

**Boeing:** Docket 2002–NM–238–AD.

**Applicability:** Model 737–200 series airplanes modified by Supplemental Type Certificate (STC) ST00516AT, certificated in any category.

**Compliance:** Required as indicated, unless accomplished previously.

To eliminate the possibility that the airplane crew could be unable to remove power from the IFE system during a non-normal or emergency situation, which could result in the airplane crew's inability to control smoke or fumes in the airplane flight deck or cabin, accomplish the following:

#### Removal of IFE System

(a) Within 18 months after the effective date of this AD, remove the IFE system installed by STC ST00516AT per the procedure in Kosola and Associates Service Bulletin 2002–1, dated July 16, 2003. The procedure includes disconnecting the power line that leads from the IFE system control unit to the P6 panel, capping and stowing all related wiring or removing related wiring from the airplane, removing the IFE system circuit breaker from the P6 panel, and removing all components of the IFE system from the airplane.

#### Inspections Accomplished Per Previous Issue of Service Bulletin

(b) Removal of the IFE system installed by STC ST00516AT before the effective date of this AD per Kosola and Associates Service Bulletin 2002–1, dated June 5, 2002, is considered acceptable for compliance with paragraph (a) of this AD.

#### Parts Installation

(c) As of the effective date of this AD, no person may install an IFE system approved by STC ST00516AT on any airplane.

#### Alternative Methods of Compliance

(d) In accordance with 14 CFR 39.19, the Manager, Atlanta Aircraft Certification Office (ACO), FAA, is authorized to approve alternative methods of compliance for this AD.

Issued in Renton, Washington, on August 27, 2003.

**Ali Bahrami,**

*Acting Manager, Transport Airplane Directorate, Aircraft Certification Service.*

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**BILLING CODE 4910–13–P**

## DEPARTMENT OF THE TREASURY

### Internal Revenue Service

#### 26 CFR Part 1

[REG–132760–03]

RIN 1545–BC38

#### Guidance Under Section 1502; Application of Section 108 to Members of a Consolidated Group

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

**ACTION:** Notice of proposed rulemaking by cross-reference to temporary regulations.

**SUMMARY:** In the Rules and Regulations section of this issue of the **Federal Register**, the IRS is issuing temporary regulations that govern the application of section 108 when a member of a consolidated group realizes discharge of indebtedness income. The text of those regulations also serves as the text of these proposed regulations.

**DATES:** Written or electronic comments must be received by December 3, 2003.

**ADDRESSES:** Send submissions to: CC:PA:LPD:PR (REG–132760–03), room 5203, Internal Revenue Service, POB 7604 Ben Franklin Station, Washington, DC 20044. Submissions may be hand delivered Monday through Friday between the hours of 8 a.m. and 4 p.m. to: CC:PA:LPD:PR (REG–132760–03), Courier's Desk, Internal Revenue Service, 1111 Constitution Avenue, NW., Washington, DC. Alternatively, taxpayers may submit comments electronically directly to the IRS Internet site at <http://www.irs.gov/regs>.

**FOR FURTHER INFORMATION CONTACT:** Concerning the proposed regulations, Amber Renee Cook or Marie C. Milnes-Vasquez at (202) 622–7530; concerning submission of comments, Treena Garrett at (202) 622–3401 (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 part 1) relating to section 1502. The temporary regulations govern the application of section 108 when a member of a consolidated group realizes discharge of indebtedness income. The text of those regulations also serves as the text of these proposed regulations. The preamble to the temporary regulations explains the amendments.

#### Special Analysis

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. Further, it is hereby certified that these regulations will not have a significant economic impact on a substantial number of small entities. This certification is based on the fact that these regulations will primarily affect affiliated groups of corporations that have elected to file consolidated returns,

which tend to be larger businesses. Moreover, the number of taxpayers affected and the average burden are minimal. Accordingly, a Regulatory Flexibility Analysis under the Regulatory Flexibility Act (5 U.S.C. chapter 6) is not required. Pursuant to section 7805(f) of the Internal Revenue Code, this notice of proposed rulemaking will be submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on its impact on small business.

#### Comments and Public Hearing

Before these proposed regulations are adopted as final regulations, consideration will be given to any written (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 regulations and how they 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 hearing will be published in the **Federal Register**.

#### Drafting Information

Various personnel from the IRS and Treasury Department participated in the development of these regulations.

#### List of Subjects in 26 CFR Part 1

Income taxes, Reporting and recordkeeping requirements.

#### Proposed Amendments to the Regulations

Accordingly, 26 CFR part 1 is proposed to be amended as follows:

#### PART 1—INCOME TAXES

**Paragraph 1.** The authority citation continues to read in part as follows:

**Authority:** 26 U.S.C. 7805 \* \* \*  
Section 1.1502–28 also issued under 26 U.S.C. 1502. \* \* \*

**Par. 2.** Section 1.1502–19 is amended as follows:

1. Paragraph (b)(1) is revised.
  2. The headings for paragraphs (h)(2) and (h)(2)(i) are revised.
  3. Paragraph (h)(2)(ii) is redesignated as paragraph (h)(2)(iii).
  4. New paragraph (h)(2)(ii) is added.
- The revisions and addition read as follows:

#### § 1.1502–19 Excess loss accounts.

[The text of this proposed section is the same as the text of § 1.1502–19T

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

**Par. 3.** Section 1.1502-21 is amended as follows:

1. Paragraphs (b)(2)(iv) and (c)(2)(vii) are revised.

2. Paragraph (h)(6) is redesignated as paragraph (h)(7).

3. New paragraph (h)(6) is added.

4. New paragraph (h)(8) is added.

The revision and additions read as follows:

**§ 1.1502-21 Net operating losses.**

[The text of this proposed section is the same as the text of § 1.1502-21T published elsewhere in this issue of the **Federal Register**].

**Par. 4.** Section 1.1502-28 is added to read as follows:

**§ 1.1502-28 Consolidated section 108.**

[The text of this proposed section is the same as the text of § 1.1502-28T published elsewhere in this issue of the **Federal Register**].

**Par. 5.** Section 1.1502-32 is amended as follows:

1. Paragraphs (b)(3)(ii)(C)(1) and

(b)(3)(iii)(A) are revised.

2. Paragraph (b)(4)(vii) is added.

3. Paragraph (b)(5)(ii), *Example 4*, paragraphs (a), (b), and (c) are revised.

4. Paragraph (h)(7) is added.

The revisions and additions read as follows:

**§ 1.1502-32 Investment adjustments.**

[The text of this proposed section is the same as the text of § 1.1502-32T published elsewhere in this issue of the **Federal Register**].

**Robert E. Wenzel,**

*Deputy Commissioner for Services and Enforcement.*

[FR Doc. 03-22454 Filed 8-29-03; 3:14 pm]

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**DEPARTMENT OF THE TREASURY**

**Internal Revenue Service**

**26 CFR Part 1**

[REG-141402-02]

RIN 1545-BB43

**Limitation on Use of the Nonaccrual-Experience Method of Accounting Under Section 448(d)(5)**

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

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

**SUMMARY:** In the Rules and Regulations section of this issue of the **Federal**

**Register**, the IRS is issuing temporary regulations relating to the use of the nonaccrual-experience method of accounting by taxpayers using an accrual method of accounting and performing services. The text of those regulations also serves as the text of these proposed regulations. This document also provides notice of a public hearing on these proposed regulations.

**DATES:** Written or electronic comments must be received by December 3, 2003. Outlines of topics to be discussed at the public hearing scheduled for December 10, 2003, at 10 a.m. must be received by November 19, 2003.

**ADDRESSES:** Send submissions to: CC:PA:LPD:PR (REG-141402-02), room 5203, Internal Revenue Service, PO Box 7604, Ben Franklin Station, Washington, DC 20044. Submissions may be hand-delivered Monday through Friday between the hours of 8 a.m. and 4 p.m. to: CC:PA:LPD:PR (REG-141402-02), Courier's Desk, Internal Revenue Service, 1111 Constitution Avenue, NW., Washington, DC. Alternatively, taxpayers may submit electronic comments directly to the IRS Internet site at <http://www.irs.gov/regs>. The public hearing will be held in the IRS Auditorium of the Internal Revenue Building, 1111 Constitution Avenue, NW., Washington, DC.

**FOR FURTHER INFORMATION CONTACT:** Concerning the proposed regulations, Terrance McWhorter, 202-622-4970; concerning submissions of comments, Treena Garrett, 202-622-3401 (not toll-free numbers).

**SUPPLEMENTARY INFORMATION:**

**Paperwork Reduction Act**

The collection of information contained in this notice of proposed rulemaking has been submitted to the Office of Management and Budget for review in accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. 3507(d)). Comments on the collection of information should be sent to the Office of Management and Budget, Attn: Desk Officer for the Department of the Treasury, Office of Information and Regulatory Affairs, Washington, DC 20503, with copies to the Internal Revenue Service, Attn: IRS Reports Clearance Officer, W:CAR:MP:T:T:SP, Washington, DC 20224. Comments on the collection of information should be received by November 3, 2003. Comments are specifically requested concerning:

Whether the proposed collection of information is necessary for the proper performance of the functions of the Internal Revenue Service, including

whether the information will have practical utility;

The accuracy of the estimated burden associated with the proposed collection of information (see below);

How the quality, utility, and clarity of the information to be collected may be enhanced;

How the burden of complying with the proposed collection of information may be minimized, including through the application of automated collection techniques or other forms of information technology; and

Estimates of capital or start-up costs and costs of operation, maintenance, and purchase of service to provide information.

The collection of information in this proposed regulation is in § 1.448-2T. This information is required to verify that an alternative nonaccrual-experience method of accounting selected and used by a taxpayer to compute the amount of its otherwise accruable income that will not be collected will, based on the taxpayer's experience, accurately reflect the amount of income that the taxpayer will not collect and will clearly reflect the taxpayer's experience under section 448(d)(5) of the Internal Revenue Code. The collection of information is mandatory. The likely recordkeepers are business or other for-profit institutions, and small businesses or organizations.

*Estimated total annual recordkeeping burden:* 24,000 hours.

The estimated annual burden per recordkeeper varies from 1 to 5 hours, depending on individual circumstances, with an estimated average of 3 hours.

*Estimated number of recordkeepers:* 8,000.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid control number assigned by the Office of Management and Budget.

Books or records relating to a collection of information must be retained as long as their contents may become material in the administration of any internal revenue law. Generally, tax returns and tax return information are confidential, as required by 26 U.S.C. 6103.

**Background and Explanation of Provisions**

Section 448(d)(5) was added to the Code by section 801 of the Tax Reform Act of 1986 (Pub. L. 99-514, 100 Stat. 2085) and was amended by section 403 of the Job Creation and Worker Assistance Act of 2002 (Pub. L. 107-147, 116 Stat. 21) (the 2002 Act), effective for taxable years ending after