(2) Provided:

(i) The alien pays anew the statutory application and issuance fees; and

(ii) The consular officer ascertains whether the original issuing office knows of any reason why a new visa should not be issued.

(b) *Replacement immigrant visa for an immediate relative or for an alien subject to numerical limitation.*

(1) A consular officer may issue a replacement visa under the original number of a qualified alien entitled to status under INA 201(b)(2)(A)(i), INA 203(a), (b), or (c), or under INA 124, if—

(i) The alien is unable to use the visa during the period of its validity due to reasons beyond the alien's control;

(ii) The visa is issued during the same fiscal year in which the original visa was issued;

(iii) The number has not be returned to the Department as a ''recaptured visa number'';

(iv) The alien pays anew the statutory application and issuance fees; and

(v) The consular officer ascertain whether the original issuing office of knows of any reason why a new visa should not be issued.

(2) In issuing a visa under this paragraph (b), the consular officer shall insert the word ''REPLACE'' on Form OF–155A, Immigrant Visa and Alien Registration, before the word ''IMMIGRANT'' in the title of the visa.

* * * * *

Dated: December 17, 1997.

Mary A. Ryan,

Assistant Secretary for Consular Affairs.

[FR Doc. 98–1780 Filed 1–28–98; 8:45 am]

BILLING CODE 4710–06–M

DEPARTMENT OF STATE

Bureau of Consular Affairs

22 CFR Part 42

[Public Notice 2715]

Visas: Immigrant Religious Workers

AGENCY: Bureau of Consular Affairs, DOS.

ACTION: Final rule.

SUMMARY: The Immigration Act of 1990 created a new special immigrant visa classification for religious workers who have 2 years of membership in a religious denomination; two years of experience in a religious occupation or vocation and who intend to continue to work in such occupation or vocation. The legislation, as originally enacted, required religious workers (other than ministers) to seek entry into the United States before October 1, 1994.

On October 25, 1994 in the Immigration and Nationality Technical Corrections Act of 1994 the deadline was extended to allow religious workers to enter the United States ''before October 1, 1997''.

The Religious Workers Act of 1997 enacted on October 6, 1997 further extended the deadline to ''before October 1, 2000''. Thus, this final rule amends the previously published regulation and extends the allowable validity date of immigration visas for aliens seeking to enter the United States as special immigrant religious workers to not later than September 30, 2000.

EFFECTIVE DATE: January 29, 1998.

FOR FURTHER INFORMATION CONTACT: Pam Chavez, Legislation and Regulations Division, Visa Services, (202) 663–1206.

SUPPLEMENTARY INFORMATION:

Immigration Act of 1990

Section 151 of the Immigration Act of 1990 (IMMACT 90), Public Law 101–649, amended INA 101(a)(27)(C) by adding a new category of special immigrant visas for aliens who will work in a religious occupation or vocation for a religious organization in a professional or other capacity. Unlike the provision for special immigrant ministers of religion, which does not contain a sunset provision, the provisions for religious workers (as defined under INA 101(a)(27)(C)(ii)(II) and (III)), as originally enacted, required religious workers to seek to enter the United States before October 1, 1994.

Immigration and Nationality Technical Corrections Act of 1994

On October 25, 1994, sec. 214 of the Immigration and Nationality Technical Corrections Act of 1994 (Pub. L. 103–416) amended INA 101(a)(27)(C)(ii) to extend the sunset date to before October 1, 1997.

Religious Workers Act of 1997

Sec. 1 of the Religious Workers Act of 1997, Public Law 105–54, enacted October 6, 1997 further extended the deadline for special immigrant religious workers to enter the United States until before October 1, 2000. This final rule implements this section by revising 42.32(d)(1)(ii) to extend the visa validity date to not later than September 30, 2000.

Final Rule

This rule is not expected to have a significant impact on a substantial number of small entities under the criteria of the Regulatory Flexibility Act. This rule imposes no reporting or recordkeeping action from the public requiring the approval of the Office of Management and Budget under the Paperwork Reduction Act requirements. This rule has been reviewed as required by E.O. 12778 and certified to be in compliance therewith. This rule is exempted from E.O. 12866 but has been coordinated with INS and reviewed to ensure consistency therewith.

List of Subjects in 22 CFR Part 42

Aliens, Immigration, Passports and visas.

In view of the foregoing 22 CFR Chapter I is amended as follows:

PART 42—[AMENDED]

1. The authority citation for Part 42 is revised to read:

Authority: 8 U.S.C. 1104.

2. Section 42.32 is amended by revising paragraph (d)(1)(ii) to read as follows:

§ 42.32 Employment based preference immigrants.

* * * * *

(d) *Fourth preference—Special immigrants*—(1) *Religious workers.*

* * *

(ii) *Timeliness of application.* An immigrant visa issued under INA 203(b)(4) to an alien described in INA 101(a)(27)(C), other than a minister of religion, who qualifies as a ''religious worker'' as defined in 8 CFR 204.5 shall bear the usual validity except that in no case shall it be valid later than September 30, 2000.

* * * * *

Dated: January 12, 1998.

Mary A. Ryan,

Assistant Secretary for Consular Affairs.

[FR Doc. 98–1779 Filed 1–28–98; 8:45 am]

BILLING CODE 4710–06–M

DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

[TD 8763]

RIN 1545–AU06

Modifications of Bad Debts and Dealer Assignments of Notional Principal Contracts

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Final and temporary regulations.

SUMMARY: This document contains regulations that deem a charge-off and

allow a deduction for a partially worthless debt when the terms of a debt instrument have been modified.

The regulations provide guidance to certain taxpayers that have claimed a deduction for a partially worthless debt and then modified the terms of the debt instrument. This document also contains regulations relating to certain assignments of notional principal contracts by dealers in those contracts. The regulations provide guidance to taxpayers relating to the consequences of these assignments.

DATES: *Effective date:* These regulations are effective February 29, 1998.

Applicability date: These regulations apply to significant modifications of debt instruments and assignments of interest rate swaps, commodity swaps, and other notional principal contracts occurring on or after September 23, 1996.

FOR FURTHER INFORMATION CONTACT: Concerning the modifications of bad debts, Craig Wojay, (202) 622–3920, and concerning dealer assignments of notional principal contracts, Thomas M. Preston, (202) 622–3940 (not toll-free numbers).

SUPPLEMENTARY INFORMATION:

Background

On June 25, 1996, temporary regulations (TD 8676) relating to modifications of bad debts and dealer assignments of notional principal contracts under sections 166 and 1001 of the Internal Revenue Code (Code) were published in the **Federal Register** (61 FR 32653). A notice of proposed rulemaking (REG–209743–94, formerly FI–59–94) cross-referencing the temporary regulations was published in the **Federal Register** for the same day (61 FR 32728). No public hearing was requested or held.

Written comments responding to the notice were received. After consideration of the comments, the regulations proposed by REG–209743–94 are adopted by this Treasury decision, and the corresponding temporary regulations are removed.

Explanation of Provisions

The preamble to the temporary regulations sets forth limited circumstances under which a taxpayer will be permitted to deduct an amount on account of a partially worthless debt even though an amount has not been charged off within the taxable year.

Section 166(a)(2) and § 1.166–3(a) provide that a deduction for a partially worthless debt is allowed only to the extent the debt is charged off in the taxable year. The charge-off requirement is satisfied when a portion of the debt is removed from the taxpayer's books and records. This generally is accomplished by reducing the debt's book basis. Thus, when an amount has been deducted for partial worthlessness, there is generally a reduction of both the book basis and the tax basis of a debt.

When a taxpayer is required to recognize gain under § 1.1001–1 because of a modification of a debt instrument, the taxpayer's tax basis in the debt is increased by the amount of gain recognized. However, regulatory and general accounting principles generally would not permit a corresponding increase in the book basis of the debt. Because the prior charge-off is not restored (that is, the book basis of the debt is not increased), there is no opportunity for the taxpayer to take a new charge-off for pre-existing worthlessness.

The purpose of the temporary regulations is to preserve a portion of a taxpayer's bad debt deduction with respect to a partially worthless debt. The portion preserved corresponds to the amount the taxpayer would have been entitled to deduct for partial worthlessness with respect to the modified debt if the book basis of the modified debt were increased to the same extent as the tax basis of that debt. Thus, if all the conditions of the temporary regulations are satisfied, then a modified debt is deemed to have been charged off in the year in which gain is recognized. The amount of the deemed charge-off, however, is limited to the difference between the tax basis of the debt and the greater of the book basis or the fair market value of the debt. The temporary regulations also address debt that constitutes transferred basis property under section 7701(a)(43).

In addition, the temporary regulations provide a limited rule dealing with a dealer's assignment of its position in an interest rate swap, commodity swap, or other notional principal contract to another dealer. If the assignment is permitted by the terms of the contract, the assignment is not treated as a deemed exchange by the nonassigning party of the original contract for a new contract that differs materially either in kind or in extent. Thus, an assignment to which the rule applies does not trigger gain or loss to the dealer's counterparty.

Three comments were received on the § 1.166–3T regulations. The first comment requests a deemed charge-off for a taxpayer that purchased at a discount debt for which a previous deduction for partial worthlessness was claimed, and then significantly modified the debt under § 1.1001–3 and recognized gain on the modification. Whenever debt is purchased for less than the stated redemption price, recognized gain from a significant modification is attributable to market discount as defined in section 1278(a)(2)(A) and not to a previously claimed deduction for partial worthlessness. In addition, the temporary regulations refer to § 1.166–3(a) (1) and (2) for guidance relating to prior charge-offs and deductions for partial worthlessness. Extending the temporary regulations to cover a discount purchase would significantly expand the regulations beyond their intended scope and create a situation that would be extremely difficult to administer. The regulations do not adopt the request to extend the regulations to cover such a purchase.

The second comment requests a deemed charge-off for a member of a consolidated group that purchased debt, for which a previous deduction for partial worthlessness was claimed, from another member of the group, then significantly modified the debt under § 1.1001–3 and recognized gain on the modification. Whenever debt is purchased for less than the stated redemption price, subsequently recognized gain from a significant modification is attributable to market discount as defined in section 1278(a)(2)(A) and not to a previously claimed deduction for partial worthlessness. Extending the temporary regulations to cover a purchase from another member of the consolidated group would significantly expand the regulations beyond their intended scope. The regulations do not adopt the request to extend the regulations to cover an intercompany transaction.

The third comment requests expanding the temporary regulations to include other situations in which a taxpayer has tax basis in a debt but no corresponding book basis. The first situation involves the accrual of interest income on loans that have been placed on non-accrual status for book purposes. The second situation involves the requirement to accrue interest on original issue discount obligations even if the loan has become uncollectible. This comment deals with situations other than the modification of a debt instrument and is beyond the scope of this regulation project.

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 regulation does 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, the notice of proposed rulemaking preceding these regulations was submitted to the Small Business Administration for comment on its impact on small business.

Drafting Information: The principal author of the regulations concerning the modifications of bad debts is Craig Wojay, Office of the Assistant Chief Counsel (Financial Institutions and Products), IRS. The principal author of the regulations concerning the dealer assignments of notional principal contracts is Thomas M. Preston, Office of the Assistant Chief Counsel (Financial Institutions and Products), IRS. However, other personnel from the IRS and Treasury Department participated in their development.

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 continues to read in part as follows:

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

Par. 2. In § 1.166–3, paragraph (a)(3) is added to read as follows:

§ 1.166–3 Partial or total worthlessness.

(a) * * *

(3) *Significantly modified debt*—(i) *Deemed charge-off.* If a significant modification of a debt instrument (within the meaning of § 1.1001–3) during a taxable year results in the recognition of gain by a taxpayer under § 1.1001–1(a), and if the requirements of paragraph (a)(3)(ii) of this section are met, there is a deemed charge-off of the debt during that taxable year in the amount specified in paragraph (a)(3)(iii) of this section.

(ii) *Requirements for deemed charge-off.* A debt is deemed to have been charged off only if—

(A) The taxpayer (or, in the case of a debt that constitutes transferred basis property within the meaning of section 7701(a)(43), a transferor taxpayer) has claimed a deduction for partial worthlessness of the debt in any prior taxable year; and

(B) Each prior charge-off and deduction for partial worthlessness satisfied the requirements of paragraphs (a) (1) and (2) of this section.

(iii) *Amount of deemed charge-off.* The amount of the deemed charge-off, if any, is the amount by which the tax basis of the debt exceeds the greater of the fair market value of the debt or the amount of the debt recorded on the taxpayer's books and records reduced as appropriate for a specific allowance for loan losses. The amount of the deemed charge-off, however, may not exceed the amount of recognized gain described in paragraph (a)(3)(i) of this section.

(iv) *Effective date.* This paragraph (a)(3) applies to significant modifications of debt instruments occurring on or after September 23, 1996.

* * * * *

§ 1.166–3T [Removed]

Par. 3. Section 1.166–3T is removed.

Par. 4. Section 1.1001–4 is added to read as follows:

§ 1.1001–4 Modifications of certain notional principal contracts.

(a) *Dealer assignments.* For purposes of § 1.1001–1(a), the substitution of a new party on an interest rate or commodity swap, or other notional principal contract (as defined in § 1.446–3(c)(1)), is not treated as a deemed exchange by the nonassigning party of the original contract for a modified contract that differs materially either in kind or in extent if—

(1) The party assigning its rights and obligations under the contract and the party to which the rights and obligations are assigned are both dealers in notional principal contracts, as defined in § 1.446–3(c)(4)(iii); and

(2) The terms of the contract permit the substitution.

(b) *Effective date.* This section applies to assignments of interest rate swaps, commodity swaps, and other notional principal contracts occurring on or after September 23, 1996.

§ 1.1001–4T [Removed]

Par. 5. Section 1.1001–4T is removed.

Michael P. Dolan,

Deputy Commissioner of Internal Revenue.

Approved: January 14, 1998.

Donald C. Lubick,

Acting Assistant Secretary of the Treasury.

[FR Doc. 98–2093 Filed 1–28–98; 8:45 am]

BILLING CODE 4830–01–U

ENVIRONMENTAL PROTECTION AGENCY

40 CFR Part 52

[LA–33–1–7374; FRL–5955–9]

Approval and Promulgation of State Implementation Plans (SIP) for Louisiana: Motor Vehicle Inspection and Maintenance (I/M) Program; Correction

AGENCY: Environmental Protection Agency (EPA).

ACTION: Final rule; correction.

SUMMARY: This document corrects the section number in subpart T of part 40 of the Code of Federal Regulations (CFR) citation published in the **Federal Register** (FR) of November 19, 1997, regarding final disapproval of the Louisiana I/M SIP. Section 52.994 was inadvertently chosen for Disapprovals, when it had previously been assigned to Conditional Approvals. This document changes the section number for Disapprovals to 52.996.

DATES: Effective on January 29, 1998.

FOR FURTHER INFORMATION CONTACT: Ms. Sandra G. Rennie, Air Planning Section (6PD–L), EPA Region 6, 1445 Ross Avenue, Dallas, Texas 75202–2733, telephone (214)665–7367.

SUPPLEMENTARY INFORMATION:

I. Background

The EPA published document 97–30376 in the November 19, 1997, **Federal Register** (FR), finalizing disapproval of the I/M program in the Baton Rouge ozone nonattainment area. See 62 FR 61633 for the background and rulemaking for that action.

In amending part 52 of 40 CFR, a section was added in subpart T—Louisiana, for Disapprovals. Inadvertently, the section number chosen was already in use for Conditional Approvals. The purpose of this action is to change the section number for Disapprovals from 52.994 to 52.996.

II. 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 mandates 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 12898 (59 FR 7629, February 16, 1994).