

interest in *PRS* that is attributable to the contribution. That portion equals 10% (\$10x/\$100x) of each partner's interest in *PRS*.

**Example 4. Sale or exchange of a portion of an interest in a partnership.** (i) *A* contributes \$5,000 in cash and a capital asset with a fair market value of \$5,000 and a basis of \$2,000 to a partnership (*PRS*) in exchange for an interest in *PRS*. At the time of the contribution, *A* had held the contributed property for two years. Six months later, when *A*'s basis in *PRS* is \$7,000, *A* transfers one-half of *A*'s interest in *PRS* to *T* for \$6,000 at a time when *PRS*'s balance sheet (reflecting a cash receipts and disbursements method of accounting) is as follows:

	Assets	Market value
	Adjusted basis	
Cash .....	\$5,000	\$5,000
Unrealized Receivables .....	0	6,000
Capital Asset 1 .....	3,000	8,000
Capital Asset 2 .....	2,000	5,000
Capital Assets .....	5,000	13,000
Total .....	\$10,000	\$24,000

(ii) Although at the time of the transfer *A* has not held *A*'s interest in *PRS* for more than one year, 50% of the fair market value of *A*'s interest in *PRS* was received in exchange for property with a long-term holding period. Therefore, 50% of *A*'s interest in *PRS* has a long-term holding period.

(iii) If *PRS* were to sell all of its section 751 property in a fully taxable transaction immediately before *A*'s transfer of the partnership interest, *A* would be allocated \$3,000 of ordinary income. One-half of that amount (\$1,500) is attributable to the portion of *A*'s interest in *PRS* transferred to *T*. Accordingly, *A* will recognize \$1,500 ordinary income and \$1,000 (\$2,500 - \$1,500) of capital gain on account of the transfer to *T* of one-half of *A*'s interest in *PRS*. Fifty percent (\$500) of that gain is long-term capital gain and 50% (\$500) is short-term capital gain.

**Example 5. Sale or exchange of a portion of an interest in a partnership.** (i) The facts are the same as in *Example 4*, except that capital asset 1 is a collectible that was purchased by *PRS* more than one year earlier. If capital asset 1 were sold or exchanged in a fully taxable transaction immediately before *A*'s transfer of the partnership interest, *A* would be allocated \$2,500 of collectibles gain. Fifty percent of that amount (\$1,250) is attributable to the portion of *A*'s interest in *PRS* sold to *T*. The collectibles gain allocable to the portion of the transferred interest in *PRS* with a long-term holding period is \$625 (50% of \$1,250). Accordingly, *A* will recognize \$625 of collectibles gain on account of the transfer of one-half of the interest in *PRS*.

(ii) The difference between the amount of pre-look-through long-term capital gain or loss (\$500) and the look-through capital gain (\$625) is the amount of residual long-term capital gain or loss that *A* will recognize on

account of the transfer of one-half of the interest in *PRS*. Under these facts, *A* will recognize a residual long-term capital loss of \$125 and a short-term capital gain of \$500.

**Example 6. Sale of units of interests in partnership.** A publicly traded partnership (*PRS*) has ownership interests that are segregated into identifiable units of interest. *A* owns 10 limited partnership units in *PRS* for which *A* paid \$10,000 three years ago. Later, *A* purchases five additional units for \$10,000 at a time when the fair market value of each unit has increased to \$2,000. *A*'s holding period for one-third (\$10,000/\$30,000) of the interest in *PRS* begins on the day after the purchase of the five additional units. Less than one year later, *A* sells five units of ownership in *PRS* for \$11,000. At the time, *A*'s basis in the 15 units of *PRS* is \$20,000, and *A*'s capital gain on the sale of 5 units is \$4,333 (amount realized of \$11,000—one-third of the adjusted basis or \$6,667). For purposes of determining the holding period, *A* can designate the specific units of *PRS* sold. If *A* properly identifies the five units sold as five of the ten units for which *A* has a long-term holding period, the capital gain realized will be long-term capital gain.

**Example 7. Disproportionate distribution.** In 1997, *A* and *B* each contribute cash of \$50,000 to form and become equal partners in a partnership (*PRS*). Sometime later, *A* receives a distribution worth \$22,000 from *PRS*, which reduces *A*'s interest in *PRS* to 36%. After the distribution, *B* owns 64% of *PRS*. The holding periods of *A* and *B* in their interests in *PRS* are not affected by the distribution.

**Example 8. Gain or loss as a result of a distribution.** In 1996, *A* contributes property with a basis of \$10 and a fair market value of \$10,000 in exchange for an interest in a partnership (*ABC*). In 1999, when *A*'s interest in *ABC* is worth \$12,000, *A* contributes \$6,000 cash in exchange for an additional interest in *ABC*, bringing the fair market value of *A*'s interest to \$18,000. The holding period of *A*'s interest in *ABC* is determined immediately after that exchange. *A*'s holding period in one-third of *A*'s interest in *ABC* (\$6,000 cash contributed over the \$18,000 value of the entire interest) begins on the day after the cash contribution. (*ABC* holds no inventory or unrealized receivables.) Later in 1999, *ABC* makes a cash distribution to *A* of \$10,000. *A*'s basis in *ABC* immediately before the distribution is \$6,010. Accordingly, *A* must recognize \$3990 of capital gain as a result of the distribution. See section 731(a)(1). One-third of the capital gain recognized as a result of the distribution is short-term capital gain, and two-thirds of the capital gain is long-term capital gain. After the distribution, *A*'s basis in the interest in *PRS* is \$0, and the holding period for the interest in *PRS* continues to be divided in the same proportions as before the distribution.

(f) **Effective date.** This section applies to transfers of partnership interests and distributions of property from a partnership that occur on or after the date final regulations are published in the **Federal Register**.

**Par. 4.** Section 1.741-1 is amended by adding paragraphs (e) and (f) to read as follows:

**§ 1.741-1 Recognition and character of gain or loss on sale or exchange.**

\* \* \* \* \*

(e) For rules relating to the capital gain or loss recognized when a partner sells or exchanges an interest in a partnership that holds appreciated collectibles or section 1250 property with section 1250 capital gain, see § 1.1(h)-1.

(f) For rules relating to dividing the holding period of an interest in a partnership, see § 1.1223-3.

**Robert E. Wenzel,**

*Deputy Commissioner of Internal Revenue.*

[FR Doc. 99-20368 Filed 8-6-99; 8:45 am]

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## ENVIRONMENTAL PROTECTION AGENCY

### 40 CFR Part 62

[Region 2 Docket No. NY 32-194b, FRL-6414-2]

### Approval and Promulgation of State Plans for Designated Facilities; New York

**AGENCY:** Environmental Protection Agency (EPA).

**ACTION:** Proposed rule.

**SUMMARY:** The Environmental Protection Agency (EPA) is proposing to approve the State Plan submitted by New York to implement and enforce the Emission Guidelines (EG) for existing Hospital/Medical/Infectious Waste Incinerators (HMIWI). The EG require states to develop plans to reduce toxic air emissions from all HMIWIs. In the final rules section of this **Federal Register**, EPA is approving New York's HMIWI State Plan as a direct final rule without prior proposal because the Agency views this as a noncontroversial action and anticipates no relevant adverse comments. A detailed rationale for the approval is set forth in the direct final rule. If EPA receives no adverse comments to that direct final rule, EPA will not take action on this proposed rule. If EPA receives adverse comments, EPA will withdraw the direct final rule and it will not take effect. EPA will address all public comments received in a subsequent final rule based on this proposed rule. The EPA will not institute a second comment period on this action. Any parties interested in commenting on this action should do so at this time.

**DATES:** Comments must be received on or before September 8, 1999.

**ADDRESSES:** All comments should be addressed to: Raymond Werner, Acting Chief, Air Programs Branch, Environmental Protection Agency, Region 2 Office, 290 Broadway, 25th Floor, New York, New York 10007-1866.

Copies of the State submittal are available at the following addresses for inspection during normal business hours:

Environmental Protection Agency, Region 2 Office, 290 Broadway, 25th Floor, New York, New York 10007-1866.

New York State Department of Environmental Conservation, Division of Air Resources, 50 Wolf Road, Albany, New York 12233.

**FOR FURTHER INFORMATION CONTACT:** Ted Gardella or Craig Flamm, Air Programs Branch, Environmental Protection Agency, Region 2 Office, 290 Broadway, 25th Floor, New York, New York 10278, (212) 637-3892 or (212) 637-4021, respectively.

**SUPPLEMENTARY INFORMATION:** For additional information see the direct final rule which is published in the rules section of this **Federal Register**.

Dated: July 23, 1999.

**William J. Muszynski,**

*Acting Regional Administrator, Region 2.*

[FR Doc. 99-20306 Filed 8-6-99; 8:45 am]

BILLING CODE 6560-50-P

## ENVIRONMENTAL PROTECTION AGENCY

### 40 CFR Part 97

[FRL-6416-7]

### Notice of Availability of Unit-Specific Information for Affected Sources Under the Section 126 and Proposed Section 110 FIP Rulemakings

**AGENCY:** Environmental Protection Agency (EPA).

**ACTION:** Notice of data availability and request for comment.

**SUMMARY:** The Environmental Protection Agency (EPA) is making available to the public three sets of data relating to our proposed Federal NO<sub>x</sub> Budget Trading Program. We proposed the program in rulemakings under sections 126 and 110 of the Clean Air Act. The program aims to reduce interstate transport of ozone by controlling emissions of nitrogen oxides (NO<sub>x</sub>). NO<sub>x</sub> emissions significantly contribute to violations of the National Ambient Air Quality Standard for ozone in downwind states.

This document is a notice of availability and request for comment on the following data related to the allocation of NO<sub>x</sub> allowances under the Federal NO<sub>x</sub> Budget Trading Program: electric generation data from May through September for the years 1995 through 1998, for electric generating units (EGUs); heat input data from May through September for the year 1998 for all EGUs reporting under EPA's Acid Rain Program; heat input data from May through September for the years 1997 and 1998 and heat rate data for EGUs not reporting under EPA's Acid Rain Program; and heat input data for May through September for the year 1995 for certain non-electric generating units (non-EGUs). We may use these data in the future to allocate NO<sub>x</sub> allowances under the Federal NO<sub>x</sub> Budget Trading Program. Therefore, EPA is providing an opportunity for public comment on these data.

Readers should note that we will only consider comments about the data discussed in this notice and are not soliciting comments on any other topic. In particular, we are not reopening the comment period for the October 21, 1998 proposed rule on the section 126 rulemaking or the October 21, 1998 proposed rule on the section 110 Federal Implementation Plans (FIPs) through this Notice of Data Availability. Neither are we soliciting comments on inventory data for 1995 and 1996 that we used to develop Statewide emission budgets.

**DATES:** Comments on the data will be accepted through September 8, 1999.

**ADDRESSES:** You may submit comments to the Air and Radiation Docket and Information Center (6102), Docket Nos. A-97-43 (section 126 rulemaking) and A-98-12 (section 110 FIP rulemaking), U.S. Environmental Protection Agency, 401 M Street SW, room M-1500, Washington, DC 20460, telephone (202) 260-7548. Identify your comments with these docket numbers. Submit two originals or exact duplicates of your comments to each docket. Please submit your comments on paper, not in electronic format. We request this so that we do not receive multiple versions of the same comment that might contradict each other.

Documents relevant to this action are available for inspection at the Air Docket and Information Center, at the above address, between 8:00 a.m. and 5:30 p.m., Monday through Friday, excluding legal holidays. A reasonable copying fee may be charged for copying.

**FOR FURTHER INFORMATION CONTACT:** General questions concerning today's action and technical questions

concerning electrical generation data should be addressed to Margaret Sheppard, Acid Rain Division, EPA, Mail Code 6204 J, 401 M Street SW, Washington, D.C. 20460, telephone 202-564-9163, email address sheppard.margaret@epa.gov. For technical questions concerning heat input data, contact Kevin Culligan at telephone 202-564-9172, email address culligan.kevin@epa.gov.

#### SUPPLEMENTARY INFORMATION:

Outline:

1. *What is today's action?*
2. *Where can I get the data?*
3. *How are these data related to the proposed Section 126 and Section 110 FIP NO<sub>x</sub> allowance allocations?*
4. *Why is EPA requesting comment on these data?*
5. *What data are EPA making available for review and comment?*
6. *What things is EPA not requesting comment on?*
7. *What are the sources of EPA's data?*
  - a. Electric generation data for utilities
  - b. Heat input data for EGUs
  - c. Electric generation and heat input data for non-utility generators
  - d. Heat input for non-EGUs
8. *What other data sources did EPA consider?*
9. *What supporting documentation do I need to provide with my comments?*
10. *How is this action related to the Section 126 and proposed Section 110 FIP rulemakings?*
11. *How is this action related to the NO<sub>x</sub> SIP Call?*

#### 1. What is Today's Action?

Today, we are making available data on heat input and electrical generation for units that could potentially be affected by a Federal action under section 126 or by a FIP under section 110 of the Clean Air Act. The purpose of making the data available for comment is to ensure that we have accurate information to help us develop NO<sub>x</sub> allowance allocations for the Federal NO<sub>x</sub> Budget Trading Program. For example, the data referenced by this document could be used as the basis for NO<sub>x</sub> emission allowance allocations to be finalized under the section 126 rulemaking. Also, a number of Northeastern States have stated that they intend to submit SIPs in response to EPA's NO<sub>x</sub> SIP Call by September 30, 1999. Data referenced in this notice could aid States in developing NO<sub>x</sub> allowance allocations for their SIPs.

#### 2. Where Can I Get the Data?

These data are available in files on the Regional Transport of Ozone webpage at <http://www.epa.gov/ttn/rto/>. You will find links to the data under "What's New" and under the "Related Documents and Data" subheadings.