

Mombrun of the office of the Assistant Chief Counsel (Corporate), IRS. However, other personnel from the IRS and the Treasury Department participated in their development.

#### 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 for part 1 continues to read in part as follows:

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

**Par. 2.** Section 1.368–2 is amended by revising paragraph (b)(1) to read as follows:

#### § 1.368–2 Definition of terms.

(b)(1) In order to qualify as a reorganization under section 368(a)(1)(A), the transaction must be a merger or consolidation involving two corporations effected pursuant to the laws of the United States or a State or territory, or the District of Columbia. In addition, by operation of such a merger law, the transaction must result in one corporation acquiring the assets of the merging corporation and the merging corporation ceasing to exist. Similarly, by operation of such a consolidation law, the transaction must result in one newly formed corporation acquiring the assets of both consolidating corporations, and both consolidating corporations ceasing to exist. Thus, the merger under state or Federal law of an entity that is disregarded as an entity separate from its owner for Federal tax purposes into an acquiring corporation in which the owner exchanges its interest in the disregarded entity for stock in the acquiring corporation and the disregarded entity ceases to exist as a result of the transaction by operation of the state or Federal merger law is not a statutory merger qualifying as a reorganization under section 368(a)(1)(A). Moreover, the merger of a target corporation into an entity that is disregarded as an entity separate from its owner for Federal tax purposes that does not lose its status as a disregarded entity as a result of the transaction is not a statutory merger qualifying as a reorganization under section 368(a)(1)(A). Examples of entities that are disregarded as entities separate from their owners include a qualified REIT subsidiary (within the meaning of

section 856(i)(2)), a qualified subchapter S subsidiary (within the meaning of section 1361(b)(3)(B)), and a business entity that is not classified as a corporation and that has a single owner (as provided in § 301.7701–2(c)(2) of this chapter). The preceding five sentences apply to any transaction occurring on or after [Date These Regulations Are Published As Final Regulations In The **Federal Register**].

\* \* \* \* \*

**Robert E. Wenzel,**

*Deputy Commissioner of Internal Revenue.*

[FR Doc. 00–11902 Filed 5–11–00; 2:30 pm]

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#### DEPARTMENT OF THE TREASURY

#### Internal Revenue Service

#### 26 CFR Part 1

[REG–100163–00]

RIN 1545–AX73

#### Applying Section 197 to Partnerships; Hearing Cancellation

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

**ACTION:** Cancellation of notice of public hearing on proposed rulemaking.

**SUMMARY:** This document provides notice of cancellation of a public hearing on proposed regulations relating to the application of section 197 to partnerships.

**DATES:** The public hearing originally scheduled for Wednesday, May 24, 2000, at 10 a.m., is canceled.

**FOR FURTHER INFORMATION CONTACT:** Guy R. Traynor of the Regulations Unit, Assistant Chief Counsel (Corporate), at (202) 622–7180 (not a toll-free number).

**SUPPLEMENTARY INFORMATION:** A notice of proposed rulemaking and notice of public hearing that appeared in the **Federal Register** on January 25, 2000, (65 FR 3903), announced that a public hearing was scheduled for May 24, 2000, at 10 a.m., in room 2615, Internal Revenue Building, 1111 Constitution Avenue NW., Washington, DC. The subject of the public hearing is proposed regulations under section 197 of the Internal Revenue Code. The deadline for requests to speak and outlines of oral comments expired on May 3, 2000.

The notice of proposed rulemaking and notice of public hearing, instructed those interested in testifying at the public hearing to submit a request to speak and an outline of the topics to be addressed. As of May 9, 2000, no one has requested to speak. Therefore, the

public hearing scheduled for May 24, 2000, is canceled.

**Cynthia E. Grigsby,**

*Chief, Regulations Unit, Assistant Chief Counsel (Corporate).*

[FR Doc. 00–12201 Filed 5–15–00; 8:45 am]

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#### POSTAL SERVICE

#### 39 CFR Part 111

#### Sack Preparation Changes for Periodicals Nonletter-Size Pieces and Periodicals Prepared on Pallets

**AGENCY:** Postal Service.

**ACTION:** Proposed rule.

**SUMMARY:** This proposed rule would revise the standards for the preparation of nonautomation nonletter-size carrier route Periodicals prepared in sacks and the preparation of Periodicals packages and bundles on pallets. For Periodicals carrier route mail in sacks, the proposed standards would require carrier route sacks to contain a minimum of 24 pieces and would make 5-digit scheme carrier route sacks a required sack sortation level. All other sack sortation criteria would remain unchanged. For Periodicals prepared in packages and bundles on pallets, the proposal would require preparation of 5-digit scheme pallets.

**DATES:** Comments on the proposed standards must be received on or before June 15, 2000.

**ADDRESSES:** Written comments should be mailed or delivered to the Manager, Mail Preparation and Standards, U.S. Postal Service, 475 L'Enfant Plaza SW, Room 6800, Washington, DC 20260–2405. Copies of all written comments will be available for inspection and photocopying at USPS Headquarters Library, 475 L'Enfant Plaza SW, 11th Floor N, Washington, DC between 9 a.m. and 4 p.m., Monday through Friday. Copies of comments also may be requested via fax or email.

**FOR FURTHER INFORMATION CONTACT:** Joel Walker, 202–268–3340; jwalke13@email.usps.gov.

**SUPPLEMENTARY INFORMATION:** The Postal Service and the Periodicals industry are concerned over recent upward trends in the costs associated with processing Periodicals mail and have been studying ways to reverse these trends. Several ideas have come out of mutual discussions that were based on joint representation from the Postal Service and the Periodicals industry. Cost models suggest that we can reduce