

IRS and 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.** Paragraph (b) of § 1.1363–1 is amended as follows:

1. Paragraph (b) is revised.
2. Paragraph (d) is amended by removing the language “This section applies” and adding the language “This section (except for paragraph (b)(2) of this section) applies” in its place.
3. The paragraph heading for (d) is revised.
4. A sentence is added at the end of paragraph (d).

The revision and additions read as follows:

#### § 1.1363–1 Effect of election on corporation.

\* \* \* \* \*

(b) *Computation of corporate taxable income*—(1) *In general.* The taxable income of an S corporation is computed as described in section 1363(b).

(2) *Treatment of banks.* Section 1363(b) (concerning computation of an S corporation’s taxable income) does not affect an S corporation’s status as a bank within the meaning of section 581, and it does not prevent the application to such an S corporation bank of any special rule applicable to banks under the Internal Revenue Code, such as sections 582(c) and 291(a)(3) and (e)(1)(B). See § 1.1361–4(a)(3) regarding application under subchapter S of the special rules applicable to banks. Further, section 1363(b)(4) causes section 291 to apply to an S corporation if the S corporation (or any predecessor) was a C corporation for any of the three immediately preceding taxable years, but section 1363(b)(4) does not prevent section 291 from applying to an S corporation to which section 291 otherwise applies.

(3) *Example.* The following example illustrates the application of this paragraph (b)(2):

*Example.* (i) *Facts.* X is described in section 581 and is an S corporation. Neither X nor any of X’s predecessors was a C corporation for any of the three immediately

preceding taxable years. During the current taxable year, X sold debt instrument DI at a loss. At the time of the sale, X’s holding period in DI was more than one year and, but for section 582(c), the loss on the sale of DI would be capital. During the same taxable year, X held debt instrument QD, which it acquired after August 7, 1986. QD is a qualified tax-exempt obligation within the meaning of section 265(b)(3)(B).

(ii) X is described in section 581, and section 1363(b) does not affect X’s status under section 581. Accordingly, X qualifies as a bank within the meaning of section 581. Also, section 1363(b) does not prevent any special rule applicable to banks under the Internal Revenue Code from applying to X. Thus, section 582(c), which is a special rule applicable to banks, imposes ordinary character on the loss that X recognized from the sale of debt instrument DI.

(iii) Because QD is a qualified tax-exempt obligation that was acquired after August 7, 1986, section 265(b)(3)(A) causes QD to be treated for purposes of section 291(e)(1)(B) as having been acquired on that date. For that reason, if section 291(e)(1)(B) applies to X, a portion of the interest expense that X incurs during the taxable year is interest on indebtedness incurred or continued to purchase or carry qualified tax-exempt obligations and thus is a financial institution preference item. Section 291(a)(3) and (e)(1)(B) is a special rule applicable to banks, and thus section 1363(b) does not prevent section 291(a)(3) and (e)(1)(B) from applying to X unless some other authority prevents that result.

(iv) Section 1363(b)(4) does not prevent section 291 from applying in situations in which section 291 otherwise applies. Therefore, section 1363(b)(4) does not prevent section 291(a)(3) and (e)(1)(B) from applying to X. It is irrelevant that neither X nor any predecessor of X was a C corporation for any of the three immediately preceding taxable years. X’s status as a bank under section 581 causes section 291(a)(3) and (e)(1)(B) to apply.

\* \* \* \* \*

(d) *Effective dates.* \* \* \* Paragraph (b)(2) of this section applies to taxable years of corporations beginning on or after August 24, 2006.

**Mark E. Matthews,**

*Deputy Commissioner for Services and Enforcement.*

[FR Doc. E6–14004 Filed 8–23–06; 8:45 am]

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#### DEPARTMENT OF HOMELAND SECURITY

#### Coast Guard

#### 33 CFR Part 165

[CCGD05–06–079]

RIN 1625–AA00

#### Safety Zone; Yorktown Day Celebration Evening Fireworks, York River, Yorktown, VA

**AGENCY:** Coast Guard, DHS.

**ACTION:** Notice of proposed rulemaking.

**SUMMARY:** The Coast Guard proposes to establish a 1200 foot safety zone in the vicinity of National Park Service Beach at Yorktown, VA on October 19, 2006 in support of the Yorktown Day Celebration Evening Fireworks. This action is intended to restrict vessel traffic on York River as necessary to protect mariners from the hazards associated with fireworks displays.

**DATES:** Comments and related material must reach the Coast Guard on or before September 24, 2006.

**ADDRESSES:** You may mail comments and related material to Commander, Sector Hampton Roads, Norfolk Federal Building, 200 Granby St., 7th Floor, Attn: Lieutenant Bill Clark, Norfolk, VA 23510. Sector Hampton Roads maintains the public docket for this rulemaking. Comments and material received from the public, as well as documents indicated in this preamble as being available in the docket, will become part of this docket and will be available for inspection or copying at the Norfolk Federal Building between 9 a.m. and 2 p.m., Monday through Friday, except Federal holidays.

**FOR FURTHER INFORMATION CONTACT:** Lieutenant Bill Clark, Chief, Waterways Management Division, Sector Hampton Roads at (757) 668–5580.

#### SUPPLEMENTARY INFORMATION:

#### Request for Comments

We encourage you to participate in this rulemaking by submitting comments and related material. If you do so, please include your name and address, identify the docket number for this rulemaking (CGD05–06–079), indicate the specific section of this document to which each comment applies, and give the reason for each comment. Please submit all comments and related material in an unbound format, no larger than 8½ by 11 inches, suitable for copying. If you would like to know your submission reached us, please enclose a stamped, self-addressed postcard or envelope. We will consider

all comments and material received during the comment period. We may change this proposed rule in view of them.

### Public Meeting

We do not now plan to hold a public meeting, but you may submit a request for a meeting by writing to the Commander, Sector Hampton Roads at the address under **ADDRESSES** explaining why one would be beneficial. If we determine that one would aid this rulemaking, we will hold one at a time and place announced by a later notice in the **Federal Register**.

### Background and Purpose

On October 19, 2006, the Yorktown Day Celebration Evening Fireworks will be held at the National Park Service Beach at Yorktown, VA. Due to the need to protect mariners and spectators from the hazards associated with fireworks displays, vessel traffic will be temporarily restricted within a 1200 foot radius of the display.

### Discussion of Proposed Rule

The Coast Guard is establishing a 1200 foot safety zone on specified waters of York River at the National Park Service Beach at Yorktown, VA. This regulated area will be established in the interest of public safety during the Yorktown Day Celebration Evening Fireworks and will be enforced from 8 p.m. to 9 p.m. on October 19, 2006. General navigation in the safety zone will be restricted during the event. Except for participants and vessels authorized by the Coast Guard Patrol Commander, no person or vessel may enter or remain in the regulated area.

### Regulatory Evaluation

This proposed rule is not a "significant regulatory action" under section 3(f) of Executive Order 12866, Regulatory Planning and Review, and does not require an assessment of potential costs and benefits under section 6(a)(3) of that Order. The Office of Management and Budget has not reviewed it under that Order.

We expect the economic impact of this proposed rule to be so minimal that a full Regulatory Evaluation under the regulatory policies and procedures of DHS is unnecessary. Although this regulation restricts access to the regulated area, the effect of this rule will not be significant because the safety zone will be in effect for a limited duration of time and the Coast Guard will make notifications via maritime advisories so mariners can adjust their plans accordingly.

### Small Entities

Under the Regulatory Flexibility Act (5 U.S.C. 601–612), we have considered whether this proposed rule would have a significant economic impact on a substantial number of small entities. The term "small entities" comprises small businesses, not-for-profit organizations that are independently owned and operated and are not dominant in their fields, and governmental jurisdictions with populations of less than 50,000.

The Coast Guard certifies under 5 U.S.C. 605(b) that this proposed rule would not have a significant economic impact on a substantial number of small entities because the zone will only be in place for a limited duration of time and maritime advisories will be issued allowing the mariners to adjust their plans accordingly. However, this rule may affect the following entities, some of which may be small entities: the owners and operators of vessels intending to transit or anchor in that portion of the York River from 8 p.m. to 9 p.m. on October 19, 2006.

If you think that your business, organization, or governmental jurisdiction qualifies as a small entity and that this rule would have a significant economic impact on it, please submit a comment (see **ADDRESSES**) explaining why you think it qualifies and how and to what degree this rule would economically affect it.

### Assistance for Small Entities

Under section 213(a) of the Small Business Regulatory Enforcement Fairness Act of 1996 (Pub. L. 104–121), we want to assist small entities in understanding this proposed rule so that they can better evaluate its effects on them and participate in the rulemaking. If the rule would affect your small business, organization, or governmental jurisdiction and you have questions concerning its provisions or options for compliance, please contact Lieutenant Bill Clark, Chief, Waterways Management Division, Sector Hampton Roads at (757) 668–5580.

The Coast Guard will not retaliate against small entities that question or complain about this rule or any policy or action of the Coast Guard.

### Collection of Information

This proposed rule would call for no new collection of information under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501–3520).

### Federalism

A rule has implications for federalism under Executive Order 13132, Federalism, if it has a substantial direct

effect on State or local governments and would either preempt State law or impose a substantial direct cost of compliance on them. We have analyzed this proposed rule under that Order and have determined that it does not have implications for federalism.

### Unfunded Mandates Reform Act

The Unfunded Mandates Reform Act of 1995 (2 U.S.C. 1531–1538) requires Federal agencies to assess the effects of their discretionary regulatory actions. In particular, the Act addresses actions that may result in the expenditure by a State, local, or tribal government, in the aggregate, or by the private sector of \$100,000,000 or more in any one year. Though this proposed rule would not result in such an expenditure, we do discuss the effects of this rule elsewhere in this preamble.

### Taking of Private Property

This proposed rule would not effect a taking of private property or otherwise have taking implications under Executive Order 12630, Governmental Actions and Interference with Constitutionally Protected Property Rights.

### Civil Justice Reform

This proposed rule meets applicable standards in sections 3(a) and 3(b)(2) of Executive Order 12988, Civil Justice Reform, to minimize litigation, eliminate ambiguity, and reduce burden.

### Protection of Children

We have analyzed this proposed rule under Executive Order 13045, Protection of Children from Environmental Health Risks and Safety Risks. This rule is not an economically significant rule and would not create an environmental risk to health or risk to safety that might disproportionately affect children.

### Indian Tribal Governments

This proposed rule does not have tribal implications under Executive Order 13175, Consultation and Coordination with Indian Tribal Governments, because it would not have a substantial direct effect on one or more Indian tribes, on the relationship between the Federal Government and Indian tribes, or on the distribution of power and responsibilities between the Federal Government and Indian tribes.

### Energy Effects

We have analyzed this proposed rule under Executive Order 13211, Actions Concerning Regulations That Significantly Affect Energy Supply,

Distribution, or Use. We have determined that it is not a "significant energy action" under that order because it is not a "significant regulatory action" under Executive Order 12866 and is not likely to have a significant adverse effect on the supply, distribution, or use of energy. The Administrator of the Office of Information and Regulatory Affairs has not designated it as a significant energy action. Therefore, it does not require a Statement of Energy Effects under Executive Order 13211.

#### Technical Standards

The National Technology Transfer and Advancement Act (NTTAA) (15 U.S.C. 272 note) directs agencies to use voluntary consensus standards in their regulatory activities unless the agency provides Congress, through the Office of Management and Budget, with an explanation of why using these standards would be inconsistent with applicable law or otherwise impractical. Voluntary consensus standards are technical standards (e.g., specifications of materials, performance, design, or operation; test methods; sampling procedures; and related management systems practices) that are developed or adopted by voluntary consensus standards bodies.

This proposed rule does not use technical standards. Therefore, we did not consider the use of voluntary consensus standards.

#### Environment

We have analyzed this proposed rule under Commandant Instruction M16475.ID, which guides the Coast Guard in complying with the National Environmental Policy Act of 1969 (NEPA) (42 U.S.C. 4321–4370f), and have made a preliminary determination that there are no factors in this case that would limit the use of a categorical exclusion under section 2.B.2 of the Instruction. Therefore, we believe that this rule should be categorically excluded, under figure 2–1, paragraph (34)(g), of the Instruction, from further environmental documentation.

A preliminary "Environmental Analysis Check List" is available in the docket where indicated under **ADDRESSES**. Comments on this section will be considered before we make the final decision on whether this rule should be categorically excluded from further environmental review.

#### List of Subjects in 33 CFR Part 165

Harbors, Marine safety, Navigation (water), Reporting and recordkeeping requirements, Security measures, Waterways.

For the reasons discussed in the preamble, the Coast Guard proposes to amend 33 CFR part 165 as follows:

#### PART 165—REGULATED NAVIGATION AREAS AND LIMITED ACCESS AREAS

1. The authority citation for part 165 continues to read as follows:

**Authority:** 33 U.S.C. 1226, 1231; 46 U.S.C. Chapter 701; 50 U.S.C. 191, 195; 33 CFR 1.05–1(g), 6.04–1, 6.04–6 and 160.5; Pub. L. 107–295, 116 Stat. 2064; Department of Homeland Security Delegation No. 0170.1.

2. Add temporary § 165.T05–079, to read as follows:

#### § 165.T05–079 Safety Zone; Yorktown Day Celebration Evening Fireworks, York River, Yorktown, VA.

(a) *Location.* The following area is a safety zone: All waters on the York River, from surface to bottom, within 1200 feet of the National Park Service Beach in Yorktown, VA.

(b) *Definitions.* *Designated representative* means any U.S. Coast Guard commissioned, warrant or petty officer who has been authorized by the Captain of the Port, Hampton Roads, Virginia to act on his behalf.

(c) *Regulations.* (1) In accordance with the general regulations in § 165.23 of this part, entry into this zone is prohibited unless authorized by the Captain of the Port, Hampton Roads or his designated representative.

(2) Vessel operators desiring to enter or operate within the safety zone must contact the COTP or the COTP's representative to obtain permission to do so. Vessel operators given permission to enter or operate in the safety zone, and the operators of any vessels in the immediate vicinity of this safety zone, must comply with all directions given to them by any commissioned, warrant or petty officer on shore or on board a vessel that is displaying a U.S. Coast Guard Ensign.

(3) The Captain of the Port, Hampton Roads and the Sector Duty Officer at Sector Hampton Roads in Portsmouth, Virginia can be contacted at telephone number (757) 668–5555 or (757) 484–8192.

(4) The designated representatives enforcing the safety zone can be contacted on VHF–FM 13 and 16.

(d) *Effective date.* This regulation is effective from 8 p.m. to 9 p.m. on October 19, 2006.

Dated: August 11, 2006.

**Patrick B. Trapp,**

*Captain, U.S. Coast Guard, Captain of the Port, Hampton Roads.*

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#### DEPARTMENT OF DEFENSE

#### GENERAL SERVICES ADMINISTRATION

#### NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

#### 48 CFR Parts 7, 12, and 39

[FAR Case 2005–041; Docket 2006–0020; Sequence 7]

RIN 9000–AK57

#### Federal Acquisition Regulation; FAR Case 2005–041, Internet Protocol Version 6 (IPv6)

**AGENCIES:** Department of Defense (DoD), General Services Administration (GSA), and National Aeronautics and Space Administration (NASA).

**ACTION:** Proposed rule.

**SUMMARY:** The Civilian Agency Acquisition Council and the Defense Acquisition Regulations Council (Councils) are proposing to amend the Federal Acquisition Regulation (FAR) to require Internet Protocol Version 6 (IPv6) capable products be included in information technology procurements to the maximum extent practicable.

**DATES:** Interested parties should submit written comments to the FAR Secretariat on or before October 23, 2006 to be considered in the formulation of a final rule.

**ADDRESSES:** Submit comments identified by FAR case 2005–041 by any of the following methods:

- Federal eRulemaking Portal: <http://www.regulations.gov>. Search for this document at the "Federal Acquisition Regulation" agency and review the "Document Title" column; click on the Document ID number. Click on "add comments".

You may also search for any document using the "Advanced search/document search" tab, selecting from the agency field "Federal Acquisition Regulation", and typing the FAR case number in the keyword field.

- Fax: 202–501–4067.
- Mail: General Services Administration, Regulatory Secretariat (VIR), 1800 F Street, NW, Room 4035, ATTN: Laurieann Duarte, Washington, DC 20405.

*Instructions:* Please submit comments only and cite FAR case 2005–041 in all correspondence related to this case. All comments received will be posted without change to <http://www.regulations.gov>, including any personal and/or business confidential information provided.