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ments, suggestions, or objections have been received, and the proposed amendments are hereby adopted and are set forth below. These amendments shall become effective at the beginning of the 30th calendar day following the date of publication in the FEDERAL REGISTER.

STEWART L. UDALL,
Secretary of the Interior.

DECEMBER 21, 1962.

1. Paragraph (b) of § 141.1 is amended to read as follows:

§ 141.1 Definitions.

(b) "Indian forest lands" means lands held in trust by the United States for Indian tribes or individual Indians or owned by such tribes or individuals subject to restrictions against alienation, that are considered to be chiefly valuable for the production of forest crops, or on which it is considered that a forest cover should be maintained in order to protect watershed or other values. A formal inspection and land classification action is not required before applying the provisions of this Part 141 to the management of any particular tract of land.

2. Section 141.6 is amended to read as follows:

§ 141.6 Indian operations.

Subject to approval by the Secretary, the following actions may be taken:

(a) Indian tribal logging or sawmill enterprises may be initiated and organized with the consent of the authorized tribal representatives.

(b) Such enterprises which do not operate under the provisions of Part 142 of this chapter shall enter into formal agreements with tribal representatives for the use of tribal timber, and with the individual Indian owners for allotted timber.

(c) Such enterprises may contract for the purchase of Indian-owned timber with the consent of the tribal representatives or the individual owners at stumpage rates established by the Secretary.

(d) Such enterprises may negotiate for the purchase of non-Indian owned timber.

(e) Performance bonds need not be required in connection with the use of timber by such enterprises.

(f) Payment for tribal timber cut by such enterprises may be authorized by methods other than those in § 141.15.

(g) Authorized officers of tribal enterprises, operating under approved agreements for the use of tribal or allotted timber pursuant to this section, may sell the forest products produced in accordance with generally accepted trade practices without compliance with section 3709 of the Revised Statutes.

3. The introductory paragraph of § 141.8 is amended to read as follows:

§ 141.8 Advertisement of sales.

Except as provided in §§ 141.6, 141.9, and 141.19, sales of timber shall be made only after advertising.

4. Section 141.14 is amended to read as follows:

§ 141.14 Bonds required.

Performance bonds will be required in connection with all sales of Indian timber, except they may or may not be required, as determined by the approving officer, in connection with the use of timber by tribal enterprises pursuant to § 141.6, or in timber cutting permits issued pursuant to § 141.19. In sales in which the estimated stumpage value, calculated at the appraised stumpage rates, does not exceed \$10,000 the bond shall be approximately 20 percent of the estimated stumpage value. In sales in which the estimated stumpage value exceeds \$10,000 but is not over \$100,000, the bond shall be approximately 15 percent of the estimated stumpage value but not less than \$2,000; in sales in which the estimated stumpage value exceeds \$100,000 but is not over \$250,000, the bond shall be approximately 10 percent of the estimated stumpage value but not less than \$15,000; and in sales in which the estimated stumpage value exceeds \$250,000, the bond shall be approximately 5 percent of the estimated stumpage value but not less than \$25,000. Bonds may be in the form of a corporate surety bond by an acceptable surety company; or cash bond designating the approving officer to act under a power of attorney; or negotiable United States Government bonds supported by appropriate power of attorney and performance bond.

5. Section 141.15 is amended to read as follows:

§ 141.15 Payments for timber.

The basis of volume determination for timber sold shall be the Scribner Decimal C, International ¼ inch, or International Decimal ¼ inch log rules, cubic volume, weight, or such other form of measurement as the Secretary shall designate for each sale. Payment for timber will be required in advance of cutting pursuant to § 141.16, except for Indian enterprises pursuant to § 141.6. Each advance deposit shall be at least 10 percent of the value of the minimum volume of timber required to be cut annually, figured at the appraised stumpage rates: *Provided*, That the approving officer may reduce the size of the last advance deposit before the completion of the sale or before periods of approximately 3 months or longer during which no timber cutting is anticipated. If a contract stipulates no minimum annual cutting requirements the amount of each advance deposit shall be determined by the approving officer. The advance payments that may be required in the sale of trust allotted timber, pursuant to § 141.16, shall not operate to reduce the size of advance deposits required by this section, but may postpone the necessity of requiring such deposits until the advance payments on the particular allotments being cut have been exhausted.

6. Part 143 of Title 25, Code of Federal Regulations, is revoked.

[F.R. Doc. 62-12895; Filed, Dec. 28, 1962; 8:51 a.m.]

PART 142—SALE OF LUMBER AND OTHER FOREST PRODUCTS PRODUCED BY INDIAN ENTERPRISES FROM THE FORESTS ON INDIAN RESERVATIONS

On pages 9148-9149 of the FEDERAL REGISTER of September 14, 1962, there was published a notice of and text of proposed amendment of Part 142 of Title 25, Code of Federal Regulations. The purpose of the amendment is to provide opportunities for organized tribal forest enterprises to conduct sales of lumber and other forest products. Bureau guidance is needed for small-scale operations where the enterprise organization has limited experience in conducting such sales; or where no formal agreement has been entered into between the enterprise and the tribal representatives or individual Indians for the purchase of tribal or allotted stumpage.

Part 142 is recodified to incorporate numerous editorial corrections in addition to the substantive changes, above.

Interested persons were given 30 days within which to submit comments, suggestions, or objections with respect to the proposed amendment. The only suggestion received was accepted, resulting in a change in § 142.12 consisting of changing "60 days" to "90 days" to conform with general trade practices. With this change the proposed amendment is hereby adopted and is set forth below. This amendment shall become effective at the beginning of the 30th calendar day following the date of publication in the FEDERAL REGISTER.

STEWART L. UDALL,
Secretary of the Interior.

DECEMBER 26, 1962.

Sec.	
142.1	Definitions.
142.2	Purpose of regulations.
142.3	Applicability of regulations.
142.4	Sale in open market.
142.5	Advertisement in trade journals and newspapers.
142.6	Advertising, general.
142.7	Proposals for purchase.
142.8	Proposals to Government departments.
142.9	Cash sales.
142.10	Payments, discounts, and credit sales.
142.11	Commission sales agents.
142.12	Deposits.

AUTHORITY: §§ 142.1 to 142.12 issued under R.S. 161, 54 Stat. 504, as amended; 5 U.S.C. 22, 41 U.S.C. 6b.

§ 142.1 Definitions.

As used in this part:

(a) "Secretary" means Secretary of the Interior or his authorized representative.

(b) "Forest products" means lumber, lath, shingles, crating, ties, bolts, logs, bark, pulpwood, or other marketable materials obtained from forests and authorized for removal by the Indian enterprises.

§ 142.2 Purpose of regulations.

The regulations in this Part 142 prescribe the terms and conditions under which forest products produced by Indian tribal enterprises from the forests

of Indian reservations may be sold without compliance with section 3709 of the Revised Statutes.

§ 142.3 Applicability of regulations.

The regulations in this Part 142 are intended to be generally applicable except that they shall not apply to the Red Lake Reservation in Minnesota; or, as may be determined by the Secretary, to Indian enterprises that have entered into approved agreements for the use of tribal or allotted timber pursuant to § 141.6 of this chapter.

§ 142.4 Sale in open market.

The forest products obtained from the forests on Indian reservations by Indian enterprises may be sold in the open market at such prices as may be realized through the methods provided in this Part 142.

§ 142.5 Advertisement in trade journals and newspapers.

Forest products obtained from Indian reservation forests by Indian enterprises, may be advertised for sale in lumber trade journals of general circulation among persons, companies, or corporations interested in the buying and selling of forest products, and in newspapers in cities that may afford a favorable market for such forest products.

§ 142.6 Advertising, general.

Advertisement of forest products may also be made by circular letters and through personal interviews with the trade: *Provided*, That the travel expense incident thereto shall not be incurred without specific authority from the Secretary.

§ 142.7 Proposals for purchase.

Proposals for the purchase of forest products may be made to the Secretary, and he is authorized to quote prices and consummate sales at such times and/or such terms as are consistent with the regulations of this Part 142.

§ 142.8 Proposals to Government departments.

Proposals to sell may be made to municipalities, counties, states, of the United States and prices may be quoted to such agencies. Terms and payment in connection with such sales may be formulated in accordance with the general practice of such agencies.

§ 142.9 Cash sales.

All forest products of Indian forest enterprises shall be sold for cash f.o.b. mill or other point of delivery, except as provided in §§ 142.8 and 142.10. Adjustments and allowances on shipments of forest products after delivery to the buyer are authorized in accordance with generally accepted trade practices when such adjustments are essential by reason of off-grade shipments or errors in volume.

§ 142.10 Payments, discounts, and credit sales.

Shipments of forest products on open account shall be made only to persons or companies who have an acceptable credit rating. Credit on shipments of

forest products sold on open account must not be extended beyond 60 days from date of receipt by the buyer. A cash discount in accordance with general trade practice and usually not exceeding two percent of mill value, may be allowed when the shipment is paid for within ten days of receipt by the consignee as evidenced by the original paid freight bill or other acceptable evidence.

§ 142.11 Commission sales agents.

Sales may be made through commission sales agents, for which they may be paid a commission on f.o.b. mill value of the shipment at approved rates. Sales may be made to wholesalers on which a discount at approved rates may be allowed.

§ 142.12 Deposits.

On all agreements to purchase for future delivery a deposit may be required. Such a deposit may be forfeited if the purchaser does not comply with the terms of sale. No agreement for sale and future delivery shall be made for a longer period than 90 days, except with the approval of the Secretary.

[F.R. Doc. 62-12896; Filed, Dec. 28, 1962; 8:51 a.m.]

Title 26—INTERNAL REVENUE

Chapter I—Internal Revenue Service, Department of the Treasury

SUBCHAPTER A—INCOME TAX

[T.D. 6630]

PART 1—INCOME TAX; TAXABLE YEARS BEGINNING AFTER DE- CEMBER 31, 1953

Substantiation of Certain Travel, En- tertainment and Gift Expenses

On November 8, 1962, notice of proposed rule making was published in the FEDERAL REGISTER (27 F.R. 10894) to amend the Income Tax Regulations to reflect the provisions of section 274(d) of the Internal Revenue Code, added by section 4(a) of the Revenue Act of 1962 (76 Stat. 974). The amendment related to substantiation of certain travel, entertainment, and gift expenses, and limited the application of § 1.162-17. All comments on the proposed regulations were carefully considered in developing the final regulations, although it was impracticable to acknowledge each communication because of the limited time available and the relatively large number of communications received. The Internal Revenue Service expresses its appreciation for the helpful and constructive comments submitted.

The regulations are hereby adopted in the following amended form:

PARAGRAPH 1. There are inserted immediately after § 1.273-1 the following new sections:

§ 1.274 Statutory provisions; disallowance of certain entertainment, etc., expenses.

SEC. 274. Disallowance of certain entertainment, etc., expenses—(a) Entertainment, amusement, or recreation—(1) In general.

No deduction otherwise allowable under this chapter shall be allowed for any item—

(A) *Activity*. With respect to an activity which is of a type generally considered to constitute entertainment, amusement, or recreation, unless the taxpayer establishes that the item was directly related to, or, in the case of an item directly preceding or following a substantial and bona fide business discussion (including business meetings at a convention or otherwise), that such item was associated with, the active conduct of the taxpayer's trade or business, or

(B) *Facility*. With respect to a facility used in connection with an activity referred to in subparagraph (A), unless the taxpayer establishes that the facility was used primarily for the furtherance of the taxpayer's trade or business and that the item was directly related to the active conduct of such trade or business,

and such deductions shall in no event exceed the portion of such item directly related to, or, in the case of an item described in subparagraph (A) directly preceding or following a substantial and bona fide business discussion (including business meetings at a convention or otherwise), the portion of such item associated with, the active conduct of the taxpayer's trade or business.

(2) *Special rules*. For purposes of applying paragraph (1)—

(A) Dues or fees to any social, athletic, or sporting club or organization shall be treated as items with respect to facilities.

(B) An activity described in section 212 shall be treated as a trade or business.

(b) *Gifts*—(1) *Limitation*. No deduction shall be allowed under section 162 or section 212 for any expense for gifts made directly or indirectly to any individual to the extent that such expense, when added to prior expenses of the taxpayer for gifts made to such individual during the same taxable year, exceeds \$25. For purposes of this section, the term "gift" means any item excludable from gross income of the recipient under section 102 which is not excludable from his gross income under any other provision of this chapter, but such term does not include—

(A) An item having a cost to the taxpayer not in excess of \$4.00 on which the name of the taxpayer is clearly and permanently imprinted and which is one of a number of identical items distributed generally by the taxpayer,

(B) A sign, display rack, or other promotional material to be used on the business premises of the recipient, or

(C) An item of tangible personal property having a cost to the taxpayer not in excess of \$100 which is awarded to an employee by reason of length of service or for safety achievement.

(2) *Special rules*. (A) In the case of a gift by a partnership, the limitation contained in paragraph (1) shall apply to the partnership as well as to each member thereof.

(B) For purposes of paragraph (1), a husband and wife shall be treated as one taxpayer.

(c) *Traveling*. In the case of any individual who is traveling away from home in pursuit of a trade or business or in pursuit of an activity described in section 212, no deduction shall be allowed under section 162 or section 212 for that portion of the expenses of such travel otherwise allowable under such section which, under regulations prescribed by the Secretary or his delegate, is not allocable to such trade or business or to such activity. This subsection shall not apply to the expenses of any travel away from home which does not exceed one week or where the portion of the time away from home which is not attributable to the pursuit of the taxpayer's trade or business or an activity described in section 212 is less