

interest at least annually. * * *
 Issuance of a note, other debt instrument, option, or other similar financial arrangement, directly or indirectly, in satisfaction of the annuity amount does not constitute payment of the annuity amount.

* * * * *

(3) *Payment of annuity amount.* The annuity amount may be payable based on either the anniversary date of the creation of the trust or the taxable year of the trust. In either situation, the annuity amount may be paid annually or more frequently, such as semi-annually, quarterly, or monthly. If the payment is made based on the anniversary date, proration of the annuity amount is required only if the last period during which the annuity is payable to the grantor is a period of less than 12 months. If the payment is made based on the taxable year, proration of the annuity amount is required for each short taxable year of the trust during the grantor's term. The prorated amount is the annual annuity amount multiplied by a fraction, the numerator of which is the number of days in the short period and the denominator of which is 365 (366 if February 29 is a day included in the numerator).

(4) *Payment of the annuity amount in certain circumstances.* An annuity amount payable based on the anniversary date of the creation of the trust must be paid by the anniversary date. An annuity amount payable based on the taxable year of the trust may be paid after the close of the taxable year, provided the payment is made no later than the date by which the trustee is required to file the Federal income tax return of the trust for the taxable year (without regard to extensions). If the trustee reports for the taxable year pursuant to § 1.671-4(b) of this chapter, the annuity payment must be made no later than the date by which the trustee would have been required to file the Federal income tax return of the trust for the taxable year (without regard to extensions) had the trustee reported pursuant to § 1.671-4(a) of this chapter.

* * * * *

(c) * * *

(1) * * * (i) * * * The unitrust amount must be payable to (or for the benefit of) the holder of the unitrust interest at least annually. * * *
 Issuance of a note, other debt instrument, option, or other similar financial arrangement, directly or indirectly, in satisfaction of the unitrust amount does not constitute payment of the unitrust amount.

* * * * *

(3) *Payment of unitrust amount.* The unitrust amount may be payable based on either the anniversary date of the creation of the trust or the taxable year of the trust. In either situation, the unitrust amount may be paid annually or more frequently, such as semi-annually, quarterly, or monthly. If the payment is made based on the anniversary date, proration of the unitrust amount is required only if the last period during which the annuity is payable to the grantor is a period of less than 12 months. If the payment is made based on the taxable year, proration of the unitrust amount is required for each short taxable year of the trust during the grantor's term. The prorated amount is the annual unitrust amount multiplied by a fraction, the numerator of which is the number of days in the short period and the denominator of which is 365 (366 if February 29 is a day included in the numerator).

(4) *Payment of the unitrust amount in certain circumstances.* A unitrust amount payable based on the anniversary date of the creation of the trust must be paid by the anniversary date. A unitrust amount payable based on the taxable year of the trust may be paid after the close of the taxable year, provided the payment is made no later than the date by which the trustee is required to file the Federal income tax return of the trust for the taxable year (without regard to extensions). If the trustee reports for the taxable year pursuant to § 1.671-4(b) of this chapter, the unitrust payment must be made no later than the date by which the trustee would have been required to file the Federal income tax return of the trust for the taxable year (without regard to extensions) had the trustee reported pursuant to § 1.671-4(a) of this chapter.

(d) * * *

(5) *Use of debt obligations to satisfy the annuity or unitrust payment obligation—(i) In general.* In the case of a trust created on or after September 20, 1999, the trust instrument must prohibit the trustee from issuing a note, other debt instrument, option, or other similar financial arrangement in satisfaction of the annuity or unitrust payment obligation.

(ii) *Special rule in the case of a trust created prior to September 20, 1999.* In the case of a trust created prior to September 20, 1999, the interest will be treated as a qualified interest under section 2702(b) if—

(A) Notes, other debt instruments, options, or similar financial arrangements are not issued after September 20, 1999, to satisfy the annuity or unitrust payment obligation; and

(B) Any notes or any other debt instruments that were issued to satisfy the annual payment obligation on or prior to September 20, 1999, are paid in full by December 31, 1999, and any option or similar financial arrangement issued to satisfy the annual payment obligation is terminated by December 31, 1999, such that the grantor receives cash or other trust assets in satisfaction of the payment obligation. For purposes of the preceding sentence, an option will be considered terminated only if the grantor receives cash or other trust assets equal in value to the greater of the required annuity or unitrust payment plus interest computed under section 7520 of the Internal Revenue Code, or the fair market value of the option.

* * * * *

Robert E. Wenzel,

Deputy Commissioner of Internal Revenue.

Approved: August 10, 2000.

Jonathan Talisman,

Acting Assistant Secretary of the Treasury.

[FR Doc. 00-22544 Filed 9-1-00; 8:45 am]

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DEPARTMENT OF DEFENSE

Department of the Navy

32 CFR Part 736

RIN 0703-AA60

Disposition of Property

AGENCY: Department of the Navy, DOD.

ACTION: Final rule.

SUMMARY: The Department of the Navy amends this rule to reflect changes in the Disposition of Property regulation incorporating updated information on citation authorities, organizational names, and other information to assist the public awareness on rules affecting disposition of property held by the Department of the Navy.

DATES: Effective September 5, 2000.

FOR FURTHER INFORMATION CONTACT:

Lieutenant Commander James L. Roth, JAGC, USN, Head, Regulations and Legislation, FOIA/PA Branch, Administrative Law Division, Office of the Judge Advocate General (Code 13), 1322 Patterson Ave SE., Suite 3000, Washington Navy Yard, DC 20374-5066. Phone (703) 604-8200.

SUPPLEMENTARY INFORMATION: This amended rule provides the public updated information on changes in organizational names and nomenclature related to disposition of property. Additionally, an internet address is included for public access to an

electronic copy of the Defense Material Disposition Manual. This rule is being published by the Department of the Navy for guidance and interest of the public in accordance with 5 U.S.C. 552(a)(1). It has been determined that invitation of public comment on this amendment would be impracticable and unnecessary, and it is therefore not required under the public rulemaking provisions of 32 CFR Part 336 or Secretary of the Navy Instruction 5720.45. Interested persons, however, are invited to comment in writing on this amendment. All written comments received will be considered in making subsequent amendments or revisions of 32 CFR Part 736 or the instructions on which it is based. Changes may be initiated on the basis of comments received. Written comments should be addressed to Lieutenant Commander James L. Roth, JAGC, USN, Head, Regulations and Legislation, FOIA/PA Branch, Administrative Law Division, Office of the Judge Advocate General (Code 13), 1322 Patterson Ave SE., Suite 3000, Washington Navy Yard, DC 20374-5066. It has been determined that this final rule is not a "significant regulatory action" as defined in Executive Order 12866.

Executive Order 13132, Federalism

It has been determined that this rule does not have sufficient Federalism implications to warrant the preparation of a Federalism Assessment. The provisions contained in this rule will have little or no direct effect on States or local governments.

Regulatory Flexibility Act

This rule will not have a significant economic impact on a substantial number of small entities for purposes of the Regulatory Flexibility Act (5 U.S.C. Chapter 6).

Paperwork Reduction Act

This rule does not impose collection of information requirements for purposes of the Paperwork Reduction Act (44 U.S.C. Chapter 35, 5 CFR Part 1320).

List of Subjects in 32 CFR Part 736

Government property, Surplus Government property.

For the reasons set forth in the preamble, amend part 736 of title 32 of the Code of Federal Regulations as follows:

PART 736—DISPOSITION OF PROPERTY

1. The authority citation for part 736 is revised to read as follows:

Secs. 5031, 6011, 70A Stat. 278, as amended; 10 U.S.C. 5031, 6011. Interpret or apply R.S. 3618, 3678, 3709, 38 Stat. 1084, 44 Stat. 605, 49 Stat. 885, 53 Stat. 811, 54 Stat. 396, 57 Stat. 380, 59 Stat. 260, sec. 27, 60 Stat. 856, sec. 5, 60 Stat. 998, sec. 4, 62 Stat. 286, secs. 7(c), 8(a-b), 62 Stat. 452, 63 Stat. 377, 64 Stat. 1109, 65 Stat. 645, 68 Stat. 832, sec. 501(c)(3), 68A Stat. 163, secs. 2481, 2541, 2542, 2571-2574, 2662, 2667, 6155, 6156, 6901, 7227, 7228, 7230, 7304-7308, 7541-7547, 7601-7604, 70A Stat. 141, sec. 5003, 72 Stat. 1252, 72 Stat. 1793, sec. 616, 73 Stat. 381, as amended; 31 U.S.C. 487, 628, 41 U.S.C. 5, 31 U.S.C. 686, 686a, 40 U.S.C. 304a, 50 U.S.C. 98-98h, 22 U.S.C. 521, 44 U.S.C. 366-380, 42 U.S.C. 1572, 24 U.S.C. 37, 20 U.S.C. 77d, 15 U.S.C. 328, 49 U.S.C. 1156(c), 1157(a-b), 40 U.S.C. 471 *et seq.*, 42 U.S.C. 1855-1855g, 22 U.S.C. 1611-1613c, 1750 *et seq.*, 26 U.S.C. 501(c)(3), 10 U.S.C. 2481, 2541, 2542, 2571-2574, 2662, 2667, 6155, 6156, 6901, 7227, 7228, 7230, 7304-7308, 7541-7547, 7601-7604, 38 U.S.C. 5003, 42 U.S.C. 1891-1893, 40 U.S.C. 483a, E.O. 10885, 25 FR 8471, 40 U.S.C. 471; 40 U.S.C. 486; 10 U.S.C. 2576; 33 U.S.C. 1401; Pub. L. No. 96-41 (50 U.S.C. 98); Pub. L. No. 93-288 (42 U.S.C. 5121).

2. In § 736.1, revise the last sentence of the introductory paragraph and paragraph (c) to read as follows:

§ 736.1 General.

* * * In general, property of the Department of the Navy, which becomes excess to its needs, may not be disposed of to the general public until it has been determined to be surplus after screening such property with the other military departments of the Department of Defense and all other agencies of the Government, and after it has been offered for donation to educational institutions, and law enforcement and marine research activities.

(c) The Department of Defense Material Disposition Manual and directives issued by the Department of the Navy cover the disposition of all property of the Department including disposition under the Federal Property Act. The Defense Material Disposition Manual is available on the internet at www.drms.dla.mil. Section XXIV of Navy Procurement Directives contains similar information applicable to the disposition of contractor inventory. These publications are available for inspection at the offices of the Commandants of the several Naval Districts; and at various Navy and Marine Corps installations.

3. In § 736.3, revise paragraph (b)(1) to read as follows:

§ 736.3 Sale of personal property.

* * *

(b) * * *

(1) The Department of Defense has a contact point for any person interested

in purchasing surplus Department of Defense personal property within the United States. The contact point is the Defense Surplus Bidders Control Office, Defense Reutilization and Marketing Office, Federal Center Building, Battle Creek, Michigan. This office maintains a single bidders list for all military departments. The list is arranged to show each person's buying interests, both geographically and with respect to categories of property. The categories of property (together with an application blank) are listed in a pamphlet "How to Buy Surplus Personal Property From The Department of Defense," prepared by the Defense Reutilization and Marketing Office, Defense Logistics Agency, Battle Creek, Michigan.

* * *

4. Amend § 736.5 as follows:

a. In paragraphs (d) and (f)(2) remove the words "Naval Ship Systems Command" and add, in their place, the words "Naval Sea Systems Command".

b. In paragraph (f)(2) remove the words "Defense Disposal Manual" and add, in their place, the words "Defense Material Disposition Manual".

c. In paragraph (h) remove the words "act of December 31, 1970 (42 U.S.C. 4401-4485)" and add, in their place, the words "Disaster Relief Act of 1974 (Pub. L. No. 93-288)" and remove the words "Director of the Office of Emergency Preparedness" and add, in their place, the words "Federal Emergency Management Agency".

d. Revise paragraph (e) to read as follows:

§ 736.5 Disposition of real and personal property under special statutory authority.

* * *

(e) Exchange of property for replacement purposes. Under the authority of section 201(c) of the Federal Property Act (40 U.S.C. 481(c)) and consistent with Department of Defense implementing regulations, DOD 4140.1-R and the Defense Federal Acquisition Regulation Supplement, the Department of the Navy is authorized in the acquisition of new equipment, to exchange similar items which are not excess to its needs, and apply the exchange allowance in whole or part payment for the items purchased.

* * *

Dated: August 24, 2000.

C.G. Carlson,

Major, U.S. Marine Corps, Alternate Federal Register Liaison Officer.

[FR Doc. 00-22445 Filed 9-1-00; 8:45 am]

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