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DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 39

[Docket No. FAA-2019-1003; Product Identifier 2018-SW-086-AD; Amendment 39-21294; AD 2020-21-21]

RIN 2120-AA64

Airworthiness Directives; Leonardo S.p.a. Helicopters

AGENCY: Federal Aviation Administration (FAA), DOT.

ACTION: Final rule.

SUMMARY: The FAA is adopting a new airworthiness directive (AD) for Leonardo S.p.a. (Leonardo) Model A109E, A109S, A119, AW109SP, and AW119MKII helicopters. This AD requires removing certain main rotor (M/R) floating ring assemblies from service. This AD also prohibits replacing any washer on any M/R floating ring assembly. This AD was prompted by a report of a washer debonding from the M/R floating ring assembly. The actions of this AD are intended to address an unsafe condition on these products.

DATES: This AD is effective November 24, 2020.

ADDRESSES: For service information identified in this final rule, contact Leonardo S.p.a. Helicopters, Emanuele Bufano, Head of Airworthiness, Viale G. Agusta 520, 21017 C. Costa di Samarate (Va) Italy; telephone +39-0331-225074; fax +39-0331-229046; or at <https://www.leonardocompany.com/en/home>. You may view the referenced service information at the FAA, Office of the Regional Counsel, Southwest Region, 10101 Hillwood Pkwy., Room 6N-321, Fort Worth, TX 76177.

Examining the AD Docket

You may examine the AD docket on the internet at <https://www.regulations.gov> by searching for

and locating Docket No. FAA-2019-1003; or in person at Docket Operations between 9 a.m. and 5 p.m., Monday through Friday, except Federal holidays. The AD docket contains this AD, the European Aviation Safety Agency (now European Union Aviation Safety Agency) (EASA) AD, any comments received, and other information. The street address for Docket Operations is U.S. Department of Transportation, Docket Operations, M-30, West Building Ground Floor, Room W12-140, 1200 New Jersey Avenue SE, Washington, DC 20590.

FOR FURTHER INFORMATION CONTACT: Kristin Bradley, Aerospace Engineer, General Aviation & Rotorcraft Section, International Validation Branch, FAA, 10101 Hillwood Pkwy., Fort Worth, TX 76177; telephone 817-222-5110; email Kristin.Bradley@faa.gov.

SUPPLEMENTARY INFORMATION:

Discussion

The FAA issued a notice of proposed rulemaking (NPRM) to amend 14 CFR part 39 by adding an AD that would apply to Leonardo Model A109E, A109S, A119, AW109SP, and AW119MKII helicopters, with a M/R floating ring assembly part number (P/N) 109-0111-09-101 or P/N 109-0111-09-103 installed. The NPRM published in the **Federal Register** on December 9, 2019 (84 FR 67251). The NPRM proposed to require removing from service any M/R floating ring assembly P/N 109-0111-09-101 or P/N 109-0111-09-103 with serial number (S/N) DA53295148-1, F86782, G130924, J31213, L99, L104, L107, L117, L127, L130, M215, P411, R687, R735, R769, R772, or V71. The NPRM also proposed to prohibit installing the affected M/R floating ring assemblies on any helicopter. Lastly, the NPRM proposed to prohibit replacing any washer P/N 109-0111-23-101 on any M/R floating ring assembly installed on any helicopter. The proposed requirements were intended to prevent failure of the M/R floating ring assembly and significant increase of the pilot workload and subsequent loss of control of the helicopter.

The NPRM was prompted by EASA AD No. 2018-0205, dated September 14, 2018, issued by EASA, which is the Technical Agent for the Member States of the European Union, to correct an unsafe condition for Leonardo S.p.a.

(formerly Finmeccanica S.p.A., AgustaWestland S.p.A., Agusta S.p.A.; and AgustaWestland Philadelphia Corporation, formerly Agusta Aerospace Corporation) Model A109E, A109S, A119, A109LUH, AW109SP, and AW119MKII helicopters with certain part-numbered M/R floating ring assemblies installed. EASA advises of a report of a washer P/N 109-0111-23-101 that debonded from the M/R floating ring assembly on a Model A109E helicopter. Investigation results revealed that the M/R floating ring assembly had been improperly repaired, and identified a batch of M/R floating ring assemblies that could also be affected. Due to design similarity, some of those M/R floating ring assemblies may be installed on other A109/A119 helicopter models.

EASA further advises that this condition, if not detected and corrected, could lead to failure of an affected M/R floating ring assembly and significant increase of the pilot workload, possibly resulting in reduced control of the helicopter. Accordingly, the EASA AD requires inspecting the M/R floating ring assembly to identify its S/N and depending on findings, replacing affected serial-numbered M/R floating ring assemblies. The EASA AD also prohibits installing those serial-numbered M/R floating ring assemblies on any helicopter and prohibits replacing washer P/N 109-0111-23-101 on an M/R floating ring assembly installed on a helicopter.

Comments

The FAA gave the public the opportunity to participate in developing this final rule, but the FAA did not receive any comments on the NPRM or on the determination of the cost to the public.

FAA's Determination

These helicopters have been approved by EASA and are approved for operation in the United States. Pursuant to the FAA's bilateral agreement with the European Union, EASA has notified the FAA of the unsafe condition described in its AD. The FAA is issuing this AD after evaluating all of the information provided by EASA and determining the unsafe condition exists and is likely to exist or develop on other helicopters of these same type designs and that air safety and the public interest require

adopting the AD requirements as proposed.

Differences Between This AD and the EASA AD

The EASA AD applies to Model A109LUH helicopters, whereas this AD does not because that model is not FAA type-certificated.

Related Service Information

The FAA reviewed Leonardo Helicopters Alert Service Bulletin (ASB) No. 109EP-163 for Model A109E helicopters; ASB No. 109S-084 for Model A109S helicopters; ASB No. 109SP-125 for Model AW109SP helicopters; and ASB No. 119-092 for Model A119 and AW119MKII helicopters, all Revision A and dated September 13, 2018. This service information contains procedures to identify the S/N of the M/R floating ring assembly and provides instructions for replacing the floating ring assembly if necessary. This service information also specifies replacing certain serial-numbered M/R floating ring assemblies and reporting certain information to Leonardo Helicopters.

Costs of Compliance

The FAA estimates that this AD affects 210 helicopters of U.S. Registry. The FAA estimates that operators may incur the following costs in order to comply with this AD. Labor costs are estimated at \$85 per work-hour.

Inspecting the M/R floating ring assembly takes about 1 work-hour for an estimated cost of \$85 per helicopter and \$17,850 for the U.S. fleet. Replacing an M/R floating ring assembly takes about 8 work-hours and parts cost about \$5,500 for an estimated cost of \$6,180 per floating ring assembly.

According to Leonardo Helicopters, some of the costs of this AD may be covered under warranty, thereby reducing the cost impact on affected individuals. The FAA does not control warranty coverage by Leonardo Helicopters. Accordingly, the FAA has included all costs in the cost estimate.

Authority for This Rulemaking

Title 49 of the United States Code specifies the FAA's authority to issue rules on aviation safety. Subtitle I, section 106, describes the authority of the FAA Administrator. Subtitle VII: Aviation Programs, describes in more detail the scope of the Agency's authority.

The FAA is issuing this rulemaking under the authority described in Subtitle VII, Part A, Subpart III, Section 44701: General requirements. Under that section, Congress charges the FAA

with promoting safe flight of civil aircraft in air commerce by prescribing regulations for practices, methods, and procedures the Administrator finds necessary for safety in air commerce. This regulation is within the scope of that authority because it addresses an unsafe condition that is likely to exist or develop on helicopters identified in this rulemaking action.

Regulatory Findings

This AD will not have federalism implications under Executive Order 13132. This AD will not have a substantial direct effect on the States, on the relationship between the national government and the States, or on the distribution of power and responsibilities among the various levels of government.

For the reasons discussed above, I certify that this AD:

- (1) Is not a "significant regulatory action" under Executive Order 12866,
- (2) Will not affect intrastate aviation in Alaska, and
- (3) Will not have a significant economic impact, positive or negative, on a substantial number of small entities under the criteria of the Regulatory Flexibility Act.

List of Subjects in 14 CFR Part 39

Air transportation, Aircraft, Aviation safety, Incorporation by reference, Safety.

Adoption of the Amendment

Accordingly, under the authority delegated to me by the Administrator, the FAA amends 14 CFR part 39 as follows:

PART 39—AIRWORTHINESS DIRECTIVES

- 1. The authority citation for part 39 continues to read as follows:

Authority: 49 U.S.C. 106(g), 40113, 44701.

§ 39.13 [Amended]

- 2. The FAA amends § 39.13 by adding the following new airworthiness directive:

2020-21-21 Leonardo S.p.a.: Amendment 39-21294; Docket No. FAA-2019-1003; Product Identifier 2018-SW-086-AD.

(a) Applicability

This airworthiness directive (AD) applies to Leonardo S.p.a. Model A109E, A109S, A119, AW109SP, and AW119MKII helicopters, certificated in any category, with a main rotor (M/R) floating ring assembly part number (P/N) 109-0111-09-101 or P/N 109-0111-09-103 installed.

(b) Unsafe Condition

This AD defines the unsafe condition as disbonding of the washer from the M/R

floating ring assembly. This condition could result in a significant increase of pilot workload and subsequent loss of control of the helicopter.

(c) Effective Date

This AD becomes effective November 24, 2020.

(d) Compliance

You are responsible for performing each action required by this AD within the specified compliance time unless it has already been accomplished prior to that time.

(e) Required Actions

(1) Within 25 hours time-in-service, remove from service any M/R floating ring assembly P/N 109-0111-09-101 or P/N 109-0111-09-103 with serial number (S/N) DA53295148-1, F86782, G130924, J31213, L99, L104, L107, L117, L127, L130, M215, P411, R687, R735, R769, R772, or V71.

(2) After the effective date of this AD:

- (i) Do not install any M/R floating ring assembly P/N 109-0111-09-101 or P/N 109-0111-09-103 with S/N DA53295148-1, F86782, G130924, J31213, L99, L104, L107, L117, L127, L130, M215, P411, R687, R735, R769, R772, or V71 on any helicopter.
- (ii) Do not replace any washer P/N 109-0111-23-101 on any M/R floating ring assembly installed on any helicopter.

(f) Special Flight Permits

Special flight permits are prohibited.

(g) Alternative Methods of Compliance (AMOCs)

(1) The Manager, International Validation Branch, FAA, may approve AMOCs for this AD. Send your proposal to: Kristin Bradley, Aerospace Engineer, General Aviation & Rotorcraft Section, International Validation Branch, FAA, 10101 Hillwood Pkwy., Fort Worth, TX 76177; telephone 817-222-5110; email Kristin.Bradley@faa.gov.

(2) For operations conducted under a 14 CFR part 119 operating certificate or under 14 CFR part 91, subpart K, the FAA suggests that you notify your principal inspector, or lacking a principal inspector, the manager of the local flight standards district office or certificate holding district office, before operating any aircraft complying with this AD through an AMOC.

(h) Additional Information

(1) Leonardo Helicopters Alert Service Bulletin (ASB) No. 109EP-163, ASB No. 109S-084, ASB No. 109SP-125, and ASB No. 119-092, all Revision A and dated September 13, 2018, which are not incorporated by reference, contain additional information about the subject of this AD. For service information identified in this AD, contact Leonardo S.p.a. Helicopters, Emanuele Bufano, Head of Airworthiness, Viale G. Agusta 520, 21017 C. Costa di Samarate (Va) Italy; telephone +39-0331-225074; fax +39-0331-229046; or at <https://www.leonardocompany.com/en/home>. You may view the referenced service information at the FAA, Office of the Regional Counsel, Southwest Region, 10101 Hillwood Pkwy., Room 6N-321, Fort Worth, TX 76177.

(2) The subject of this AD is addressed in European Aviation Safety Agency (now

European Union Aviation Safety Agency) (EASA) AD No. 2018–0205, dated September 14, 2018. You may view the EASA AD on the internet at <https://www.regulations.gov> in Docket No. FAA–2019–1003.

(i) Subject

Joint Aircraft Service Component (JASC) Code: 6220, Main Rotor Head.

Issued on October 8, 2020.

Gaetano A. Sciortino,

Deputy Director for Strategic Initiatives, Compliance & Airworthiness Division, Aircraft Certification Service.

[FR Doc. 2020–23019 Filed 10–19–20; 8:45 am]

BILLING CODE 4910–13–P

DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

[TD 9914]

RIN 1545–BP20

Eligible Terminated S Corporations

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Final regulation.

SUMMARY: This document contains final regulations providing guidance on the definition of an eligible terminated S corporation and rules relating to distributions of money by such a corporation after the post-termination transition period. This document also amends current regulations to extend the treatment of distributions of money during the post-termination transition period to all shareholders of the corporation and clarifies the allocation of current earnings and profits to distributions of money and other property. The final regulations affect C corporations that were formerly S corporations and the shareholders of such corporations.

DATES:

Effective Date: These regulations are effective October 20, 2020.

Applicability Dates: For dates of applicability, see §§ 1.481–6(b), 1.1371–1(e), 1.1371–2(d), and 1.1377–3(c).

FOR FURTHER INFORMATION CONTACT:

Concerning §§ 1.481–5, 1.481–6, 1.1362–2(a)(2)(iii), 1.1377–2, and 1.1377–3, Margaret Burow or Michael Gould at (202) 317–5279; concerning §§ 1.1371–1 and 1.1371–2, Aglaia Ovtchinnikova at (202) 317–6975 or Margaret Burow or Michael Gould at (202) 317–5279; concerning § 1.316–2, Aglaia Ovtchinnikova at (202) 317–6975.

SUPPLEMENTARY INFORMATION:

Background

In the case of an S corporation, as defined in section 1361(a)(1) of the Internal Revenue Code (Code), having accumulated earnings and profits (as described in section 316(a)(1) of the Code (AE&P)) that makes a distribution of property to which section 301 would otherwise apply, section 1368(c)(1) of the Code generally treats the amount of the distribution not in excess of the S corporation's accumulated adjustments account (as defined in § 1.1368–2(a)(1) (AAA)) or the recipient shareholder's adjusted basis in such S corporation's stock as excluded from the shareholder's gross income. Section 1368(c)(2) provides that the remaining portion of the distribution is treated as a dividend (as defined in section 316(a)) to the extent of the S corporation's AE&P. Finally, section 1368(c)(3) provides that any amount of the distribution in excess of the S corporation's AAA and AE&P is applied against the shareholder's remaining adjusted basis in the stock, with any amount exceeding that adjusted basis treated as gain from the sale or exchange of property.

Generally, a distribution by a C corporation to its shareholders with respect to their stock ownership is treated as a taxable dividend to the extent of the corporation's earnings and profits. See sections 301(c) and 316(a). However, following the termination of a corporation's S election made under section 1362 of the Code (S election), section 1371(e) of the Code allows shareholders of the resulting C corporation to benefit from the corporation's former status as an S corporation with respect to distributions of money during the corporation's post-termination transition period (PTTP), which is generally the one-year period after the corporation terminates its S election. Specifically, during the PTTP, a distribution of money by the C corporation is characterized as a distribution from the corporation's AAA. The receipt of such a distribution is tax-free to the extent of the recipient shareholder's basis in its stock and the corporation's AAA balance. If the distribution exceeds the recipient shareholder's basis in its stock, but not the corporation's AAA, then the distribution is tax-free to the extent of the recipient shareholder's basis, with the remainder treated as gain from the sale of property. If the distribution exceeds the corporation's AAA, then the excess is taxed as a dividend from current earnings and profits (as described in section 316(a)(2) (CE&P)) or any AE&P from the corporation's

previous existence as a corporation taxed under subchapter C. Without section 1371(e), shareholders of the former S corporation would be precluded from receiving distributions allocable to AAA.

Section 13543(a) and (b) of Public Law 115–97, 131 Stat. 2054, 2155 (2017), commonly referred to as the Tax Cuts and Jobs Act (TCJA), amended the Code by adding new sections 481(d) and 1371(f), effective as of December 22, 2017, the date of enactment of the TCJA.

Section 481(d)(1) of the Code permits a corporation that qualifies as an eligible terminated S corporation (ETSC) to take into account any 481 adjustments (as defined in part II.C of the Summary of Comments and Explanation of Revisions) which are attributable to the revocation of an S election over the section 481(d) inclusion period, which is the six-taxable-year-period beginning with the year of change (as defined in part II.C of the Summary of Comments and Explanation of Revisions). Section 481(d)(2) defines an ETSC as a C corporation meeting the following three requirements: (i) The corporation was an S corporation on December 21, 2017; (ii) the S corporation revoked its election under section 1362(a) to be an S corporation (that is, the S election) during the two-year period beginning on December 22, 2017 (revocation requirement); and (iii) the owners of the stock of the corporation, determined on the date the corporation made a revocation of its S election, are the same owners (and own identical proportions of the corporation's stock) as on December 22, 2017 (shareholder identity requirement).

Section 1371(f) extends the period during which shareholders of an ETSC can benefit from its AAA generated during the corporation's former status as an S corporation (ETSC period) by providing that, in the case of distributions of money following the PTTP, (i) the distributing ETSC's AAA is allocated to a distribution of money to which section 301 would otherwise apply (qualified distribution), and (ii) the qualified distribution is chargeable to AE&P in the same ratio as the amount of such AAA bears to the amount of such AE&P. In enacting section 1371(f), Congress determined that “it is important to provide rules to ease the transition from S corporation to C corporation for the affected taxpayers” because, based on the TCJA's revisions to the Code, “taxpayers that previously elected to be taxed as S corporations may prefer instead to be taxed as C corporations.” H. Rept. 115–409, 115th Cong., 1st Sess., at 245 (Nov. 14, 2017) (House Report).