

*Example 1*, except that P has owned the stock of S for several years, and the shareholders of T receive \$60 of P stock and an asset of S with a \$50 adjusted basis and \$40 fair market value. S recognizes a \$10 loss from the asset under section 1001. Under paragraph (b)(1) of this section, P's basis in S's stock is increased by \$60 to reflect T's net asset basis. Under paragraph (d)(1) of this section, P's basis in S's stock is decreased by \$40 (the fair market value of the asset provided by S). In addition, S's \$10 loss is taken into account under § 1.1502-32(b) in determining P's basis adjustments under that section.

*Example 2. Stock acquisition.* (i) *Facts.* P is the common parent of one group and T is the common parent of another. T has assets with an aggregate basis of \$60 and fair market value of \$100 and no liabilities. T's shareholders have an aggregate basis of \$50 in T's stock. Pursuant to a plan, P forms S and S acquires all of T's stock in exchange for P stock in a transaction described in section 368(a)(1)(B). The transaction is also a reverse acquisition under § 1.1502-75(d)(3). Thus, the transaction is a group structure change under § 1.1502-33(f)(1), and the earnings and profits of P and S are adjusted to reflect T's earnings and profits immediately before T ceases to be the common parent of the T group.

(ii) *Analysis.* Under paragraph (d)(4) of this section, although S is not the new common parent of the T group, adjustments must be made to S's basis in T's stock in accordance with the principles of this section. Although S's basis in T's stock would ordinarily be determined under section 362 by reference to the basis of T's shareholders in T's stock immediately before the group structure change, under the principles of paragraph (b)(2) of this section, S's basis in T's stock is determined by reference to T's net asset basis. Thus, S's basis in T's stock is \$60.

(iii) *Higher-tier adjustments.* Under paragraph (d)(4) of this section, P's basis in S's stock is increased by \$60 (to be consistent with the adjustment to S's basis in T's stock).

(iv) *Cross ownership.* 1 The facts are the same as in paragraph (i) of this Example 2, except S purchased 10% of T's stock from an unrelated person for cash. In an unrelated transaction, S acquires the remaining 90% of T's stock in exchange for P stock. S's basis in the initial 10% of T's stock is not redetermined under this section. However, S's basis in the additional 90% of T's stock is redetermined under this section. S's basis in that stock is adjusted to \$54 (90% of T's net asset basis).

(v) *Allocable share.* The facts are the same as in paragraph (i) of this Example 2, except that P owns only 90% of S's stock immediately after the group structure change. S's basis in T's stock is the same as in paragraph (ii) of this Example 2. Under paragraph (d)(2) of this section, P's basis in its S stock is increased by \$54 (90% of S's \$60 adjustment).

*Example 3. Taxable stock acquisition.* (i) *Facts.* P is the common parent of one group and T is the common parent of another. T has assets with an aggregate basis of \$60 and fair market value of \$100 and no liabilities. T's shareholders have an aggregate basis of \$50

in T's stock. Pursuant to a plan, P acquires all of T's stock in exchange for \$70 of P's stock and \$30 in a transaction that is a group structure change under § 1.1502-33(f)(1). P's acquired T stock is not transferred basis property. (Because of P's use of cash, the acquisition is not a transaction described in section 368(a)(1)(B).)

(ii) *Analysis.* The rules of this section do not apply to determine P's basis in T's stock. Therefore, P's basis in T's stock is \$100.

(h) *Effective dates—(1) General rule.* This section applies to group structure changes that occur after April 26, 2004. However, a group may apply this section to group structure changes that occurred on or before April 26, 2004, and in consolidated return years beginning on or after January 1, 1995.

(2) *Prior law.* For group structure changes that occur on or before April 26, 2004, and in consolidated return years beginning on or after January 1, 1995, with respect to which the group does not elect to apply the provisions of this section, see § 1.1502-31 as contained in the 26 CFR part 1 edition revised as of April 1, 2003. For group structure changes that occur in consolidated return years beginning before January 1, 1995, see § 1.1502-31T as contained in the 26 CFR part 1 edition revised as of April 1, 1994.

**Mark E. Matthews,**

*Deputy Commissioner for Services and Enforcement.*

Approved: April 14, 2004.

**Gregory F. Jenner,**

*Acting Assistant Secretary of the Treasury.*  
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**BILLING CODE 4830-01-P**

## POSTAL SERVICE

### 39 CFR Part 111

#### Machinable Parcel Testing Changes

**AGENCY:** Postal Service.

**ACTION:** Final rule.

**SUMMARY:** On February 20, 2004 (69 FR 7887), the Postal Service™ published a proposed rule amending the *Domestic Mail Manual* (DMM™) to centralize the processing of requests for parcel testing. Such testing is requested to determine if parcels can be successfully processed on bulk mail center (BMC) parcel sorters when they do not conform to the general machinability criteria in the DMM. The Postal Service proposed DMM changes specific to this issue. This notice announces the adoption of these changes, which support the Postal Service's goal of consistency in determining the machinability of parcels.

**EFFECTIVE DATE:** April 17, 2004.

**FOR FURTHER INFORMATION CONTACT:**

Obataiye B. Akinwale, 703-292-3643.

**SUPPLEMENTARY INFORMATION:** On April 15, 2004, *Domestic Mail Manual* (DMM) changes will be adopted to implement the new requirements for testing parcel machinability. The Postal Service believes that systemwide consistency will be achieved if exception requests are processed at one central location rather than at each BMC. This change is in line with the Postal Service's obligation to ensure prompt, efficient, reliable responses to customer needs, and will ensure that customer expectations of consistency across postal operations are met.

#### Comments Received

The Postal Service received one comment in response to the February 20, 2004, proposed rule. The comment came from a professional mailer. The mailer supports the proposed rule as a means of creating more consistent rulings on machinable parcels. The mailer also encouraged the Postal Service to expedite the publication of a final rule implementing the new process.

For the reasons discussed above, the Postal Service hereby adopts the following amendments to the *Domestic Mail Manual* (DMM), which is incorporated by reference in the *Code of Federal Regulations* (see 39 CFR part 111).

#### List of Subjects in 39 CFR Part 111

Postal Service.

#### PART 111—[AMENDED]

■ 1. The authority citation for 39 CFR Part 111 continues to read as follows:

**Authority:** 5 U.S.C. 552(a); 39 U.S.C. 101, 401, 403, 404, 414, 3001-3011, 3201-3219, 3403-3406, 3621, 3626, 5001.

■ 2. Revise the following sections of the *Domestic Mail Manual* (DMM) as set forth below:

#### Domestic Mail Manual (DMM)

\* \* \* \* \*

#### C Characteristics and Content

##### C000 General Information

##### C010 General Mailability Standards

\* \* \* \* \*

[Delete 7.0, Mailing Test Packages.]

\* \* \* \* \*

##### C050 Mail Processing Categories

\* \* \* \* \*

#### 4.0 MACHINABLE PARCEL

\* \* \* \* \*

### 4.3 Exception

[Revise 4.3 to read as follows:]

Some parcels may be successfully processed on BMC parcel sorters even though they do not conform to the general machinability criteria in 4.1. The manager, BMC Operations, USPS Headquarters (see G043 for address) may authorize a mailer to enter such parcels as machinable parcels rather than irregular parcels if the parcels are tested on BMC parcel sorters and prove to be machinable. Mailers who wish to have parcels tested for machinability on USPS parcel sorting machines must:

a. Submit a written request to BMC Operations. The request must list mailpiece characteristics for every shape, weight, and size to be considered. If the letter requesting testing describes a mailpiece that falls within the specifications of pieces that were tested previously, the mailpiece will not be tested.

b. Describe mailpiece construction, parcel weight(s), estimated number of parcels to be mailed in the coming year, and preparation level (*e.g.*, destination BMC pallets).

c. Send 100 samples to the test facility designated by the manager, BMC Operations, at least 6 weeks prior to the first mailing date. The manager, BMC Operations, will recommend changes, to ensure machinability, of parcels that do not qualify.

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### 6.0 OUTSIDE PARCEL (NONMACHINABLE)

[Revise the first sentence to read as follows:]

An outside parcel is a parcel that exceeds any of the maximum dimensions for a machinable parcel.

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### G General Information

#### G000 The USPS and Mailing Standards

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#### G040 Information Resources

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#### G043 Address List for Correspondence

[Add the following address:] BMC Operations, US Postal Service, 475 L'Enfant PLZ, SW., RM 7631, Washington, DC 20260-2806.

\* \* \* \* \*

We will publish an appropriate amendment to 39 CFR part 111 to reflect these changes.

Neva R. Watson,

Attorney, Legislative.

[FR Doc. 04-9414 Filed 4-23-04; 8:45 am]

BILLING CODE 7710-12-P

### ENVIRONMENTAL PROTECTION AGENCY

#### 40 CFR Parts 9 and 799

[OPPT-2003-0006; FRL-7312-2]

RIN 2070-AD42

#### In Vitro Dermal Absorption Rate Testing of Certain Chemicals of Interest to the Occupational Safety and Health Administration

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

**ACTION:** Final rule.

**SUMMARY:** EPA is promulgating a final rule under the Toxic Substances Control Act (TSCA) that requires manufacturers (including importers) and processors of 34 chemicals to conduct *in vitro* dermal absorption rate testing. These chemicals are of interest to the Occupational Safety and Health Administration (OSHA) of the Department of Labor, and the data obtained under this testing program will be used by OSHA to evaluate the need for "skin designations" for these chemicals. Skin designations are used by OSHA to alert industrial hygienists, employers, and workers to the potentially significant contribution to the overall exposure to certain chemicals which can occur by the cutaneous route. Thus, skin designations encourage employers to consider whether changes should be made to processes involving such chemical substances in order to reduce the potential for systemic toxicity from dermal absorption of these chemicals. Persons who export or intend to export any chemical substance included in this final rule are subject to the export notification requirements in TSCA section 12(b).

**DATES:** This final rule is effective on May 26, 2004. For purposes of judicial review, this final rule shall be promulgated at 1 p.m. eastern daylight/standard time on May 10, 2004.

**ADDRESSES:** EPA has established a docket for this action under docket identification (ID) number OPPT-2003-0006. All documents in the docket are listed in the EDOCKET index at <http://www.epa.gov/edocket/>. Although listed in the index, some information is not

publicly available, i.e., Confidential Business Information (CBI) or other information whose disclosure is restricted by statute. Certain other material, such as copyrighted material, will not be placed on the Internet and will be publicly available only in hard copy form. Publicly available docket materials are available either electronically in EDOCKET or in hard copy at the Office of Pollution Prevention and Toxics (OPPT) Docket, EPA Docket Center (EPA/DC), EPA West, Room B102, 1301 Constitution Ave., NW., Washington, DC. The Public Reading Room is open from 8:30 a.m. to 4:30 p.m., Monday through Friday, excluding legal holidays. The EPA Docket Center Reading Room telephone number is (202) 566-1744, and the telephone number for the OPPT Docket, which is located in EPA Docket Center, is (202) 566-0280.

**FOR FURTHER INFORMATION CONTACT:** For general information contact: Colby Lintner, Regulatory Coordinator, Environmental Assistance Division (7408M), Office of Pollution Prevention and Toxics, Environmental Protection Agency, 1200 Pennsylvania Ave., NW., Washington, DC 20460-0001; telephone number: (202) 554-1404; e-mail address: [TSCA-Hotline@epa.gov](mailto:TSCA-Hotline@epa.gov).

For technical information contact: Keith Cronin or Catherine Roman, Chemical Control Division (7405M), Office of Pollution Prevention and Toxics, Environmental Protection Agency, 1200 Pennsylvania Ave., NW., Washington, DC 20460-0001; telephone number: (202) 564-8157 or (202) 564-8172; e-mail address: [cronin.keith@epa.gov](mailto:cronin.keith@epa.gov) or [roman.catherine@epa.gov](mailto:roman.catherine@epa.gov).

#### SUPPLEMENTARY INFORMATION:

##### I. General Information

##### A. Does this Action Apply to Me?

You may be affected by this action if you manufacture (defined by statute to include import) or process any of the chemical substances that are listed in § 799.5115(j) of the regulatory text. Any use of the term "manufacture" in this document will encompass "import," unless otherwise stated. In addition, as described in Unit VI., any person who exports or intends to export any of the chemical substances in this final rule is subject to the export notification requirements in 40 CFR part 707, subpart D. Entities that could be subject to the requirements in this final rule may include, but are not limited to:

- Manufacturers (defined by statute to include importers) of one or more of the 34 subject chemical substances