

affected by this proposal. It would also be contrary to our policy for one level of safety in part 121 operations to exclude certain operators simply because they are small entities. Thus, this alternative is not considered to be acceptable.

Alternative Four

This alternative is the proposed ADS-B rule. ADS-B does not employ different classes of receiving equipment or provide different information based on its location. Therefore, controllers will not have to account for transitions between surveillance solutions as an aircraft moves closer or farther away from an airport. In order to meet future demand for air travel without significant delays or denial of service, ADS-B was found to be the most cost effective solution to maintain a viable air transportation system. ADS-B provides a wider range of services to aircraft users and could enable applications unavailable to multilateration or radar.

Trade Impact Assessment

The Trade Agreements Act of 1979 (Pub. L. 96-39) prohibits Federal agencies from establishing any standards or engaging in related activities that create unnecessary obstacles to the foreign commerce of the United States. Legitimate domestic objectives, such as safety, are not considered unnecessary obstacles. The statute also requires consideration of international standards and, where appropriate, that they be the basis for U.S. standards.

ICAO is developing a set of standards that are influenced by, and similar to, the U.S. RTCA developed standards. Initial discussions with the international community lead us to conclude that U.S. aircraft operating in foreign airspace would not have to add any equipment or incur any costs in addition to what they would incur to operate in domestic airspace under this proposed rulemaking. Foreign operators may incur additional costs to operate in U.S. airspace, if their national rules, standards and, current level of equipage are different than those required by this proposed rule. The FAA is actively engaged with the international community to ensure that the international and U.S. ADS-B standards are as compatible as possible. For a fuller discussion of what other countries are planning with regards to ADS-B, see Section VII of the preamble. By 2020 ICAO standards may change to harmonize with this proposed rule and foreign operators will not have to incur additional costs.

Unfunded Mandates Assessment

Title II of the Unfunded Mandates Reform Act of 1995 (Pub. L. 104-4) requires each Federal agency to prepare a written statement assessing the effects of any Federal mandate in a proposed or final agency rule that may result in an expenditure of \$100 million or more (adjusted annually for inflation with the base year 1995) in any one year by State, local, and tribal governments, in the aggregate, or by the private sector; such a mandate is deemed to be a "significant regulatory action." The FAA currently uses an inflation-adjusted value of \$128.1 million in lieu of \$100 million. This proposed rule is not expected to impose significant costs on small governmental jurisdictions such as state, local, or tribal governments but the FAA calls for comment on whether this expectation is correct. However, this proposed rule would result in an unfunded mandate because it would result in expenditures in excess of an inflation-adjusted value of \$128.1 million. We have considered three alternatives to this rulemaking, which are discussed in section 4.0 and in the regulatory flexibility analysis in section 7.

Issued in Washington, DC on December 14, 2007.

Pamela Hamilton-Powell,

Director, Office of Rulemaking.

[FR Doc. E7-24713 Filed 12-20-07; 8:45 am]

BILLING CODE 4910-13-P

SOCIAL SECURITY ADMINISTRATION

20 CFR Part 416

[Docket No. SSA 2007-0070]

RIN 0960-AF96

Parent-to-Child Deeming From Stepparents

AGENCY: Social Security Administration (SSA).

ACTION: Notice of proposed rulemaking.

SUMMARY: We propose to change the Supplemental Security Income (SSI) parent-to-child deeming rules so that we would no longer consider the income and resources of a stepparent when an eligible child resides in the household with a stepparent, but that child's natural or adoptive parent has permanently left the household. These proposed rules would respond to a decision by the United States Court of Appeals for the Second Circuit. Social Security Acquiescence Ruling (AR) 99-1(2) currently applies the Court's decision to individuals who reside in

Connecticut, New York, and Vermont. These rules propose to establish a uniform national policy with respect to this issue. Also, we propose to make uniform the age at which we consider someone to be a "child" in SSI program regulations and to make other minor clarifications to our rules.

DATES: To be sure that we consider your comments, we must receive them by February 19, 2008.

ADDRESSES: You may submit comments by any of the following methods. Regardless of which method you choose, to ensure that we can associate your comments with the correct regulation for consideration, you must state that your comments refer to Docket No. SSA-2007-0070:

- Federal eRulemaking Portal at <http://www.regulations.gov>. (This is the preferred method for submitting your comments.) In the Search Documents section, select "Social Security Administration" from the agency drop-down menu, then click "submit". In the Docket ID Column, locate SSA-2007-0070 and then click "Add Comments" in the "Comments Add/Due By" column.

- Telefax to (410) 966-2830.

- Letter to the Commissioner of Social Security, P.O. Box 17703, Baltimore, Maryland 21235-7703.

- Deliver your comments to the Office of Regulations, Social Security Administration, 922 Altmeyer Building, 6401 Security Boulevard, Baltimore, Maryland 21235-6401, between 8 a.m. and 4:30 p.m. on regular business days.

Comments are posted on the Federal eRulemaking portal, or you may inspect them on regular business days by making arrangements with the contact person shown in this preamble.

FOR FURTHER INFORMATION CONTACT: Eric Skidmore, Office of Income Security Programs, 252 Altmeyer Building, Social Security Administration, 6401 Security Boulevard, Baltimore, MD 21235-6401, (410) 597-1833, or TTY (410) 966-5609. For information on eligibility or filing for benefits, call our national toll-free number, 1-800-772-1213 or TTY 1-800-325-0778, or visit our Internet site, Social Security Online, at <http://www.socialsecurity.gov>.

SUPPLEMENTARY INFORMATION:

Electronic Version

The electronic file of this document is available on the date of publication in the **Federal Register** at <http://www.gpoaccess.gov/fr/index.html>.

Background

The basic purpose of the SSI program is to provide a minimum level of

income to people aged 65 or older, or who are blind or disabled, and who have limited income and resources. Section 1611 of the Social Security Act (the Act) provides that SSI payments can only be made to people who have income and resources below specified amounts.

When we determine SSI eligibility and benefit amounts, we always consider the individual's own income and resources. Through a process known as deeming, we also consider the income and resources of others who are responsible for the individual's welfare. Deeming is based on the concept that those with responsibility for others provide support to them.

Section 1614(f)(2) of the Act requires the Commissioner of Social Security (the Commissioner) to deem the income and resources of eligible children to include the income and resources of a natural or adoptive parent and the spouse of a parent who are living in the same household as the eligible child. These income and resource amounts are deemed to the eligible child whether or not they are available to the child, except to the extent determined by the Commissioner to be inequitable under the circumstances.

Existing regulations in 20 CFR part 416, subparts K, L and R, apply to parents and stepparents equally for purposes of deeming income and resources to an eligible child who lives in the same household as the parent or stepparent. However, a 1998 decision by the United States Court of Appeals for the Second Circuit held that our regulations require that a stepparent live in the same household as the natural or adoptive parent, in addition to living with the child, in order for the stepparent's income to be deemed to the child. (*Florez on behalf of Wallace v. Callahan*, 156 F. 3d 438 (2d Cir. 1998.)). In the case of a natural parent who abandoned the family home leaving her spouse, as stepparent, with sole physical custody of the eligible child, the Court found that deeming of a stepparent's income to the child was not supported by the regulations.

The Court disagreed with us that the controlling regulation in such a case was § 416.1806, which addresses who is a spouse for SSI purposes and, by extension, who is a spouse for purposes of deeming. Under this regulation, we deem the income and resources of a stepparent living in the same household as the eligible child when the stepparent is legally married under State law to that child's natural or adoptive parent, even if the natural or adoptive parent is not living in the household.

Instead, the Court held that § 416.1101, which defines a spouse as someone who lives with another person as that person's husband or wife, was the controlling regulation. The Court found that §§ 416.1101 and 416.1806 created a two-part test for determining whether a spouse of a natural parent, who lives with the eligible child, is an ineligible parent for deeming purposes under § 416.1160. Under this test, (1) the spouse must live with the child's natural or adoptive parent pursuant to § 416.1101; and (2) the relationship must be as husband or wife, as further defined at § 416.1806.

The Court concluded that the plain language of these regulations, supported by the legislative history of the Act, required us to exclude a stepparent's income from deeming when the eligible child's natural parent no longer resided in the family home. As a result of this decision, we issued AR 99–1(2) on February 1, 1999 to apply the Court's decision within the States in the Second Circuit. We apply the AR if an SSI beneficiary is an eligible child who resides in Connecticut, New York, and Vermont at the time of the determination (including all post-eligibility determinations) or decision at any level of the administrative review process. We continue to use § 416.1806 as the controlling regulation in similar cases for the rest of the nation.

These rules propose to change our regulations so that we will now deem a child's income and resources to include the income and resources of the stepparent only if the stepparent lives in the same household as the child and the natural or adoptive parent. If we adopt these proposed rules as final rules, we anticipate that we would rescind AR 99–1(2), consistent with our regulations at 20 CFR 416.1485(e)(4).

The regulatory changes we propose would amend existing regulations so that we would exclude, as part of an eligible child's income and resources, the income and resources of a stepparent if the natural or adoptive parent is permanently absent from the household. If adopted as final rules, the proposed rules would restore national uniformity by extending the policy set out in AR 99–1(2) to the rest of the nation. We believe the policy in these proposed rules will encourage stepparents to voluntarily accept responsibility for SSI eligible children who have been abandoned by their natural or adoptive parents.

Generally, we believe this regulatory change will prove beneficial to SSI children who are subject to the conditions described above because we will not deem income or resources from

stepparents who assume sole responsibility for their well-being. There may be a small number of children who are affected by the proposed changes in the following manner. Under this proposed rule, the stepparent would no longer be considered a parent for deeming purposes and the child would be considered living in another person's household and, therefore, possibly in receipt of income in the form of in-kind support and maintenance (ISM). ISM is treated as income and represents the value of food and/or shelter that an individual receives while in the household of a person who is not the individual's spouse or parent. Although we would no longer deem the stepparent's income and resources when the natural or adoptive parent has left the home, under the SSI living arrangement rules, we are required to consider the ISM value the child may receive. While the individual is in the household of another, the value of ISM is determined by dividing the food and household expenses by the number of people in the household and then subtracting the individual's contribution, if any, toward those expenses. If the individual's contribution is less than the computed pro rata share of the expenses, the difference between the contribution and the pro rata share is then counted as income to the individual. The amount of income charged to an eligible individual in such a situation is capped at one-third of the Federal Benefit Rate (FBR) for an individual. So, if the difference between the individual's contribution and the individual's pro rata share is greater than one-third of the individual FBR, we only count one-third of the FBR as income to the individual. The amount of ISM we would charge to the child would be reduced if the child contributed a portion of his or her income (such as the child's SSI check) toward the household expenses, and in no case can ISM alone cause a child to be ineligible for SSI benefits.

We tracked cases in the States in the Second Circuit for a 1-year period following issuance of the AR and found no other cases where the stepparent was the only person who remained in the household with the eligible child after the natural or adoptive parent left. Since we found that there are generally other people in the household, we believe it is more likely that the child would be able to pay his or her share of the household expenses and, therefore, we expect that the child would be charged with little or no ISM. In addition, if the computation results in countable ISM, it may be less than the amount of deemed

income we would have counted under our current rules in such a circumstance. As compared to our current rules where we deem a stepparent's income, if these proposed rules are adopted as final rules, we believe there would likely be no adverse impact on the child. We also considered the possibility of revising our regulations pertaining to ISM to not count ISM in the case of a stepparent and child living together when the natural or adoptive parent has departed the household. We determined that this option was undesirable because of the inequities it would create under the established ISM framework for other beneficiaries living in a non-deemor's household. That is, we could not justify not counting ISM in one situation (an eligible child living with a non-deemor stepparent), but continuing to count ISM in other similar situations (an eligible child living with a non-deemor such as a friend or other relative).

We also propose to modify existing regulations to clarify our longstanding policy of not deeming the income and resources of a stepparent who lives with an eligible child to the child when the natural or adoptive parent dies or divorces the stepparent.

We also propose one change and one clarification to our definition of "ineligible child." First, we propose to eliminate the age difference in existing regulations between our definitions of "child" and "ineligible child." For purposes of consistency and to make our rules more easily understood by the public, we propose revising the regulatory definition of "ineligible child" to mirror the regulatory definition of "child" with respect to the maximum age requirement. As proposed, the new rule would permit a child in the household to be considered an ineligible child for deeming purposes until attainment of age 22, assuming all other requirements are met.

Second, we also propose to modify our definition of "ineligible child" to clarify who is considered a "spouse" for purposes of ineligible child determinations in deeming situations. Under current policy, in determining the amount of income to deem from a parent to an eligible child, we make an allocation for other children in the home, that is, we consider what other ineligible children reside in the home and deduct from the amount of income to be deemed accordingly. In the situation where a parent lives in a home with his or her eligible child, and also with the ineligible child of the parent's spouse, we provide an allocation for the ineligible child of the parent's spouse in determining how much income to deem

from the parent to the eligible child. If the parent's spouse were to abandon the home, leaving the ineligible child of the parent's spouse behind, we still provide an allocation with respect to the ineligible child of the parent's spouse, when determining how much income to deem from the parent to the eligible child. The proposed rule would clarify, consistent with current policy, that when determining who meets the definition of "ineligible child" for SSI purposes in the context of the child of a spouse, we use the definition of spouse at § 416.1806, which does not necessarily require that the spouse of a parent live with the parent to be considered the parent's spouse.

Finally, we propose to update the name of a government entity in our regulations due to the creation of the United States Department of Homeland Security. This change is clerical in nature and has no substantive effect on our policies or procedures.

Explanation of Proposed Changes

We propose to amend the regulations in 20 CFR, part 416, subparts K, L and R, to implement the policy changes discussed above. In summary, we propose to:

- Revise §§ 416.1160(a)(2) and (d), 416.1165(g)(4), 416.1202(b)(1), and 416.1851(c) to not deem income and resources from a stepparent when an eligible child lives with a stepparent but not with his or her natural or adoptive parent. This will make our national policy uniform with respect to the deeming of income and resources from stepparents to eligible children when the natural or adoptive parent has permanently left the household, as defined in § 416.1167.

- Update § 416.1160(d) to replace "Immigration and Naturalization Service" with "U.S. Citizenship and Immigration Services" due to a change in the name of a government entity. This is a result of the creation of the Department of Homeland Security.

- Revise the definition of ineligible child in § 416.1160(d) to remove the under 21 age standard so that the definition of "ineligible child" will cross-reference the definition of "child" in § 416.1101, which uses an age limit of 22. This change would eliminate a layer of complexity that currently exists in the SSI program; that is, the distinction between an "ineligible child" for deeming purposes and a "child" for all other purposes.

- Revise the definition of ineligible child in § 416.1160(d) to clarify how we decide who is a "spouse" when determining who is an "ineligible child." The definition of "ineligible

child" would cross-reference § 416.1806 defining how we determine if an individual is married and who is a spouse. The proposed change would clarify our regulations, consistent with current policy, to continue providing an ineligible child allocation when the spouse of a parent leaves the household, but the spouse's children remain in the household with the eligible child and the parent of the eligible child.

- Revise § 416.1165(g)(3) to clarify how we deem income to an eligible child when the ineligible parent dies. The proposed changes to § 416.1165(g)(3) would clarify our longstanding policy, consistent with § 416.1881(b), to no longer deem the income of the stepparent to the eligible child when the natural or adoptive parent dies or divorces the stepparent.

- Update § 416.1204 to replace "Immigration and Naturalization Service" with "U.S. Citizenship and Immigration Services" due to a change in the name of a government entity. This is a result of the creation of the Department of Homeland Security.

Clarity of These Rules

Executive Order 12866, as amended, requires each agency to write all rules in plain language. In addition to your substantive comments on these proposed rules, we invite your comments on how to make them easier to understand. For example:

- Have we organized the material to suit your needs?
- Are the requirements in the rules clearly stated?
- Do the rules contain technical language or jargon that is not clear?
- Would a different format (grouping and order of sections, use of headings, paragraphing) make the rules easier to understand?
- Would more (but shorter) sections be better?
- Could we improve clarity by adding tables, lists or diagrams?
- What else could we do to make the rules easier to understand?

Regulatory Procedures

Executive Order 12866, as Amended

We have consulted with the Office of Management and Budget (OMB) and determined that these proposed rules meet the requirements for a significant regulatory action under Executive Order 12866, as amended. Thus, they were reviewed by OMB.

Regulatory Flexibility Act

We certify that these proposed rules, when published in final, would not have a significant economic impact on

a substantial number of small entities because they affect only individuals. Accordingly, a regulatory flexibility analysis as provided in the Regulatory Flexibility Act, as amended, is not required.

Paperwork Reduction Act

These proposed regulations will impose no additional reporting or recordkeeping requirements requiring OMB clearance.

(Catalog of Federal Domestic Assistance Programs No. 96.006, Supplemental Security Income)

List of Subjects in 20 CFR Part 416

Administrative practice and procedure, Aged, Blind, Disability benefits, Public assistance programs, Reporting and recordkeeping requirements, Supplemental Security Income (SSI).

Dated: September 25, 2007.

Michael J. Astrue,
Commissioner of Social Security.

For the reasons set out in the preamble, we propose to amend subparts K, L and R of part 416 of chapter III of title 20 Code of Federal Regulations as set forth below:

PART 416—SUPPLEMENTAL SECURITY INCOME FOR THE AGED, BLIND, AND DISABLED

Subpart K—[Amended]

1. The authority citation for subpart K of part 416 continues to read as follows:

Authority: Secs. 702(a)(5), 1602, 1611, 1612, 1613, 1614(f), 1621, 1631, and 1633 of the Social Security Act (42 U.S.C. 902(a)(5), 1381a, 1382, 1382a, 1382b, 1382c(f), 1382j, 1383, and 1383b); sec. 211, Pub. L. 93–66, 87 Stat. 154 (42 U.S.C. 1382 note).

2. Amend § 416.1160 by revising the section heading, paragraph (a)(2) and the definitions of “Date of admission to or date of entry into the United States” and “Ineligible child” in paragraph (d) to read as follows:

§ 416.1160 What is deeming of income?

(a) * * *

(2) *Ineligible parent.* If you are a child to whom deeming rules apply (see § 416.1165), we look at your ineligible parent’s income to decide whether we must deem some of it to be yours. If you live with both your parent and your parent’s spouse (i.e., your stepparent), we also look at your stepparent’s income to decide whether we must deem some of it to be yours. We do this because we expect your parent (and your stepparent, if living with you and

your parent) to use some of his or her income to take care of your needs.

* * * * *

(d) * * *

Date of admission to or date of entry into the United States means the date established by the U.S. Citizenship and Immigration Services as the date the alien is admitted for permanent residence.

* * * * *

Ineligible child means your natural child or adopted child, or the natural or adopted child of your spouse, or the natural or adopted child of your parent or of your parent’s spouse (as the term *child* is defined in § 416.1101 and the term *spouse* is defined in § 416.1806), who lives in the same household with you, and is not eligible for SSI benefits.

* * * * *

3. Amend § 416.1165 by revising paragraphs (g)(3) and (g)(4) to read as follows:

§ 416.1165 How we deem income to you from your ineligible parent(s).

* * * * *

(g) * * *

(3) *Ineligible parent dies.* If your ineligible parent dies, we do not deem that parent’s income to you to determine your eligibility for SSI benefits beginning with the month following the month of death. In determining your benefit amount beginning with the month following the month of death, we use only your own countable income in a prior month, excluding any income deemed to you in that month from your deceased ineligible parent (see § 416.1160(b)(2)(iii)). If you live with two ineligible parents and one dies, we continue to deem income from the surviving ineligible parent who is also your natural or adoptive parent. If you live with a stepparent following the death of your natural or adoptive parent, we do not deem income from the stepparent.

(4) *Ineligible parent and you no longer live in the same household.* If your ineligible parent and you no longer live in the same household, we do not deem that parent’s income to you to determine your eligibility for SSI benefits beginning with the first month following the month in which one of you leaves the household. We also will not deem income to you from your parent’s spouse (i.e., your stepparent) who remains in the household with you if your natural or adoptive parent has permanently left the household. To determine your benefit amount if you continue to be eligible, we follow the rule in § 416.420 of counting your income including deemed income from

your parent and your parent’s spouse (i.e., your stepparent) (if the stepparent and parent lived in the household with you) in the second month prior to the current month.

* * * * *

Subpart L—[Amended]

4. The authority citation for subpart L of part 416 continues to read as follows:

Authority: Secs. 702(a)(5), 1602, 1611, 1612, 1613, 1614(f), 1621, 1631, and 1633 of the Social Security Act (42 U.S.C. 902(a)(5), 1381a, 1382, 1382a, 1382b, 1382c(f), 1382j, 1383, and 1383b); sec. 211, Pub. L. 93–66, 87 Stat. 154 (42 U.S.C. 1382 note).

5. Amend § 416.1202 by revising paragraph (b)(1) to read as follows:

§ 416.1202 Deeming of resources.

* * * * *

(b) *Child*—(1) *General.* In the case of a child (as defined in § 416.1856) who is under age 18, such child’s resources shall be deemed to include any resources, not otherwise excluded under this subpart, of an ineligible parent of such child who is living in the same household with such child (as described in § 416.1851). Such child’s resources also shall be deemed to include the resources of an ineligible spouse of a parent (stepparent), provided the stepparent lives in the same household as the child and the parent. The child’s resources shall be deemed to include the resources of the parent and stepparent whether or not the resources of the parent and stepparent are available to the child, to the extent that the resources of such parent (or parent and stepparent), exceed the resource limits described in § 416.1205 except as provided in paragraph (b)(2) of this section. (If the child is living with only one parent, the resource limit for an individual applies. If the child is living with both parents, or the child is living with one parent and the stepparent, the resource limit for an individual and spouse applies.) In addition to the exclusions listed in § 416.1210, pension funds which the parent or spouse of a parent may have are also excluded. The term “pension funds” is defined in paragraph (a) of this section. As used in this section, the term “parent” means the natural or adoptive parent of a child and the terms “spouse of a parent” and “stepparent” means the spouse (as defined in § 416.1806) of such natural or adoptive parent who is living in the same household with the child and parent.

* * * * *

6. Amend § 416.1204 by revising the first two sentences of the introductory text to read as follows:

§ 416.1204 Deeming of resources of the sponsor of an alien.

The resources of an alien who first applies for SSI benefits after September 30, 1980, are deemed to include the resources of the alien's sponsor for 3 years after the alien's date of admission into the United States. The *date of admission* is the date established by the U.S. Citizenship and Immigration Services as the date the alien is admitted for permanent residence.

* * * * *

Subpart R—[Amended]

7. The authority citation for subpart R of part 416 continues to read as follows:

Authority: Secs. 702(a)(5), 1612(b), 1614(b), (c), and (d), and 1631(d)(1) and (e) of the Social Security Act (42 U.S.C. 902(a)(5), 1382a(b), 1382c(b), (c), and (d), and 1383(d)(1) and (e)).

8. Amend § 416.1851 by revising the first sentence of paragraph (c) and adding a new second sentence to read as follows:

§ 416.1851 Effects of being considered a child.

* * * * *

(c) If you are under age 18 and live with your parent(s) who is not eligible for SSI benefits, we consider (deem) part of his or her income and resources to be your own. If you are under age 18 and live with both your parent and your parent's spouse (stepparent) and neither is eligible for SSI benefits, we consider (deem) part of their income and resources to be your own.

* * * * *

[FR Doc. E7-24787 Filed 12-20-07; 8:45 am]

BILLING CODE 4191-02-P

DEPARTMENT OF THE TREASURY**Internal Revenue Service****26 CFR Part 1**

[REG-114126-07]

RIN 1545-BG54

Reduction of Foreign Tax Credit Limitation Categories Under Section 904(d)

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 in this issue of the **Federal Register**, the IRS is issuing temporary regulations that provide guidance

relating to the reduction of the number of separate foreign tax credit limitation categories under section 904(d) of the Internal Revenue Code. Changes to the applicable law were made by the American Jobs Creation Act of 2004 (AJCA) reducing the number of section 904(d) separate categories from eight to two, effective for taxable years beginning after December 31, 2006. The temporary regulations provide guidance needed to comply with these changes and affect individuals and corporations claiming foreign tax credits. The text of those temporary regulations published in this issue of the **Federal Register** also serves as the text of these proposed regulations. This document also provides a notice of public hearing on these proposed regulations.

DATES: Written or electronic comments must be received by March 20, 2008. Outlines of topics to be discussed at the public hearing scheduled for April 22, 2008, at 10 a.m. must be received by April 1, 2008.

ADDRESSES: Send submissions to CC:PA:LPD:PR (REG-114126-07), room 5203, Internal Revenue Service, P.O. 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-114126-07), Courier's desk, Internal Revenue Service, 1111 Constitution Avenue, NW., Washington, DC 20044, or sent electronically, via the Federal eRulemaking Portal at www.regulations.gov (IRS REG-114126-07). The public hearing will be held in the IRS Auditorium, Internal Revenue Building, 1111 Constitution Avenue, NW., Washington, DC.

FOR FURTHER INFORMATION CONTACT: Concerning the regulations, Jeffrey L. Parry, (202) 622-3850; concerning submissions of comments, the hearing, and/or to be placed on the building access list to attend the hearing, Kelly Banks, (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** contain amendments to the Income Tax Regulations (26 CFR Part 1) which provide rules relating to the reduction of the number of separate foreign tax credit limitation categories under section 904(d). 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. The regulations affect individuals and corporations claiming foreign tax credits.

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 has also 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 regulations do 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), these regulations have been 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 electronic or written comments (a signed original and eight (8) copies) that are submitted timely to the IRS. The Treasury Department and the IRS specifically request comments on the clarity of the proposed regulations and how they may be made easier to understand, as well as comments on additional guidance that may be needed to implement changes made by the AJCA. All comments will be available for public inspection and copying.

A public hearing has been scheduled for April 26, 2008, in the auditorium, Internal Revenue Building, 1111 Constitution Avenue, NW., Washington, DC. Due to building security procedures, visitors must enter at the Constitution Avenue entrance. In addition, all visitors must present photo identification to enter the building. Because of access restrictions, visitors will not be admitted beyond the immediate entrance more than 30 minutes before the hearing starts. For information about having your name placed on the building access list to attend the hearing, see the **FOR FURTHER INFORMATION CONTACT** section of this preamble.

The rules of 26 CFR 601.601(a)(3) apply to the hearing. Persons who wish to present oral comments at the hearing must submit electronic or written comments by March 20, 2008 and an outline of the topics to be discussed and the time to be devoted to each topic (signed original and eight (8) copies) by April 1, 2008. A period of 10 minutes