.

The additions and revisions read as follows:

§ 1.482–1 Allocation of income and deductions among taxpayers.

(a)(1) [The text of the proposed amendment to § 1.482–1(a)(1) is the same as the text of § 1.482–1T(a)(1) published elsewhere in this issue of the **Federal Register**.]

* * * * *

- (b) * * *
- (1) * * *

(b)(2)(i) [The text of the proposed amendment to § 1.482–1(b)(2)(i) is the same as the text of § 1.482–1T(b)(2)(i) published elsewhere in this issue of the **Federal Register**.]

* * * * *

- (d) * * *
- (3) * * *
- (ii) * * *
- (C) * * *

Example 3. [The text of the proposed amendment to § 1.482–1(d)(3)(ii)(C), *Example 3* is the same as the text of § 1.482–1T(d)(3)(ii)(C) *Example 3* published elsewhere in this issue of the **Federal Register**.]

Example 4. [The text of the proposed amendment to § 1.482–1(d)(3)(ii)(C) *Example 4* is the same as the text of § 1.482–1T(d)(3)(ii)(C) *Example 4* published elsewhere in this issue of the **Federal Register**.]

Example 5. [The text of the proposed amendment to § 1.482–1(d)(3)(ii)(C) *Example 5* is the same as the text of § 1.482–1T(d)(3)(ii)(C) *Example 5* published

elsewhere in this issue of the **Federal Register**.]

Example 6. [The text of the proposed amendment to § 1.482–1(d)(3)(ii)(C) *Example 6* is the same as the text of § 1.482–1T(d)(3)(ii)(C) *Example 6* published elsewhere in this issue of the **Federal Register**.]

(v) *Property or services.* [The text of the proposed amendment to § 1.482–1(d)(3)(v) is the same as the text of § 1.482–1T(d)(3)(v) published elsewhere in this issue of the **Federal Register**.]

* * * * *

- (f) * * *
- (2) * * *

(ii)(A) [The text of the proposed amendment to § 1.482–1(f)(2)(ii)(A) is the same as the text of § 1.482–1T(f)(2)(ii)(A) published elsewhere in this issue of the **Federal Register**.]

(iii) * * *

(B) [The text of the proposed amendment to § 1.482–1(f)(3)(iii)(B) is the same as the text of § 1.482–1T(f)(3)(iii)(B) published elsewhere in this issue of the **Federal Register**.]

* * * * *

- (g) * * *
- (4) * * *

(i) * * * [The text of the proposed amendment to § 1.482–1(g)(4)(i) is the same as the text of § 1.482–1T(g)(4)(i) published elsewhere in this issue of the **Federal Register**.]

(iii) * * *

Example 1. [The text of the proposed amendment to § 1.482–1(g)(4)(iii) *Example 1* is the same as the text of § 1.482–1T(g)(4)(iii) *Example 1* published elsewhere in this issue of the **Federal Register**.]

* * * * *

(i) [The text of the proposed amendment to § 1.482–1(i) is the same as the text of § 1.482–1T(i) published elsewhere in this issue of the **Federal Register**.]

* * * * *

(j) [The text of the proposed amendment to § 1.482–1(j) is the same as the text of § 1.482–1T(j)(1) and (2) published elsewhere in this issue of the **Federal Register**.]

Par. 4. Section 1.482–2 is amended as follows:

- 1. Paragraph (b) is revised.
- 2. Paragraph (e) is added.

The revision and addition reads as follows:

§ 1.482–2 Determination of taxable income in specific situations.

* * * * *

(b) [The text of the proposed amendment to § 1.482–2(b) is the same as the text of § 1.482–2T(b) published elsewhere in this issue of the **Federal Register**.]

* * * * *

(e) [The text of the proposed amendment to § 1.482-2(e) is the same as the text of § 1.482-2T(e)(1) and (2) published elsewhere in this issue of the **Federal Register**].

Par. 5. Section 1.482-4 is amended as follows:

- 1. Paragraph (f)(3) is revised.
- 2. Paragraphs (f)(4) and (f)(5) are redesignated as paragraphs (f)(5) and (f)(6), respectively.
- 3. New paragraphs (f)(4) and (f)(7) are added.

The revision and addition read as follows:

§ 1.482-4 Methods to determine taxable income in connection with a transfer of intangible property.

* * * * *

(f) * * *

(3) [The text of the proposed amendment to § 1.482-4(f)(3) is the same as the text of § 1.482-4T(f)(3) published elsewhere in this issue of the **Federal Register**].

* * * * *

(4) [The text of the proposed amendment to § 1.482-4(f)(4) is the same as the text of § 1.482-4T(f)(4) published elsewhere in this issue of the **Federal Register**].

* * * * *

(7) [The text of the proposed amendment to § 1.482-4(f)(7) is the same as the text of § 1.482-4T(f)(7)(i) and (ii) published elsewhere in this issue of the **Federal Register**].

* * * * *

Par. 6. Section 1.482-6 is amended by revising paragraphs (c)(2)(ii)(B)(1), (c)(2)(ii)(D), (c)(3)(i)(A), (c)(3)(i)(B), and (c)(3)(ii)(D), and adding paragraph (d) to read as follows:

§ 1.482-6 Profit split method.

* * * * *

(c) * * *

(2) * * *

(ii) * * *

(B) * * * (1) * * * [The text of the proposed amendment to § 1.482-6(c)(2)(ii)(B)(1) is the same as the text of § 1.482-6T(c)(2)(ii)(B)(1) published elsewhere in this issue of the **Federal Register**].

* * * * *

(D) [The text of the proposed amendment to § 1.482-6(c)(2)(ii)(D) is the same as the text of § 1.482-6T(c)(2)(ii)(D) published elsewhere in this issue of the **Federal Register**].

* * * * *

(3) * * *

(i) * * * (A) [The text of the proposed amendment to § 1.482-6(c)(3)(i)(A) is the same as the text of § 1.482-6T(c)(3)(i)(A) published elsewhere in this issue of the **Federal Register**].

(B) [The text of the proposed amendment to § 1.482-6(c)(3)(i)(B) is the same as the text of § 1.482-6T(c)(3)(i)(B) published elsewhere in this issue of the **Federal Register**].

* * * * *

(ii) * * *

(D) [The text of the proposed amendment to § 1.482-6(c)(3)(ii)(D) is the same as the text of § 1.482-6T(c)(3)(ii)(D) published elsewhere in this issue of the **Federal Register**].

* * * * *

(d) [The text of the proposed amendment to § 1.482-6(d) is the same as the text of § 1.482-6T(d)(1) and (2) published elsewhere in this issue of the **Federal Register**].

Par. 7. Section 1.482-8 is amended by adding *Examples 10 through 12* to read as follows:

§ 1.482-8 Examples of the best method rule.

* * * * *

(a) *Example 10. Cost of services plus method preferred to other methods.* [The text of the proposed amendment to § 1.482-8(a) *Example 10* is the same as the text of § 1.482-8T(a) *Example 10* published elsewhere in this issue of the **Federal Register**].

Example 11. CPM for services preferred to other methods. [The text of the proposed amendment to § 1.482-8(a) *Example 11* is the same as the text of § 1.482-8T(a) *Example 11* published elsewhere in this issue of the **Federal Register**].

Example 12. Residual profit split preferred to other methods. [The text of the proposed amendment to § 1.482-8(a) *Example 12* is the same as the text of § 1.482-8T(a) *Example 12* published elsewhere in this issue of the **Federal Register**].

(b) [The text of the proposed amendment to § 1.482-8(b) is the same as the text of § 1.482-8T(b)(1) and (2) published elsewhere in this issue of the **Federal Register**].

Par. 8. A new § 1.482-9 is added to read as follows:

§ 1.482-9 Methods to determine taxable income in connection with a controlled services transaction.

(a) through (m)(5) [The text of the proposed § 1.482-9(a) through (m)(5) is the same as the text of § 1.482-9T(a) through (m)(5) published elsewhere in this issue of the **Federal Register**].

(m)(6) *Global dealing operations.* A controlled services transaction does not include a financial transaction entered into in connection with a global dealing operation as defined in § 1.482-8.

(n) [The text of the proposed § 1.482-9T(n)(1) and (n)(2) published elsewhere in this issue of the **Federal Register**].

Par. 9. Section 1.861-8 is amended by revising paragraphs (a)(5), the fifth and sixth sentences in paragraph (b)(3),

(e)(4), (f)(4)(i), (g) *Examples 17, 18, and 30*, and the first sentence in paragraph (h) introductory text to read as follows:

§ 1.861-8 Computation of taxable income from sources within the United States and from other sources and activities.

(a) * * *

(5) [The text of the proposed amendment to § 1.861-8(a)(5) is the same as the text of § 1.861-8T(a)(5) published elsewhere in this issue of the **Federal Register**].

(b) * * *

(3) * * * [The text of the proposed amendment to § 1.861-8(b)(3) is the same as the text in § 1.861-8T(b)(3) published elsewhere in this issue of the **Federal Register**]. * * *

* * * * *

(e) * * *

(4) [The text of the proposed amendment to § 1.861-8(e)(4) is the same as the text of § 1.861-8T(e)(4) published elsewhere in this issue of the **Federal Register**].

(f) * * *

(4) * * * (i) [The text of the proposed amendment to § 1.861-8(f)(4)(i) is the same as the text of § 1.861-8T(e)(4)(i) published elsewhere in this issue of the **Federal Register**].

(g) * * *

Example 17. [The text of the proposed amendment to § 1.861-8(g) *Example 17* is the same as the text of § 1.861-8T(g) *Example 17*, published elsewhere in this issue of the **Federal Register**].

Example 18. [The text of the proposed amendment to § 1.861-8(g) *Example 18* is the same as the text of § 1.861-8T(g) *Example 18*, published elsewhere in this issue of the **Federal Register**].

* * * * *

Example 30. [The text of the proposed amendment to § 1.861-8(g) *Example 30* is the same as the text of § 1.861-8T(g) *Example 30*, published elsewhere in this issue of the **Federal Register**].

(h) [The text of the proposed amendment to § 1.861-8(h) is the same as the text of § 1.861-8T(h)(1) published elsewhere in this issue of the **Federal Register**]. * * *

* * * * *

Par. 10. Section 1.6038A-3(a)(3) is amended by revising paragraph (a)(3) *Example 4* and (i) to read:

§ 1.6038A-3 Record maintenance.

(a) * * *

(3) * * *

Example 4. [The text of the proposed amendment to § 1.6038A-3, *Example 4* is the same as the text of § 1.6038A-3T, *Example 4* published elsewhere in this issue of the **Federal Register**].

* * * * *

(i) [The text of the proposed amendment to § 1.6038A-3(i) is the

same as the text of § 1.6038A-3T(i)(1) and (2) published elsewhere in this issue of the **Federal Register**].

Par. 11. Section 1.6662-6 is amended by revising paragraphs (d)(2)(ii)(B), (d)(2)(iii)(B)(4), (d)(2)(iii)(B)(6) and (g) to read as follows:

§ 1.6662-6 Transactions between persons described in section 482 and net section 482 transfer price adjustments.

* * * * *

- (d) * * *
- (2) * * *
- (ii) * * *

(B) [The text of the proposed amendment to § 1.6662-6(d)(2)(ii)(B) is the same as the text of § 1.6662-6T(d)(2)(ii)(B) published elsewhere in this issue of the **Federal Register**].

* * * * *

- (iii) * * *

(B) * * * (4) [The text of the proposed amendment to § 1.6662-6(d)(2)(iii)(B)(4) is the same as the text of § 1.6662-6T(d)(2)(iii)(B)(4) published elsewhere in this issue of the **Federal Register**].

* * * * *

(6) [The text of the proposed amendment to § 1.6662-6(d)(2)(iii)(B)(6) is the same as the text of § 1.6662-6T(d)(2)(iii)(B)(6) published elsewhere in this issue of the **Federal Register**].

* * * * *

(g) [The text of the proposed amendment to § 1.6662-6(g) is the same as the text of § 1.6662-6T(g)(1) and (2) published elsewhere in this issue of the **Federal Register**].

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

Par. 12. The authority citation for part 31 continues to read as follows:

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

Par. 13. Section 31.3121(s)-1 is amended by revising paragraphs (c)(2)(iii) and (d) to read as follows:

§ 31.3121(s)-1 Concurrent employment by related corporations with common paymaster.

* * * * *

- (c) * * *
- (2) * * *

(iii) [The text of the proposed amendment to § 31.3121(s)-1(c)(2)(iii) is the same as the text of § 31.3121(s)-1T(c)(2)(iii) published elsewhere in this issue of the **Federal Register**].

* * * * *

(d) [The text of the proposed amendment to § 31.3121(s)-1(d) is the same as the text of § 31.3121(s)-1T(d)(1)

and (2) published elsewhere in this issue of the **Federal Register**].

* * * * *

Mark E. Matthews,
Deputy Commissioner for Services and Enforcement.

[FR Doc. 06-6674 Filed 7-31-06; 4:40 pm]

BILLING CODE 4830-01-P

DEPARTMENT OF HOMELAND SECURITY

Coast Guard

33 CFR Part 165

[CGD09-06-122]

RIN 1625-AA00

Safety Zone; St. Louis River/Duluth/Interlake Tar Remediation Site, Duluth, MN

AGENCY: Coast Guard, DHS.

ACTION: Notice of proposed rulemaking.

SUMMARY: The Coast Guard proposes to establish a safety zone on the St. Louis River in Duluth, Minnesota. The purpose of the safety zone is to protect the boating public from dangers associated with the cleanup operation in and around Stryker Bay. Entry into this zone will be prohibited unless authorized by the Captain of the Port or his duly appointed representative.

DATES: Comments and related materials must reach the Coast Guard on or before September 30, 2006.

ADDRESSES: You may mail comments and related material to Coast Guard Marine Safety Unit Duluth, 600 S. Lake Ave., Duluth, MN 55802. Coast Guard Marine Safety Unit (MSU) Duluth maintains the public docket for this rulemaking. Comments and material received from the public are part of the docket [CGD09-06-122] and are available for inspection or copying at U.S. Coast Guard Marine Safety Unit Duluth at the above address between the hours of 7:30 a.m. and 3:30 p.m., Monday through Friday, except Federal holidays.

FOR FURTHER INFORMATION CONTACT: LCDR Scott Stoermer, U.S. Coast Guard Marine Safety Unit Duluth, at (218) 720-5286, ext. 111.

SUPPLEMENTARY INFORMATION:

Request for Comments

We encourage you to participate in this rulemaking by submitting comments and related material. If you do so, please include your name and address, identify the docket number for this rulemaking (CGD09-06-122),

indicate the specific section of this document to which each comment applies, and give the reason for each comment. Please submit all comments and related material in an unbound format, no larger than 8½ by 11 inches, suitable for copying. If you would like to know that they reached us, please enclose a stamped, self-addressed postcard or envelope. We will consider all comments and material received during the comment period. We may change this proposed rule in view of them.

Public Meeting

We do not plan to hold a public meeting. But you may submit a request for a meeting by writing to MSU Duluth at the address under **ADDRESSES** explaining why one would be beneficial. If we determine that one would aid this rulemaking, we will hold one at a time and place announced by a later notice in the **Federal Register**.

Background and Purpose

On June 23, 2006, the Captain of the Port Duluth issued a Temporary Final Rule (71 FR 36012, CGD9-06-031, 33 CFR 165.T09-031) establishing a safety zone in Stryker Bay and Hallett Slips 6 & 7, which expires on November 30, 2003. The Coast Guard, through this action, intends to continue to ensure the safety of the public and boating traffic in the Stryker Bay area during the course of an environmental remediation project by establishing a permanent safety zone. This safety zone is intended to restrict vessel traffic from the portion of St. Louis River where construction and dredging are occurring. The size of the zone was determined by placing the boundaries approximately 50 feet beyond the outermost extent of dredging operations, encompassing all of Stryker Bay and Hallett Slips 6&7. The Coast Guard intends to cancel this safety zone upon completion of the mediation which is currently anticipated to last for three years.

Discussion of Proposed Rule

The Coast Guard proposes a safety zone to ensure the safety of boaters transiting this portion of the St. Louis River. This proposed safety zone is identical to the current safety zone established by the temporary final rule discussed above.

The proposed safety zone would encompass all waters of Stryker Bay and Hallett Slips 6 & 7 which are located north of a boundary line delineated by the following points: From the shoreline at 46°43'10.00" N, 092°10'31.66" W, then south to 46°43'06.24" N, 092°10'31.66" W, then east to