

(f) *Example.* The following example illustrates the principles of this section. The example does not address common law doctrines or other authorities that may apply to cause an additional period to be included in the lease term or to recharacterize a lease as a conditional sale or otherwise for federal income tax purposes. Unless otherwise indicated, parties to the transactions are not related to one another.

Example. Financial obligation with respect to an additional period—(i) Facts. X, a taxable corporation, and Y, a foreign airline whose income is not subject to United States taxation, enter into a lease agreement under which X agrees to lease an aircraft to Y for a period of 10 years. The lease agreement provides that, at the end of the lease period, Y is obligated to find a subsequent lessee (replacement lessee) to enter into a subsequent lease (replacement lease) of the aircraft from X for an additional 10-year period. The provisions of the lease agreement require that any replacement lessee be unrelated to Y and that it not be a tax-exempt entity as defined in section 168(h)(2). The provisions of the lease agreement also set forth the basic terms and conditions of the replacement lease, including its duration and the required rental payments. In the event Y fails to secure a replacement lease, the lease agreement requires Y to make a payment to X in an amount determined under the lease agreement.

(ii) *Application of this section.* The lease agreement between X and Y obligates Y to make a payment in the event the aircraft is not leased for the period commencing after the initial 10-year lease period and ending on the date the replacement lease is scheduled to end. Accordingly, pursuant to paragraph (b) of this section, the term of the lease between X and Y includes such additional period, and the lease term is 20 years for purposes of section 168.

(iii) *Facts modified.* Assume the same facts as in paragraph (i) of this *Example*, except that Y is required to guarantee the payment of rentals under the 10-year replacement lease and to make a payment to X equal to the present value of any excess of the replacement lease rental payments specified in the lease agreement between X and Y, over the rental payments actually agreed to be paid by the replacement lessee. Pursuant to paragraph (b) of this section, the term of the lease between X and Y includes the additional period, and the lease term is 20 years for purposes of section 168.

(iv) *Changes in status.* If, upon the conclusion of the stated duration of the lease between X and Y, the aircraft either is returned to X or leased to a replacement lessee that is not a tax-exempt entity as defined in section 168(h)(2), the subsequent method of depreciation will be determined pursuant to section 168(i)(5).

(g) *Effective date—(1) In general.* Except as provided in paragraph (g)(2) of this section, this section applies to leases entered into on or after April 20, 1995.

(2) *Special rules.* Paragraphs (b)(1)(ii) and (c) of this section apply to leases entered into after April 26, 1996.

Margaret Milner Richardson,
Commissioner of Internal Revenue.

Approved: March 26, 1996.

Leslie Samuels,
Assistant Secretary of the Treasury.

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Bureau of Alcohol, Tobacco and Firearms

27 CFR Part 47

[Notice No. 821]

Removal of Certain Restrictions on Importation of Defense Articles and Defense Services From the Russian Federation

AGENCY: Bureau of Alcohol, Tobacco and Firearms (ATF), Department of the Treasury.

ACTION: Statement of policy.

SUMMARY: The Bureau of Alcohol, Tobacco and Firearms (ATF) is announcing (1) that it will remove the Russian Federation from the list of countries from which defense articles and defense services may not be imported and (2) implementation of restrictions on the importation of certain firearms and ammunition located or manufactured in the Russian Federation or previously manufactured in the Soviet Union in accordance with an agreement between the United States and the Russian Federation and the guidance of the Secretary of State regarding matters affecting world peace and the external security and foreign policy of the United States as expressed in a letter dated April 5, 1996.

DATES: Removal of the Russian Federation from the list of proscribed countries was effective April 5, 1996.

FOR FURTHER INFORMATION CONTACT: Mary Jo Hughes, Chief, Firearms and Explosives Imports Branch, Bureau of Alcohol, Tobacco and Firearms, 650 Massachusetts Avenue, NW., Washington, DC 20226 (202-927-8320).

SUPPLEMENTARY INFORMATION: By letter dated April 5, 1996, the Secretary of State advised the Director, ATF, that, under the authority of Section 38 of the Arms Export Control Act (AECA), 22 U.S.C. § 2778, it is no longer the policy of the United States to deny licenses, other approvals, exports and imports of defense articles and defense services destined for or originating in the Russian Federation (Russia). The State

Department has requested that the Director implement this decision immediately with respect to his authority over imports under Section 38 of the AECA and amend the regulation at 27 CFR 47.52(a) to reflect this change in foreign policy.

The State Department also advised that the President decided to negotiate an agreement with Russia concerning the export of munitions. Carrying out such an agreement and keeping out unacceptable types of munitions from the United States are U.S. foreign policy concerns. In addition, the State Department informed ATF that an Agreement between the Government of the United States of America and the Government of the Russian Federation on exports of firearms and ammunition from the Russian Federation to the United States of America (the Agreement) was signed on April 3, 1996, and entered into force on that date. On this basis, the State Department advised the Department of the Treasury that Treasury should exercise the authority delegated to it under Section 38 of the AECA by denying applications to import firearms and ammunition located or manufactured in Russia or previously manufactured in the Soviet Union that would be inconsistent with the Agreement. The State Department advised Treasury that the foregoing did not apply to conditional imports of firearms and ammunition which would serve as samples for purposes of determining whether the items are of a type authorized for importation under the Agreement.

The Agreement provides that Russia shall not allow the exportation to the United States of (1) firearms other than those specified on Annex A to the Agreement; and (2) ammunition specified in Annex B to the Agreement. Nine handguns and 29 rifles are listed in Annex A. One type of ammunition is listed in Annex B. The Agreement also provides that new types of firearms and ammunition manufactured after February 9, 1996, may not be exported by Russia under the Agreement unless the parties agree in writing to amend the Agreement accordingly. The Agreement is published in its entirety at the end of this notice.

ATF has taken or will take the following actions to implement the above:

(1) ATF will remove Russia from the list of countries from which defense articles and defense services may not be imported into the United States. A Treasury Decision amending § 47.52(a) to reflect this action will be published in the near future.

(2) ATF will approve applications to import defense articles and defense services from Russia in accordance with the guidance contained in the April 5, 1996, letter from the Department of State. Consistent with that letter, only firearms listed in Annex A of the Agreement will be approved for importation from Russia. Surplus military curio or relic firearms manufactured or located in Russia or previously manufactured in the Soviet Union will not be approved for importation under 27 CFR 47.52(d) unless the firearms are listed in Annex A of the Agreement. Applications to import from Russia ammunition listed in Annex B will not be approved.

(3) ATF will not approve applications to import from any country or territory firearms and ammunition manufactured in Russia or previously manufactured in the Soviet Union that would be inconsistent with the the Agreement.

(4) Firearms that are subject to the AECA and the Agreement include any nonautomatic, semiautomatic, or automatic firearm to caliber .50 (12.7mm) inclusive, other than a sporting shotgun, and any component or part for such firearms.

(5) Prior to approval of an application to import firearms and ammunition located or manufactured in Russia or previously manufactured in the Soviet Union, ATF may require the conditional importation of a sample of the firearm or ammunition for examination to determine whether it is of a type that may be approved for importation consistent with the Agreement.

(6) For purposes of the AECA, the term "United States" is defined in 27 CFR 47.11 and includes Customs bonded warehouses (CBWs) and foreign trade zones (FTZs). Article 8 of the Agreement provides that the Agreement shall not affect the fulfillment of contracts with respect to firearms or ammunition entered or withdrawn from warehouse for consumption in the United States on or before February 9, 1996. This means that firearms and ammunition entered into a CBW or FTZ prior to February 9, 1996, that otherwise could not be imported under the restrictions set out above have been imported within the meaning of Section 38 of the AECA and are not subject to such restrictions.

(7) Permits authorizing the importation of firearms and ammunition whose exportation to the United States is prohibited under the Agreement, with the exception of those to which paragraph (6) are applicable, are hereby revoked. As required by 27 CFR 47.44(d), the revoked import permits must be returned to the Firearms and

Explosives Imports Branch, ATF, immediately. Pursuant to 27 CFR 47.44(c), holders of such permits may, within 30 days of the date of publication of this notice in the Federal Register, make a written request for an opportunity to present additional information and to have a full review by the Director. Any such requests will be referred to the Department of State, as appropriate, for its guidance on matters affecting world peace and the external security and foreign policy of the United States.

Compliance With 5 U.S.C. Chapter 8

In accordance with 5 U.S.C. 808(2), ATF has found that, consistent with guidance from the Department of State and for reasons of the foreign policy of the United States, notice and public procedure under 5 U.S.C. 801 are unnecessary, impracticable, and contrary to the public interest.

Text of Agreement; Agreement Between the Government of the United States of America and the Government of the Russian Federation on Exports of Firearms and Ammunition From the Russian Federation to the United States of America

The Government of the United States of America and the Government of the Russian Federation, hereinafter referred to as the "Parties,"

In the context of removing a number of existing restrictions on the importation into the United States of firearms and ammunition from the Russian Federation;

Recognizing the foreign policy interest of the Parties in expanding trade in firearms and ammunition between the United States and the Russian Federation in a manner compatible with domestic security;

Recognizing the intention of the United States of America that United States policy with respect to access to the United States market for firearms and ammunition be applied in a nondiscriminatory manner to all of its trading partners;

Wishing to promote trade and cooperation on an equal and mutually beneficial basis between the United States and the Russian Federation and to expand economic opportunities in the two countries;

Have agreed as follows:

Article 1: Definitions

The following definitions apply to this Agreement:

(a) "Ammunition" means any ammunition, cartridge case, primer, bullet, or propellant powder designed for use in any firearm.

(b) "Firearm" means any nonautomatic, semiautomatic, or automatic firearm, to caliber .50 (12.7 mm) inclusive other than a shotgun, or any component or part for such firearm.

(c) "New model ammunition" means a type of ammunition the manufacture of which began after February 9, 1996.

(d) "New model firearm" means a type of firearm the manufacture of which began after February 9, 1996.

Article 2: Firearms and Ammunition Export Prohibitions

The Government of the Russian Federation shall not allow the exportation from the Russian Federation, destined to the United States, of the following firearms and ammunition:

(a) any firearm, including any new model firearm, except a firearm described in Annex A to this Agreement;

(b) ammunition described in Annex B to this Agreement; and

(c) new model ammunition.

Article 3: Consultations

(a) Each Party shall provide to the other Party, on request, information necessary for the implementation and enforcement of this Agreement. A Party shall keep confidential all information received from the other Party that is designated by the providing Party as confidential and shall not provide it to any other government or any private person without the providing Party's written consent.

(b) The Parties agree to consult promptly, not later than 30 days after receipt of a request from either Party, regarding any matter concerning this Agreement.

(c) At any time, either Party may propose that a firearm be added to or deleted from Annex A or that ammunition be added to or deleted from Annex B. The Parties shall consult promptly regarding such a proposal and may amend either Annex by written agreement of the Parties.

(d) Where a question arises as to whether a particular firearm or ammunition is subject to the export prohibition in Article 2, the Parties shall consult promptly. The firearm or ammunition shall be subject to the export prohibition pending resolution of the matter.

Article 4: Construction

Nothing in this Agreement shall be construed to affect the applicability to firearms, ammunition, or other products of the laws and regulations of the United States or the Russian Federation imposing restrictions or requirements on importation.

Article 5: Actions To Ensure the Effectiveness of this Agreement

Either Party may take any action, as provided in its laws and regulations, necessary to ensure the effectiveness of this Agreement.

Article 6: Emergency Actions

If the Government of the United States determines that the actual or prospective importation of any firearm described in Annex A or ammunition other than that described in Annex B is causing or threatens to cause damage to the domestic security of the United States, the Government of the United States reserves the right to take any measure it deems appropriate consistent with the Agreement on Trade Relations, signed between the Union of Soviet Socialist Republics and the United States of America at Washington on June 1, 1990, as amended, brought into force between the United States of America and the Russian Federation pursuant to an exchange of notes on June 17, 1992. The Government of the United States shall consult with the Government of the

Russian Federation prior to taking any such measure. If prior and prompt consultations are not possible because of an emergency situation, the Government of the United States shall consult with the Government of the Russian Federation as soon as possible after taking the measure.

Article 7: Amendments

This Agreement may be amended by written agreement of the Parties.

Article 8: No Effect on Articles in U.S. Customs Territory

This Agreement shall not affect the fulfillment of contracts with respect to firearms or ammunition entered or withdrawn from warehouse for consumption in the United States on or before February 9, 1996.

Article 9: Annexes; Entry into Force; Termination

(a) The Annexes to this Agreement are an integral part of this Agreement.

(b) This Agreement shall enter into force upon the date of its signature by both Parties.

(c) Either Party may terminate this Agreement by providing written notification to the other Party at least twelve months prior to the date of termination.

Done at Washington on April 3, 1996, in duplicate, in the English and Russian languages, both texts being equally authentic.

signature

Ira Shapiro,

*Ambassador, Senior Counsel, Negotiator,
Office of the U.S. Trade Representative.*

For the Government of the United States of America.

signature

Gennadiy Yanpolsky,

*Deputy Chairman, State Committee on
Defense Industry Branches.*

For the Government of the Russian Federation.

Annex A

*Firearms Permitted to Be Imported into the
United States from the Russian Federation*
Pistols/Revolvers

1. German Model P08 Pistol
2. IZH 34M, .22 caliber Target Pistol
3. IZH 35M, .22 caliber Target Pistol
4. Mauser Model 1896 Pistol
5. MC-57-1 Pistol
6. MC-1-5 Pistol
7. Polish Vis Model 35 Pistol
8. Soviet Nagant Revolver
9. TOZ 35, .22 caliber Target Pistol

Rifles

1. BARS-4 Bolt Action Carbine
2. Biathlon Target Rifle, .22LR caliber
3. British Enfield Rifle
4. CM2, .22 caliber Target Rifle (also known as SM2, .22 caliber)
5. German Model 98K Rifle
6. German Model G41 Rifle
7. German Model G43 Rifle
8. IZH-94
9. LOS-7 Bolt Action Rifle

10. MC-7-07
11. MC-18-3
12. MC-19-07
13. MC-105-01
14. MC-112-02
15. MC-113-02
16. MC-115-1
17. MC-125/127
18. MC-126
19. MC-128
20. Saiga Rifle
21. Soviet Model 38 Carbine
22. Soviet Model 44 Carbine
23. Soviet Model 91/30 Rifle
24. TOZ 18, .22 caliber Bolt Action Rifle
25. TOZ 55
26. TOZ 78
27. Ural Target Rifle, .22LR caliber
28. VEPR Rifle
29. Winchester Model 1895, Russian Model Rifle

Annex B

*Ammunition Prohibited from Being Imported
into the United States from the Russian
Federation*

1. 7.62X25mm caliber (also known as 7.63X25mm caliber or .30 Mauser)

Authority and Issuance

This notice is issued under the authority in 22 U.S.C. 2778.

Approved: April 19, 1996.

John W. Magaw,

Director.

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DEPARTMENT OF EDUCATION

34 CFR Parts 11, 50, 302, 358, 631, 632, 633, 634, 635, 653, 769, 770, 771, 772, 776, 777, 785, 786, 787, 788, 789, and 791

Removal of Regulations

AGENCY: Department of Education.

ACTION: Final regulations.

SUMMARY: The Secretary amends the Code of Federal Regulations (CFR) to remove unnecessary and obsolete regulations. As a result of new legislation, absence of funding, and review in accordance with the President's regulatory reinvention initiative, the Secretary has determined that these regulations are no longer needed or will become unnecessary in the future. The Secretary takes this action to remove the regulations from the CFR.

EFFECTIVE DATE: Parts 11, 302, 358, 631, 632, 633, 634, 635, 653, 785, 786, 787, 788, 789, and 791 are removed effective May 29, 1996. Parts 50, 769, 771, 772, and 777 are removed effective October 1, 1996. Parts 770 and 776 are removed effective October 1, 1997.

FOR FURTHER INFORMATION CONTACT:

Kenneth C. Depew, U.S. Department of Education, Room 5112, FB-10, 600 Independence Avenue, SW., Washington, DC 20202-2241. Telephone: (202) 401-8300. Individuals who use a telecommunications device for the deaf (TDD) may call the Federal Information Relay Service (FIRS) at 1-800-877-8339 between 8 a.m. and 8 p.m., Eastern time, Monday through Friday.

SUPPLEMENTARY INFORMATION: President Clinton's memorandum of March 4, 1995, titled "Regulatory Reinvention Initiative," directed heads of departments and agencies to review all existing regulations to eliminate those that are outdated and modify others to increase flexibility and reduce burden. The Department has undertaken a thorough review of its existing regulations and has identified the regulations removed by this document as obsolete or unnecessary. Additional obsolete and unnecessary regulations were previously removed on May 23, 1995 (60 FR 27223) as part of the Regulatory Reinvention Initiative. Based on this review, the Secretary also withdraws the notice of proposed rulemaking issued for 34 CFR Part 50 on March 1, 1993 (58 FR 11924).

The regulations being removed are no longer necessary to administer the program, have been superseded by new legislation, or were issued to implement a program that is no longer funded. To the extent that regulations are needed to implement new legislation, they will be issued separately from this document. Any determination to issue new regulations will be carefully considered to ensure that it is consistent with the President's regulatory reform efforts and the principles in Executive Order 12866.

The Department is continuing to review its other existing regulations thoroughly in consultation with its customers and partners. To the extent the Secretary can identify further opportunities for regulatory reinvention, the Secretary will propose appropriate amendments to revise or eliminate outdated provisions, reduce burden, and increase flexibility.

Waiver of Proposed Rulemaking

In accordance with the Administrative Procedure Act (5 U.S.C. 553), it is the practice of the Secretary to offer interested parties the opportunity to comment on proposed regulations. However, these regulations merely reflect statutory changes and remove unnecessary and obsolete regulatory provisions. Removal of the regulations does not establish or affect substantive policy. Therefore, the