

### Coordination With Estimated Tax Rules

The regulations do not address the estimated tax consequences of holding a qualified zone academy bond. The Treasury and the IRS request comments on whether there is a need to coordinate the regulations with the estimated tax rules and, if so, how they might be coordinated.

### Special Analyses

It has been determined that this Treasury decision is not a significant regulatory action as defined in EO 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 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) of the Internal Revenue Code, these temporary regulations will be submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on their impact on small business.

### Drafting Information

Several persons from the Office of Chief Counsel and the Treasury Department participated in developing these regulations.

### List of Subjects in 26 CFR Part 1

Income taxes, Reporting and recordkeeping requirements.

### Adoption of Amendments to the Regulations

Accordingly, 26 CFR part 1 is 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 as follows:

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

Section 1.1397E-1T also issued under 26 U.S.C. 1397E(b) and 1397E(d). \* \* \*

**Par. 2.** Section 1.1397E-1T is added to read as follows:

#### **§ 1.1397E-1T Qualified zone academy bonds (temporary).**

(a) *Overview.* In general, a qualified zone academy bond is a taxable bond issued by a state or local government the proceeds of which are used to improve certain eligible public schools. An eligible taxpayer that holds a qualified zone academy bond generally is allowed annual federal income tax credits in lieu of periodic interest payments. These credits compensate the eligible taxpayer

for lending money to the issuer and function as payments of interest on the bond. Accordingly, this section generally treats the allowance of a credit as if it were a payment of interest on the bond. In addition, this section provides rules to determine the credit rate, the present value of qualified contributions from private entities, and the maximum term of a qualified zone academy bond.

(b) *Credit rate.* The credit rate for a qualified zone academy bond is equal to 110 percent of the long-term applicable Federal rate (AFR), compounded annually, for the month in which the bond is issued. The Internal Revenue Service publishes this figure each month in a revenue ruling that is published in the Internal Revenue Bulletin. See § 601.601(d)(2)(ii)(b) of this Chapter.

(c) *Private business contribution requirement.* To determine the present value (as of the issue date) of qualified contributions from private entities under section 1397E(d)(2), the issuer must use a reasonable discount rate. The credit rate determined under paragraph (b) of this section is a reasonable discount rate.

(d) *Maximum term.* The maximum term for a qualified zone academy bond is determined under section 1397E(d)(3) by using a discount rate equal to 110 percent of the long-term adjusted AFR, compounded semi-annually, for the month in which the bond is issued. The Internal Revenue Service publishes this figure each month in a revenue ruling that is published in the Internal Revenue Bulletin. See § 601.601(d)(2)(ii)(b) of this Chapter.

(e) *Tax credit—(1) Eligible taxpayer.* An eligible taxpayer (within the meaning of section 1397E(d)(6)) that holds a qualified zone academy bond on a credit allowance date is allowed a tax credit against the federal income tax imposed on the taxpayer for the taxable year that includes the credit allowance date. The amount of the credit is equal to the product of the credit rate and the outstanding principal amount of the bond on the credit allowance date. The credit is subject to a limitation based on the eligible taxpayer's income tax liability. See section 1397E(c).

(2) *Ineligible taxpayer.* A taxpayer that is not an eligible taxpayer is not allowed a credit.

(f) *Treatment of the allowance of the credit as a payment of interest—(1) General rule.* The holder of a qualified zone academy bond must treat the bond as if it pays qualified stated interest (within the meaning of § 1.1273-1(c)) on each credit allowance date. The amount of the deemed payment of interest on each credit allowance date is equal to

the product of the credit rate and the outstanding principal amount of the bond on that date. Thus, for example, if the holder uses an accrual method of accounting, the holder must accrue as interest income the amount of the credit over the one-year accrual period that ends on the credit allowance date.

(2) *Adjustment if the holder cannot use the credit to offset a tax liability.* If a holder holds a qualified zone academy bond on the credit allowance date but cannot use all or a portion of the credit to reduce its income tax liability (for example, because the holder is not an eligible taxpayer or because the limitation in section 1397E(c) applies), the holder is allowed a deduction for the taxable year that includes the credit allowance date. The amount of the deduction is equal to the amount of the unused credit deemed paid on the credit allowance date.

(g) *Not a tax-exempt obligation.* A qualified zone academy bond is not an obligation the interest on which is excluded from gross income under section 103(a).

(h) *Cross-references.* See section 171 and the regulations thereunder for rules relating to amortizable bond premium. See § 1.61-7(c) for the seller's treatment of a bond sold between interest payment dates (credit allowance dates) and § 1.61-7(d) for the buyer's treatment of a bond purchased between interest payment dates (credit allowance dates).

(i) [Reserved]

(j) *Effective date.* This section applies to a qualified zone academy bond issued on or after January 1, 1998.

Michael P. Dolan,

Deputy Commissioner of Internal Revenue.

Approved: December 19, 1997.

Donald C. Lubick,

Acting Assistant Secretary of the Treasury.

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## ENVIRONMENTAL PROTECTION AGENCY

### 40 CFR Parts 9 and 721

[FRL-5943-6]

#### Technical Amendments to Benzidine-Based Chemical Substances; Significant New Uses of Certain Chemical Substances: Correction of Effective Date Under Congressional Review Act (CRA)

**AGENCY:** Environmental Protection Agency (EPA).

**ACTION:** Final rule; correction of effective date under CRA.

**SUMMARY:** On October 7, 1996 (61 FR 52287), the Environmental Protection Agency published in the **Federal Register** a final significant new use rule under the Toxic Substances Control Act (TSCA) for benzidine-based substances. The rule established an effective date of November 20, 1996. This document corrects the effective date of the rule to December 30, 1997 to be consistent with sections 801 and 808 of the Congressional Review Act (CRA), enacted as part of the Small Business Regulatory Enforcement Fairness Act. **EFFECTIVE DATE:** December 30, 1997.

Persons who begin commercial manufacture, importation, or processing of listed benzidine-based chemical substances for any significant new use listed in this between August 30, 1995, and December 30, 1997 must comply with the requirements of the final rule.

**FOR FURTHER INFORMATION CONTACT:** Angela Hofmann, Director, Regulatory Coordination Staff, Office of Prevention, Pesticides and Toxics, Environmental Protection Agency, 401 M St., SW, Washington, DC 20460. Telephone: (202) 260-2922.

#### **SUPPLEMENTARY INFORMATION:**

##### **A. Background**

Section 801 of the CRA precludes a rule from taking effect until the agency promulgating the rule submits a rule report, which includes a copy of the rule, to each House of the Congress and to the Comptroller General of the General Accounting Office (GAO). EPA recently discovered that it had inadvertently failed to submit the above rule as required; thus, although the rule was promulgated on the date stated in the October 7, 1996 **Federal Register** document, by operation of law, the rule did not take effect on November 20, 1996 as stated therein. After EPA discovered its error, the rule was submitted to both Houses of Congress and the GAO on December 11, 1997. This document amends the effective date of the rule consistent with the provisions of the CRA.

Section 553 of the Administrative Procedure Act, 5 U.S.C. 553(b), provides that, when an agency for good cause finds that notice and public procedure are impracticable, unnecessary or contrary to the public interest, an agency may issue a rule without providing notice and an opportunity for public comment. EPA has determined that there is good cause for making today's rule final without prior proposal and opportunity for comment because EPA merely is correcting the effective date of the promulgated rule to be consistent with the congressional

review requirements of the Congressional Review Act as a matter of law and has no discretion in this matter. Thus, notice and public procedure are unnecessary. The Agency finds that this constitutes good cause under 5 U.S.C. 553(b). Moreover, since today's action does not create any new regulatory requirements and affected parties have known of the underlying rule since October 7, 1996, EPA finds that good cause exists to provide for an immediate effective date pursuant to 5 U.S.C. 553(d)(3) and 808(2).

##### **B. Administrative Requirements**

Under Executive Order 12866 (58 FR 51735, October 4, 1993), this action is not a "significant regulatory action" and is therefore not subject to review by the Office of Management and Budget. In addition, this action does not impose any enforceable duty or contain any unfunded mandate as described in the Unfunded Mandates Reform Act of 1995 (Pub. L. 104-4), or require prior consultation with State officials as specified by Executive Order 12875 (58 FR 58093, October 28, 1993), or involve special consideration of environmental justice related issues as required by Executive Order 12898 (59 FR 7629, February 16, 1994). Because this action is not subject to notice-and-comment requirements under the Administrative Procedure Act or any other statute, it is not subject to the regulatory flexibility provisions of the Regulatory Flexibility Act (5 U.S.C. 601 *et seq.*). EPA's compliance with these statutes and Executive Orders for the underlying rule is discussed in the October 7, 1996 **Federal Register** document.

Pursuant to 5 U.S.C. 801(a)(1)(A), as added by the Small Business Regulatory Enforcement Fairness Act of 1996, EPA will submit a report containing this rule and other required information to the U.S. Senate, the U.S. House of Representatives and the Comptroller General of the General Accounting Office; however, in accordance with 5 U.S.C. 808(2), this rule became effective on December 30, 1997. This rule is not a "major rule" as defined in 5 U.S.C. 804(2).

This final rule only amends the effective date of the underlying rule; it does not amend any substantive requirements contained in the rule. Accordingly, to the extent it is available, judicial review is limited to the amended effective date. Pursuant to section 19 of TSCA, challenges to this amendment must be brought within 60 days of today's publication of this rule.

Dated: December 30, 1997.

**Carol M. Browner,**  
Administrator.

[FR Doc. 98-262 Filed 1-5-98; 10:55 am]

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## **ENVIRONMENTAL PROTECTION AGENCY**

### **40 CFR Part 52**

[AL-045-1-9804a; FRL-5946-5]

#### **Approval and Promulgation of Implementation Plans: Revisions to Several Chapters of the Alabama Department of Environmental Management (ADEM) Administrative Code for the Air Pollution Control Program**

**AGENCY:** Environmental Protection Agency (EPA).

**ACTION:** Direct final rule.

**SUMMARY:** On August 28, 1997, the State of Alabama through ADEM submitted a State implementation plan (SIP) revision of the ADEM Administrative Code for the Air Pollution Control Program. Revisions were made to Chapters 335-3-1—General Provisions, 335-3-3—Control of Open Burning and Incineration and 335-3-6—Control of Organic Emissions. The Environmental Protection Agency (EPA) is approving these revisions but is not taking action in this document on the revisions made to chapters 335-3-10—Standards of Performance for New Stationary Sources and 335-3-11—National Emissions Standards of Hazardous Air Pollutants because they are not a part of the federally approved SIP for Alabama.

**DATES:** This action will be effective March 9, 1998 unless adverse or critical comments are received by February 6, 1998. If the effective date is delayed, timely notice will be published in the **Federal Register**.

**ADDRESSES:** Comments may be mailed to Kimberly Bingham at the EPA Region 4 address listed below. Copies of the material submitted by ADEM may be examined during normal business hours at the following locations:

Air and Radiation Docket and Information Center (Air Docket 6102), U.S. Environmental Protection Agency, 401 M Street, SW, Washington, DC 20460  
Environmental Protection Agency, Atlanta Federal Center, Region 4 Air Planning Branch, Atlanta Federal Center, 61 Forsyth Street, SW, Atlanta, Georgia 30303-3104  
Alabama Department of Environmental Management, 1751 Congressman W.