

(2) Reassembled with a new or refurbished HPC exit diffuser air seal inner land, P/N 55H869.

(d) These engines are installed on, but not limited to, Boeing 777 airplanes.

#### Unsafe Condition

(e) This AD results from a report of oil leaking into the high pressure turbine interstage cavity and igniting, leading to an uncontained failure of the 2nd stage turbine air seal and engine in-flight shutdown. We are issuing this AD to prevent uncontained engine failure, damage to the airplane, and injury to passengers.

#### Compliance

(f) You are responsible for having the actions required by this AD performed at the following compliance times, unless the actions have already been done.

(g) Replace the HPC exit inner and outer brush seal packs with new HPC exit inner and outer brush seal packs, or replace the HPC exit brush seal assembly with a new HPC exit brush seal assembly as follows:

(1) By 3,000 cycles-since-last-overhaul (CSLO) or by March 31, 2007, whichever occurs later; however

(2) If on March 31, 2007, the engine has not accumulated 3,000 CSLO, then by 3,000 CSLO, or December 31, 2008, whichever occurs first.

(h) Use the Accomplishment Instructions of PW Service Bulletin No. PW4G-112-A72-280, Revision 1, dated March 21, 2006, to do the inner and outer brush pack replacements.

#### Alternative Methods of Compliance

(i) The Manager, Engine Certification Office, has the authority to approve alternative methods of compliance for this AD if requested using the procedures found in 14 CFR 39.19.

#### Related Information

(j) None.

Issued in Burlington, Massachusetts, on April 13, 2006.

**Francis A. Favara,**

*Manager, Engine and Propeller Directorate, Aircraft Certification Service.*

[FR Doc. E6-5843 Filed 4-18-06; 8:45 am]

**BILLING CODE 4910-13-P**

## DEPARTMENT OF THE TREASURY

### Internal Revenue Service

#### 26 CFR Part 1

[REG-148568-04]

RIN 1545-BE72

#### Time for Filing Employment Tax Returns and Modifications to the Deposit Rules; Hearing Cancellation

**AGENCY:** Internal Revenue Service (IRS), Treasury.

**ACTION:** Cancellation of notice of public hearing on proposed rulemaking.

**SUMMARY:** This document provides notice of cancellation of a public hearing on proposed rulemaking relating to the annual filing of Federal employment tax deposits for employees in the Employers' Annual Federal Tax Program (Form 944) under sections 6302 and 31.6302-1 of the Internal Revenue Code.

**DATES:** The public hearing originally scheduled for Wednesday, April 26, 2006 at 10 a.m., is cancelled.

#### FOR FURTHER INFORMATION CONTACT:

Treena Garrett of the Publications and Regulations Branch, Associate Chief Counsel (Procedure and Administration) at (202) 622-7180 (not a toll-free number).

**SUPPLEMENTARY INFORMATION:** The notice of proposed rulemaking by cross-reference to temporary regulations and notice of public hearing that appeared in the **Federal Register** on Tuesday, January 3, 2006 (71 FR 46), announced that a public hearing was scheduled for Wednesday, April 26, 2006, at 10 a.m. in the IRS Auditorium, Internal Revenue Service Building, 1111 Constitution Avenue, NW., Washington, DC. The subject of the public hearing is proposed regulations under sections 6302 and 31.6302-1 of the Internal Revenue Code. The public comment period for these proposed regulations expired on Wednesday, April 3, 2006. Outlines of oral comments were due on Wednesday, April 5, 2006.

The notice of proposed rulemaking and notice of public hearing, instructed those interested in testifying at the public hearing to submit outlines of the topics to be addressed. As of Wednesday, April 12, 2006, no one has requested to speak. Therefore, the public hearing scheduled for Wednesday, April 26, 2006, is cancelled.

**Guy R. Traynor,**

*Chief, Publications and Regulations Branch, Legal Processing Division, Associate Chief Counsel (Procedure and Administration).*

[FR Doc. E6-5814 Filed 4-18-06; 8:45 am]

**BILLING CODE 4830-01-P**

## DEPARTMENT OF THE TREASURY

### Internal Revenue Service

#### 26 CFR Part 1

[REG-150313-01]

RIN 1545-BA80

#### Withdrawal of Proposed Regulations Relating to Redemptions Taxable as Dividends

**AGENCY:** Internal Revenue Service (IRS), Treasury.

**ACTION:** Withdrawal of notice of proposed rulemaking.

**SUMMARY:** This document withdraws a notice of proposed rulemaking relating to redemptions of stock in which the redemption proceeds are treated as a dividend distribution. The proposed regulations were published on October 18, 2002 (67 FR 64331). After consideration of the comments received, the IRS and Treasury Department have decided to withdraw the proposed regulations.

**DATES:** These proposed regulations are withdrawn April 19, 2006.

#### FOR FURTHER INFORMATION CONTACT:

Theresa M. Kolish (202) 622-7750 (not a toll-free call).

#### SUPPLEMENTARY INFORMATION:

#### Background

On October 18, 2002, the IRS and Treasury Department issued proposed regulations providing guidance under sections 302 and 304 of the Internal Revenue Code regarding the treatment of the basis of stock redeemed or treated as redeemed. Section 302 provides that a corporation's redemption of its stock is treated as a distribution in part or full payment in exchange for the stock if the redemption satisfies certain criteria. If the redemption does not satisfy any of these criteria, the redemption is treated as a distribution to which section 301 applies. Under section 301(c)(1), a distribution is first treated as a dividend to the extent of earnings and profits. The remaining portion of a distribution, if any, is applied against and reduces basis of stock, and finally is treated as gain from the sale or exchange of property pursuant to section 301(c)(2) and (3).

Section 304(a)(1) treats the acquisition of stock by a corporation from one or more persons that are in control of both the acquiring and issuing corporation as if the property received for the acquired stock was received in a distribution in redemption of the stock of the acquiring corporation. Accordingly, the proposed section 302 regulations also would apply to these transactions.

Section 302 does not prescribe the treatment of the basis of the redeemed stock if the redemption is treated as a distribution to which section 301 applies. In 1955, the IRS and Treasury Department promulgated § 1.302-2(c), which states that “[i]n any case in which an amount received in redemption of stock is treated as a distribution of a dividend, proper adjustment of the basis of the remaining stock will be made with respect to the stock redeemed.” The regulation contains three examples illustrating a proper adjustment. In two examples, the redeemed shareholder continues to own stock of the redeeming corporation immediately after the redemption. In those cases, the basis of the redeemed shares shifts to, and increases the basis of the shares still owned by, the redeemed shareholder. In the third example, the redeemed shareholder does not directly own any stock of the redeeming corporation immediately after the redemption. He does, however, constructively own stock of the redeeming corporation immediately after the redemption because of his wife’s ownership of stock in the redeeming corporation. The example concludes that the redeemed shareholder’s basis in the shares surrendered in the redemption shifts to increase his wife’s basis in her shares of stock of the redeeming corporation.

The proposed regulations provide that the basis of redeemed stock will not shift to other shares directly owned by the redeemed shareholder or to shares owned by any other person whose ownership is attributed to the redeemed shareholder. Instead, the proposed regulations provide that when section 302(d) applies to a redemption of stock, to the extent the distribution is a dividend under section 301(c)(1), an amount equal to the adjusted basis of the redeemed stock is treated as a loss recognized on the date of the redemption. The loss, generally, would be taken into account either when the facts and circumstances that caused the redemption to be treated as a section 301 distribution no longer exist, or when the redeemed shareholder recognizes a gain on the stock of the redeeming corporation (to the extent of such gain).

The IRS and Treasury Department received many comments regarding the proposed regulations, several of which were critical of the approach of the proposed regulations. Generally, these comments expressed two predominant concerns. First, commentators stated that the approach of the proposed regulations was an unwarranted departure from current law. Second,

commentators were concerned that the interaction of the proposed regulations with the consolidated return rules could create the potential for two levels of tax instead of one in certain transactions. After considering all the comments, the IRS and Treasury Department have decided to withdraw the proposed regulations.

The IRS and Treasury Department are continuing to study the approach of the proposed regulations and other approaches on the treatment of the basis of redeemed stock and request further comments. In particular, the IRS and Treasury Department are interested in comments on whether a difference should be drawn between a redemption in which the redeemed shareholder continues to have direct ownership of stock in the redeemed corporation (whether the same class of stock as that redeemed or a different class) and a redemption in which the redeemed shareholder only constructively owns stock in the redeemed corporation. The IRS and Treasury Department are also interested in comments in the following two areas: (i) Whether a different approach is warranted for corporations filing consolidated income tax returns; and (ii) whether a different approach is warranted for section 304(a)(1) transactions.

Additionally, the IRS and Treasury Department are studying other basis issues that arise in redemptions that are treated as section 301 distributions. Specifically, the IRS and Treasury Department are studying whether, under section 301(c)(2), basis reduction should be limited to the basis of the shares redeemed or whether it is appropriate to reduce the basis of both the retained and redeemed shares before applying section 301(c)(3). The preamble to TD 9250, 71FR 8802, indicated that the IRS and Treasury Department believe that the better view of current law is that only the basis of the shares redeemed may be recovered under section 301(c)(2). However, the IRS and Treasury Department are considering other approaches. For example, another approach would be to allocate the section 301(c)(2) portion of the distribution pro rata among the redeemed shares and the retained shares. A third approach would be to shift the basis of the shares redeemed to the remaining shares and then reduce the basis of those shares pursuant to section 301(c)(2). The IRS and Treasury Department request comments about these approaches or other approaches regarding circumstances in which section 301(c)(2) applies.

## Drafting Information

The principal author of this withdrawal notice is Theresa M. Kolish of the Office of the Associate Chief Counsel (Corporate).

## List of Subjects in 26 CFR Part 1

Income taxes, Reporting and recordkeeping requirement.

## Withdrawal of Notice of Proposed Rulemaking

Accordingly, under the authority of 26 U.S.C. 7805, the notice of proposed rulemaking published in the **Federal Register** on October 18, 2002 (67 FR 64331) is hereby withdrawn.

**Mark E. Matthews,**

*Deputy Commissioner for Services and Enforcement.*

[FR Doc. E6-5811 Filed 4-18-06; 8:45 am]

BILLING CODE 4830-01-P

## ENVIRONMENTAL PROTECTION AGENCY

### 40 CFR Part 180

[EPA-HQ-OPP-2006-0232; FRL-8065-7]

### Wheat Bran; Proposed Revocation of the Inert Ingredient Tolerance Exemption

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

**ACTION:** Proposed rule.

**SUMMARY:** This document proposes to revoke, under the Federal Food, Drug, and Cosmetic Act (FFDCA) section 408(e)(1), the existing exemption from the requirement of a tolerance for residues of the inert ingredient “wheat bran” under 40 CFR 180.910. The regulatory action proposed in this document contributes toward the Agency’s tolerance reassessment requirements under FFDCA section 408(q), as amended by the Food Quality Protection Act (FQPA) of 1996. By law, EPA is required by August 2006 to reassess the tolerances that were in existence on August 2, 1996. The regulatory action proposed in this document pertains to the proposed revocation of one tolerance which would be counted as a tolerance reassessment toward the August 2006 review deadline.

**DATES:** Comments must be received on or before June 19, 2006.

**ADDRESSES:** Submit your comments, identified by docket identification (ID) number EPA-HQ-OPP-2006-0232, by one of the following methods: