DEPARTMENT OF TRANSPORTATION

Surface Transportation Board

[STB Docket No. AB–55 (Sub–No. 563X)]

CSX Transportation, Inc.—Abandonment Exemption—In Harrison County, WV

On June 8, 1998, CSX Transportation, Inc. (CSXT) filed with the Surface Transportation Board (Board) a petition under 49 U.S.C. 10502 for exemption from the provisions of 49 U.S.C. 10903 to abandon a 0.87-mile portion of its line of railroad known as the WVA&P Subdivision, extending between milepost 1.23 and milepost 2.1, in Clarksburg, Harrison County, WV. The line traverses U.S. Postal Service Zip Code 2630l and includes no stations.

The line does not contain federally granted rights-of-way. Any documentation in CSXT's possession will be made available promptly to those requesting it.

The interest of railroad employees will be protected by the conditions set forth in *Oregon Short Line R. Co.—Abandonment—Goshen*, 360 I.C.C. 91 (1979).

By issuance of this notice, the Board is instituting an exemption proceeding pursuant to 49 U.S.C. 10502(b). A final decision will be issued by September 25, 1998.

Any offer of financial assistance (OFA) under 49 CFR 1152.27(b)(2) will be due no later than 10 days after service of a decision granting the petition for exemption. Each offer must be accompanied by a $1,000 filing fee. *See* 49 CFR 1002.2(f)(25).

All interested persons should be aware that, following abandonment of rail service and salvage of the line, the line may be suitable for other public use, including interim trail use. Any request for a public use condition under 49 CFR 1152.28 or for trail use/rail banking under 49 CFR 1152.29 will be due no later than July 16, 1998. Each trail use request must be accompanied by a $150 filing fee. *See* 49 CFR 1002.2(f)(27).

All filings in response to this notice must refer to STB Docket No. AB–55 (Sub-No. 563X) and must be sent to: (1) Surface Transportation Board, Office of the Secretary, Case Control Unit, 1925 K Street, N.W., Washington, DC 20423–0001, and (2) Charles M. Rosenberger, 500 Water Street, Jacksonville, FL 32202. Replies to the CSXT petition are due on or before July 16, 1998.

Persons seeking further information concerning abandonment procedures may contact the Board's Office of Public Services at (202) 565–1592 or refer to the full abandonment or discontinuance regulations at 49 CFR part 1152. Questions concerning environmental issues may be directed to the Board's Section of Environmental Analysis (SEA) at (202) 565–1545. [TDD for the hearing impaired is available at (202) 565–1695.]

An environmental assessment (EA) (or environmental impact statement (EIS), if necessary) prepared by SEA will be served upon all parties of record and upon any agencies or other persons who commented during its preparation. Other interested persons may contact SEA to obtain a copy of the EA (or EIS). EAs in these abandonment proceedings normally will be made available within 60 days of the filing of the petition. The deadline for submission of comments on the EA will generally be within 30 days of its service.

Board decisions and notices are available on our website at ''WWW.STB.DOT.GOV.''

Decided: June 18, 1998.

By the Board, David M. Konschnik, Director, Office of Proceedings.

Vernon A. Williams,

Secretary.

[FR Doc. 98–16929 Filed 6–25–98; 8:45 am]

BILLING CODE 4915–00–P

DEPARTMENT OF THE TREASURY

Customs Service

Determination of Origin of Goods Processed in a Qualifying Industrial Zone or in Israel and the West Bank or Gaza Strip

AGENCY: U.S. Customs Service, Department of the Treasury.

ACTION: General policy statement.

SUMMARY: This document expands upon T.D. 96–58 by notifying the public that in determining the country of origin of textile and apparel products processed in a designated qualifying industrial zone Customs will exclusively apply the rules of origin for textile and apparel products set forth in section 102.21, Customs Regulations (19 CFR 102.21), which were promulgated pursuant to the authority of section 334, Uruguay Round Agreements Act (19 U.S.C. 3592). A qualifying industrial zone is defined in General Note 3(a)(v)(G), Harmonized Tariff Schedule of the United States (HTSUS), in part, as an area that encompasses portions of the territory of Israel and Jordan or Israel and Egypt.

In addition, this document advises the public that, in accordance with the principles and policy set forth in T.D. 96–58, Customs determines the origin of a textile or apparel product processed both in Israel (outside of a qualifying industrial zone) and in the West Bank or Gaza Strip by first applying the Customs rulings and administrative practices in effect prior to December 8, 1994. If the application of those rulings and practices results in Israel not being the origin of the good, Customs applies the rules in section 102.21 to determine the country of origin, with no further consideration being given to the processing performed in Israel.

Finally, this document reminds the public that section 102.21 is not used to determine whether foreign materials have undergone a ''double substantial transformation'' for purposes of determining whether their cost or value may be counted toward the value-content requirement of various special tariff treatment programs, such as the U.S.-Israel Free Trade Implementation Act.

EFFECTIVE DATE: The portion of this policy statement concerning the origin of textile and apparel products processed in a qualifying industrial zone shall apply to goods entered or withdrawn from warehouse for consumption on or after March 13, 1998. The remainder of this policy statement shall apply to goods entered or withdrawn from warehouse for consumption on or after July 1, 1996.

FOR FURTHER INFORMATION CONTACT: Craig Walker, Special Classification and Marking Branch, Office of Regulations and Rulings, (202) 927–1116.

SUPPLEMENTARY INFORMATION:

Background

Section 334 of the Uruguay Round Agreements Act (''URAA'') (19 U.S.C. 3592) established rules of origin for textiles and textile products. Section 102.21, Customs Regulations (19 CFR 102.21), implemented the provisions of section 334, which became effective July 1, 1996.

T.D. 96–58

T.D. 96–58, published in the **Federal Register** on July 31, 1996 (61 FR 40076), gave notice of Customs interpretation and application of section 334(b)(5) of the URAA. That subsection excepts from the rules of origin governing textiles and textile products set forth in section 334, goods which under rulings and administrative practices in effect immediately before the enactment of section 334 (December 8, 1994) would have originated in, or been the growth, product, or manufacture of, Israel. Section 334(b)(5) further provides that those rulings and administrative practices in effect prior to December 8,

1994, will continue to be applied in determining whether goods originate in Israel, ''unless such rulings and practices are modified by the mutual consent of the parties to the [the U.S.-Israel Free Trade Agreement].''

After analyzing the wording in section 334(b)(5) and the implementing Customs Regulations (19 CFR 102.21), Customs concluded in T.D. 96–58 that in determining whether goods originate in, or are the growth, product, or manufacture of Israel, Customs will first apply the rulings and administrative practices in effect prior to December 8, 1994. If that determination results in Israel not being the country of origin of the goods, then Customs will apply the rules in 19 CFR 102.21 to determine the country of origin, with no consideration being given to assembly or manufacturing processes performed in Israel. In other words, if a good is determined not to be a product of Israel under the rulings and administrative practices in effect prior to December 8, 1994, the application of the rules in section 102.21 cannot result in Israel being the country of origin of the good. The statement of policy in T.D. 96–58 was effective July 1, 1996.

Qualifying Industrial Zones

On October 2, 1996, the U.S.-Israel Free Trade Area Implementation Act of 1985 (19 U.S.C. 2112 note), was amended, creating a new section 9, to authorize the President to proclaim the elimination of duties for articles produced in the West Bank, Gaza Strip, and a ''qualifying industrial zone.'' Pursuant to that authority, the President issued Proclamation No. 6955 dated November 13, 1996 (published in the **Federal Register** on November 18, 1996 (61 FR 58761)), which modified General Note 3(a), Harmonized Tariff Schedule of the United States (HTSUS), to provide duty-free treatment to articles which are the product of the West Bank, Gaza Strip or a qualifying industrial zone (''QIZ''), provided certain requirements are met. Such treatment was effective for products of the West Bank, Gaza Strip or a QIZ entered or withdrawn from warehouse for consumption on or after November 21, 1996. In Proclamation 6955, the President delegated to the U.S. Trade Representative the authority to designate QIZs.

Under General Note 3(a)(v)(A), HTSUS, articles the product of the West Bank, Gaza Strip or a QIZ which are imported directly to the U.S. from the West Bank, Gaza Strip, a QIZ or Israel qualify for duty-free treatment, provided the sum of (1) the cost or value of materials produced in the West Bank, Gaza Strip, a QIZ or Israel, plus (2) the direct costs of processing operations performed in the West Bank, Gaza Strip, a QIZ or Israel, is not less than 35% of the appraised value of such articles when imported into the U.S. An article is considered to be a product of the West Bank, Gaza Strip or a QIZ if it is either wholly the growth, product or manufacture of one of those areas or a new or different article of commerce that has been grown, produced or manufactured in one of those areas. General Note 3(a)(v)(C), HTSUS, states that ''[t]he term ''new or different article of commerce'' means that articles must have been substantially transformed in the West Bank, the Gaza Strip or a qualifying industrial zone into articles with a new name, character or use.''

General Note 3(a)(v)(G), HTSUS, defines a *qualifying industrial zone* as any area that: ''(1) Encompasses portions of the territory of Israel and Jordan or Israel and Egypt; (2) has been designated by local authorities as an enclave where merchandise may enter without payment of duty or excise taxes; and (3) has been designated by the U.S. Trade Representative in a notice published in the **Federal Register** as a qualifying industrial zone.''

By letters dated June 30, 1997, and July 1, 1997, to the U.S. Trade Representative, the Governments of Jordan and Israel, respectively, requested the designation of the industrial zone in Irbid, Jordan, as a QIZ. Pursuant to subsequent consultations among the three Governments, the Governments of Israel and Jordan entered into a written agreement dated November 16, 1997, relating to the establishment of the Irbid QIZ, which included the following provision, entitled ''Rules of Origin':

> The [Governments of Israel and Jordan] agree that the origin of any textile or apparel product that is processed in the Irbid Qualifying Industrial Zone, regardless of the origin or place of processing of any of its imputs or materials prior to entry into, or subsequent to withdrawal from, the zone, will be determined solely pursuant to the rules of origin for textile and apparel products set out in Section 334 of Uruguay Round Agreements Act, 19 U.S.C. 3592.

By notice published in the **Federal Register** on March 13, 1988 (63 FR 12572), the Office of the U.S. Trade Representative formally designated the Israeli-Jordanian Irbid Qualifying Industrial Zone as a QIZ, effective upon publication of the notice in the **Federal Register**. To date, this is the only QIZ designated by the U.S. Trade Representative.

Thus, pursuant to the agreement between the Governments of Israel and Jordan, and by the mutual consent of the U.S. and Israel, Customs will exclusively apply the textile and apparel rules of origin set forth in 19 CFR 102.21 in determining the country of origin of a textile or apparel product processed in the Irbid QIZ. This means that the section 102.21 rules will be used not only with regard to processing performed with respect to a textile or apparel article in the Jordanian and/or Israeli portion of the Irbid Zone, but also with regard to processing, if any, performed outside of the Zone in Israel or in any other country either prior to the article's entry into the Zone for processing or subsequent to its withdrawal from the Zone after processing.

Example

The following example is set forth to illustrate the application of the 19 CFR 102.21 rules of origin to determine the origin of articles processed in the Irbid QIZ from imputs processed in Israel:

> Fabric woven in China is cut in Israel (outside of the Irbid QIZ) into components for a simple shirt. Those components are assembled into the completed shirt in the Jordanian portion of the Irbid QIZ by sewing.
>
> Pursuant to section 334(b)(5) of the URAA, the U.S. and Israel have determined by mutual consent that the section 102.21 rules of origin rather than the rulings and administrative practices in effect prior to December 8, 1994, shall be used to determine the country of origin of textile and apparel products processed in the Irbid QIZ. Therefore, Customs must apply section 102.21 to determine the origin of the shirt.
>
> (a) Section 102.21 requires that the General Rules, found in section 102.21(c), be applied in sequential order. Section 102.21(c)(1) states that the country of origin of a good is the single country, territory, or insular possession in which the good was wholly obtained or produced. Since the shirt in the above example was not wholly obtained or produced in a single country, that section is not applicable.
>
> (b) Section 102.21(c)(2) requires that the good comply with the applicable tariff shift rule in section 102.21(e). The applicable tariff shift rule for the shirt in the above example is a change to the heading in which that garment is classified from any other heading, provided that the change is the result of the garment being wholly assembled in a single country, territory, or insular possession. The shirt in the above example meets this requirement because it was wholly assembled in the Jordanian portion of the Irbid QIZ. Therefore, the shirt is considered to be the ''growth, product or manufacture'' of the QIZ for purposes of obtaining duty-free treatment under General Note 3(a)(v), HTSUS. It should also be noted that, because the country of origin marking statute (19 U.S.C. 1304) provides that, unless excepted, every imported foreign article (or its container) shall be marked with the ''name of the country of origin of the article'' (emphasis

added), merely marking the shirt to indicate that it is a product of the Irbid QIZ would not satisfy the requirements of 19 U.S.C. 1304. Therefore, since the processing which determines the origin of the shirt under 19 CFR 102.21 takes place in the Jordanian portion of the QIZ, the country of origin of the shirt for marking purposes is Jordan, and it must be so marked.

West Bank and Gaza Strip

As previously stated, articles produced in the West Bank or Gaza Strip which meet the requirements set forth in General Note 3(a)(v), HTSUS, are entitled to duty-free treatment when imported into the U.S., effective for articles entered on or after November 21, 1996.

Example

The following example illustrates how a determination is made as to the country of origin of a textile or apparel product which is processed in the West Bank or Gaza Strip from imputs processed in Israel (outside of the Irbid QIZ):

Fabric woven in country A is cut in Israel (outside the Irbid QIZ) into components for men's boxer shorts of the underwear type. The components are assembled into the completed boxer shorts in the West Bank or Gaza Strip.

In this example, no processing is performed in the Irbid QIZ. Therefore, pursuant to section 334(b)(5) of the URAA and the statement of policy set forth in T.D. 96–58, Customs must first apply the rulings and administrative practices in effect prior to December 8, 1994, to determine whether Israel is the country of origin of the good. It is only when the first determination results in Israel not being the country of origin of the good that resort is made to the section 102.21 rules of origin to determine the good's country of origin, with no further consideration being given to the processing performed in Israel.

With regard to the example, Customs has a long line of administrative rulings predating December 8, 1994, holding that the cutting of fabric into garment components results in a substantial transformation of the fabric, while the assembly of those components into a simple garment does not. Thus, in this example, since the cutting of the garment parts is performed in Israel, Israel is the country of origin of the boxer shorts, and there is no application of the section 102.21 rules.

Double Substantial Transformation

In addition to the North American Free Trade Agreement (''NAFTA'') (General Note 12, HTSUS), there are a number of special tariff preference programs which Congress has implemented to promote economic development in certain parts of the world by permitting duty-free entry of certain products from designated countries, provided certain requirements are met. These include the Generalized System of Preferences (''GSP'') (19 U.S.C. 2461 *et seq.*), the Caribbean Basin Economic Recovery Act (''CBERA'') (19 U.S.C. 2701 *et seq.*), the Andean Trade Preference Act (''ATPA'') (19 U.S.C. 3201 *et seq.*), the U.S.-Israel Free Trade Area Implementation Act (''IFTA'') (19 U.S.C. 2112 note), General Note 3(a)(iv), HTSUS (relating to products from U.S. insular possessions), and General Note 3(a)(v), HTSUS (relating to products from the West Bank, Gaza Strip or a QIZ).

To receive duty-free treatment under these programs, an eligible article must be a ''product of'' the beneficiary country, it must be imported directly to the U.S., and it must satisfy a value-content requirement. The value content requirements in the GSP, CBERA, ATPA, IFTA, and General Note 3(a)(v), HTSUS, are nearly identical and provide that the sum of (1) the cost or value of the materials produced in the beneficiary country (or countries), plus (2) the direct costs of processing operations performed in the beneficiary country (or countries), must represent at least 35% of the appraised value of the article at the time it is entered into the U.S.

The value-content requirement set forth in General Note 3(a)(iv), HTSUS, is somewhat different. It provides that products of a U.S. insular possession must not contain foreign materials which represent more than 70% of the goods' total value, or in the case of goods ineligible for duty-free treatment under the CBERA, more than 50% of their total value.

In determining whether products meet the value-content requirements in the above programs, a concept known as ''double substantial transformation'' is used. According to this concept, the value of foreign material (that is, material that does not originate in the applicable country, territory or possession) may be considered as part of the value of materials produced in that country, territory or possession for purposes of the value-content requirement only if it undergoes two substantial transformations in the country, territory or possession. That is, the foreign material must be substantially transformed in the beneficiary country, territory or possession into a new and different intermediate article of commerce, which is then transformed a second time during production of the final article which is exported to the U.S.

Customs application of the double substantial transformation requirement in the context of the GSP received judicial approval in *The Torrington Company* v. *United States*, 596 F.Supp. 1083 (CIT 1984), aff'd. 764 F.2d 1563 (Fed.Cir. 1985). See also *Azteca Milling Co.* v. *United States*, 703 F.Supp. 949 (CIT 1988), aff'd 890 F.2d 1150 (Fed. Cir. 1989), and *F.F. Zuniga*, a/c *Refractarios Monterrey, S.A.* v. *United States*, 16 CIT 459 (1992), aff'd 996 F.2d 1203 (Fed.Cir. 1993). T.D. 88–17, published in the **Federal Register** on April 13, 1988 (53 FR 12143), applied the double substantial transformation concept to products of U.S. insular possessions for purposes of determining whether the products meet the foreign value limitation under General Note 3(a)(iv), HTSUS.

The GSP, CBERA, and ATPA statutes specifically exclude most textile and apparel articles from eligibility for duty-free treatment under those programs. However, all textile and apparel articles are eligible for duty-free treatment under the IFTA, General Note 3(a)(iv), HTSUS, and General Note 3(a)(v), HTSUS, provided that they meet the applicable requirements of those programs.

In T.D. 95–69 (the Final Rule document promulgating 19 CFR 102.21), which was published in the **Federal Register** on September 5, 1995 (60 FR 46189), Customs responded to certain comments received in response to the Notice of Proposed Rulemaking concerning the effect of the section 102.21 rules of origin on existing Customs rulings holding that the cutting of garment parts and the assembly of those parts into garments constitute a double substantial transformation for purposes of the foreign value limitation in General Note 3(a)(iv), HTSUS. Customs stated that:

[s]ince section 334 deals with the country of origin of textile and apparel products and not with value requirements for purposes of duty preferences, section 334 will not affect either foreign material value determinations required under General Note 3(a)(iv) or value-added requirements contained in other statutory provisions. Accordingly, Customs intends to continue its current tariff treatment of garments which are cut and assembled in insular possessions.

Consistent with the above response, Customs wishes to remind the public that the section 102.21 rules of origin are not used to determine whether foreign materials have undergone a double substantial transformation for purposes of determining whether their cost or value may be considered as part of the value of materials produced in the beneficiary country, territory or possession under the tariff preference programs referenced above.

Conclusion

In determining the country of origin of textile and apparel products processed in a designated QIZ, Customs will exclusively apply the rules of origin for textile and apparel products set forth in 19 CFR 102.21. However, pursuant to the principles and policy set forth T.D. 96–58, Customs determines the origin of a textile or apparel product processed both in Israel (outside of a QIZ) and in the West Bank or Gaza Strip by first applying the rulings and administrative practices in effect prior to December 8, 1994. If that determination results in Israel not being the origin of the good, Customs applies the rules in section 102.21 to determine the country of origin, with no further consideration being given to the processing performed in Israel.

Finally, section 102.21 is not used to determine whether foreign materials have undergone a double substantial transformation so that their cost or value may be considered as part of the value of materials produced in the beneficiary country, territory or possession for purposes of the value-content requirements set forth in the above-specified tariff preference programs.

Dated: June 22, 1998.

Stuart P. Seidel,

Assistant Commissioner, Office of Regulations and Rulings.

[FR Doc. 98–17059 Filed 6–25–98; 8:45 am]

BILLING CODE 4820–02–P

DEPARTMENT OF THE TREASURY

Internal Revenue Service

Proposed Collection; Comment Request for Form 8824

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Notice and request for comments.

SUMMARY: The Department of the Treasury, as part of its continuing effort to reduce paperwork and respondent burden, invites the general public and other Federal agencies to take this opportunity to comment on proposed and/or continuing information collections, as required by the Paperwork Reduction Act of 1995, Public Law 104–13 (44 U.S.C. 3506(c)(2)(A)). Currently, the IRS is soliciting comments concerning Form 8824, Like-Kind Exchanges.

DATES: Written comments should be received on or before August 25, 1998 to be assured of consideration.

ADDRESSES: Direct all written comments to Garrick R. Shear, Internal Revenue Service, room 5571, 1111 Constitution Avenue NW., Washington, DC 20224.

FOR FURTHER INFORMATION CONTACT: Requests for additional information or copies of the form and instructions should be directed to Martha R. Brinson, (202) 622–3869, Internal Revenue Service, room 5571, 1111 Constitution Avenue NW., Washington, DC 20224.

SUPPLEMENTARY INFORMATION:

Title: Like-Kind Exchanges

OMB Number: 1545–1190

Form Number: 8824

Abstract: Form 8824 is used by individuals, corporations, partnerships, and other entities to report the exchange of business or investment property, and the deferral of gains from such transactions under Internal Revenue Code section 1031. It is also used to report the deferral of gain under Code section 1043 from conflict-of-interest sales by certain members of the executive branch of the Federal government.

Current Actions: There are no changes being made to the form at this time.

Type of Review: Extension of a currently approved collection.

Affected Public: Individuals or households and business or other for-profit organizations.

Estimated Number of Respondents: 200,000

Estimated Time Per Respondent: 1 hr., 46 min.

Estimated Total Annual Burden Hours: 353,884

The following paragraph applies to all of the collections of information covered by this notice:

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection of information displays a valid OMB control number. Books or records relating to a collection of information must be retained as long as their contents may become material in the administration of any internal revenue law. Generally, tax returns and tax return information are confidential, as required by 26 U.S.C. 6103.

Request for Comments: Comments submitted in response to this notice will be summarized and/or included in the request for OMB approval. All comments will become a matter of public record.

Comments are invited on: (a) Whether the collection of information is necessary for the proper performance of the functions of the agency, including whether the information shall have practical utility; (b) the accuracy of the agency's estimate of the burden of the collection of information; (c) ways to enhance the quality, utility, and clarity of the information to be collected; (d) ways to minimize the burden of the collection of information on respondents, including through the use of automated collection techniques or other forms of information technology; and (e) estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services to provide information.

Approved: June 16, 1998.

Garrick R. Shear,

IRS Reports Clearance Officer.

[FR Doc. 98–16843 Filed 6–25–98; 8:45 am]

BILLING CODE 4830–01–U

DEPARTMENT OF THE TREASURY

Internal Revenue Service

[INTL–939–86]

Proposed Collection; Comment Request for Regulation Project

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Notice and request for comments.

SUMMARY: The Department of the Treasury, as part of its continuing effort to reduce paperwork and respondent burden, invites the general public and other Federal agencies to take this opportunity to comment on proposed and/or continuing information collections, as required by the Paperwork Reduction Act of 1995, Public Law 104–13 (44 U.S.C. 3506(c)(2)(A)). Currently, the IRS is soliciting comments concerning an existing notice of proposed rulemaking, INTL–939–86, Insurance Income of a Controlled Foreign Corporation for Taxable Years Beginning After December 31, 1986 (§§ 1.953–2(e)(3)(iii), 1.953–4(b), 1.953–5(a), 1.953–6(a), 1.953–7(c)(8), and 1.6046–1).

DATES: Written comments should be received on or before August 25, 1998 to be assured of consideration.

ADDRESSES: Direct all written comments to Garrick R. Shear, Internal Revenue Service, room 5571, 1111 Constitution Avenue NW., Washington, DC 20224.

FOR FURTHER INFORMATION CONTACT: Requests for additional information or copies of the regulation should be directed to Carol Savage, (202) 622–3945, Internal Revenue Service, room 5569, 1111 Constitution Avenue NW., Washington, DC 20224.

SUPPLEMENTARY INFORMATION:

Title: Insurance Income of a Controlled Foreign Corporation for Taxable Years Beginning After December 31, 1986.