

§ 1.936-2 Source of income.

(a) *In general.* Except as provided in § 1.936-2(b) (relating to certain interest), for purposes of section 936(d)(2), the determination as to whether gross income is from sources within a particular possession shall be made in accordance with § 1.863-6.

(b) *Certain interest.* (1) Interest paid by a possessions corporation that meets the condition of section 936(a)(2)(A) with respect to a particular possession is from sources within that possession.

(2) Interest paid or credited on deposit accounts with a possession branch of a corporation or partnership is from sources within the possession if, at the time of payment or crediting, the branch is engaged within the possession in the commercial banking business or the business of a savings and loan or similar association.

§ 1.936-3 Investment in a possession (for use therein).

For purposes of section 936(d)(2), interest and certain dividends derived after April 17, 1984 (less deductions allocable and apportionable thereto) by a domestic corporation engaged in the active conduct of a trade or business in Puerto Rico shall be treated as attributable to investment in Puerto Rico (for use therein) if the interest or certain dividends qualify for exemption from Puerto Rican Income Tax under regulations issued by the Secretary of the Treasury of Puerto Rico, as in effect on April 17, 1984 under the authority of the Acts No. 6 of December 15, 1953, 57 of June 13, 1963, and 25 of June 2, 1978, as amended, to determine the institutions which are eligible to receive funds from exempted businesses under those Acts. In the case of any investment of funds made by the possessions corporation after [Date that is 30 days after the date of publication in the Federal Register of this regulation as a Treasury decision], the preceding sentence shall not apply unless the possessions corporation receives, at the time the funds are delivered for investment, the written agreement of the institution receiving the funds that the funds will be invested by the institution so as to qualify for exemption under the foregoing regulations of Puerto Rico. Interest derived after September 30, 1978 and before April 18, 1984 shall be treated as attributable to investment in Puerto Rico (for use therein) if the interest qualifies for exemption from Puerto Rican Income Tax under regulations issued by the Secretary of the Treasury of Puerto Rico as in effect on September 28, 1976 under the authority of section 2(j) of the Puerto

Rico Industrial Incentive Act of 1963, as amended.

§ 1.936-3A Funds derived from a possession.

(a) *In general.* Funds treated as derived from the active conduct of a trade or business in a possession or from investment of such funds in a possession ("qualified funds") include—

(1) Taxable income from sources without the United States derived from the active conduct of a trade or business in the possession, and

(2) Qualified possession source investment income, reduced by any distributions paid with respect to such income and by any losses (not otherwise taken into account under subparagraph (1) or (2) from such activity or investment. The amount of any capital contributions to a possessions corporation is not treated as qualified funds.

(b) *Limitation on investment.* Notwithstanding paragraph (a), the amount of qualified funds which may be invested in a possession and give rise to income which is treated as qualified possession source investment income is limited to the total qualified funds for the taxable year and for all prior taxable years which are not already invested in a possession. For this purpose, qualified possession source investment income is not included in total qualified funds for the current taxable year, but is included with respect to prior taxable years.

(c) *Illustration:* The principles of paragraphs (a) and (b) of this section are illustrated by the following example:

Example: X has operated in Puerto Rico as a section 936 corporation since January 1, 1980. In 1980 X earned \$30,000 from the active conduct of a business in Puerto Rico and paid a dividend of \$20,000. On January 1, 1981 X invested \$20,000 in a Puerto Rican financial institution. For the year 1981 X had a loss of \$10,000 from the conduct of its business and received \$1500 in interest. For the years 1982 and 1983 X earned \$40,000 and \$60,000 respectively from its business and \$2000 each year from its investments which qualify under § 1.936-3 and paid dividends of \$20,000 and \$30,000 respectively. On January 1, 1984 X deposited \$80,000 in the same Puerto Rican financial institution for a total deposit of \$100,000. For 1984 X had a \$5000 loss from its business, but received \$15,000 of interest from its investments.

For 1981, the interest received from the investment in the Puerto Rican financial institution was not qualified possession source investment income since there were no qualified funds for 1981. The \$30,000 of income received by X from the active conduct of its business in 1980 was reduced to zero by a \$20,000 dividend in 1980 and a \$10,000 loss in 1981.

For 1982 and 1983 the \$20,000 originally deposited in 1981 and not withdrawn are

treated as qualified funds and all of the income derived therefrom as qualified possession source investment income assuming the requirements of §§ 1.936-2 and 1.936-3 are met. The zero qualified funds at the end of 1981 were increased to \$20,000 in 1982, representing \$40,000 of active business income less \$20,000 of dividends; in 1983, the qualified funds available for investment were further increased to \$52,000, representing \$60,000 of active business income in 1983 less dividend payment of \$30,000 (or \$30,000) plus \$2000 of qualified possession source investment income accrued in 1982). The \$1500 of interest earned in 1981 was not derived from qualified funds and, therefore, was not qualified possession source investment income. In addition, this amount and any amount of interest derived therefrom can never be qualified funds since the \$1500 was neither derived initially from the active conduct of a trade or business in Puerto Rico nor was it qualified possession source investment income.

For 1984, \$7350 of the \$15,000 of interest received on the \$100,000 investment constitutes qualified possession source investment income since only \$49,000 of the \$100,000 deposited was from qualified funds (\$52,000 of qualified funds at the end of 1983 reduced by the \$5000 of loss incurred in 1984 and increased by the \$2000 of qualified possession source investment income accrued in 1983).

Temporary Income Tax Regulations Under the Tax Reform Act of 1976**PART 7—[AMENDED]**

Par. 3. The authority for Part 7 continues to read as follows:

Authority: 26 U.S.C. 7805.

§ 7.936 [Removed]

Par. 4. Section 7.936-1 is removed.

Roscoe L. Egger, Jr.,

Commissioner of Internal Revenue.

[FR Doc. 86-1236 Filed 1-17-86; 8:45 am]

BILLING CODE 4830-01-M

Bureau of Alcohol, Tobacco and Firearms**27 CFR Part 9**

[Notice No. 579]

Kanawha River Valley; Viticultural Area

AGENCY: Bureau of Alcohol, Tobacco and Firearms (ATF), Treasury.

ACTION: Notice of proposed rulemaking.

SUMMARY: ATF is proposing to establish a viticultural area in West Virginia, to be known as the Kanawha River Valley. This proposal is based on a petition submitted by Dr. Wilson E. Ward, owner of Fisher Ridge Vineyard, a winery located in Liberty, WV. The proposed Kanawha River Valley viticultural area

is entirely within the approved Ohio River Valley viticultural area. The establishment of viticultural areas and the subsequent use of viticultural area names as appellations of origin in wine labeling and advertising will help consumers better identify wines they purchase. The use of this viticultural area as an appellation of origin will also help winemakers distinguish their products from wines made in other areas.

DATE: Written comments must be received by February 20, 1986.

ADDRESSES: Send written comments to: Chief, FAA, Wine and Beer Branch, Bureau of Alcohol, Tobacco and Firearms, P.O. Box 385, Washington, DC 20044-0385.

Copies of the petition and written comments received in response to this notice will be available during normal business hours at: ATF Reading Room, Disclosure Branch, Room 4406, Federal Building, 12th and Pennsylvania Avenue, NW, Washington, DC.

FOR FURTHER INFORMATION CONTACT: John A. Linthicum, FAA, Wine and Beer Branch, (202) 566-7626.

SUPPLEMENTARY INFORMATION: On August 23, 1978, ATF published Treasury Decision ATF-53 (43 FR 37672, 54624) revising regulations in 27 CFR, Part 4. These regulations allow the establishment of definitive viticultural areas. The regulations also allow the name of an approved viticultural area to be used as an appellation of origin on wine labels and in wine advertisements.

On October 2, 1979, ATF published Treasury Decision ATF-60 (44 FR 56692) which added a new Part 9 to 27 CFR, providing for the listing of approved American viticultural areas, the names of which may be used as appellations of origin.

Section 4.25a(e)(1), Title 27, CFR, defines an American viticultural area as a delimited grape-growing region distinguishable by geographical features, the boundaries of which have been delineated in Subpart C of Part 9. Section 4.25a(e)(2), outlines the procedure for proposing an American viticultural area. Any interested person may petition ATF to establish a grape-growing region as a viticultural area. The petition should include—

(a) Evidence that the name of the proposed viticultural area is locally and/or nationally known as referring to the area specified in the petition;

(b) Historical or current evidence that the boundaries of the viticultural area are as specified in the petition;

(c) Evidence relating to the geographical characteristics (climate, soil, elevation, physical features, etc.)

which distinguish the viticultural features of the proposed area from surrounding areas;

(d) A description of the specific boundaries of the viticultural area, based on features which can be found on United States Geological Survey (U.S.G.S.) maps of the largest applicable scale; and

(e) A copy of the appropriate U.S.G.S. maps with the boundaries prominently marked.

Dr. Wilson E. Ward, owner of Fisher Ridge Vineyard, a winery located in Liberty, WV, petitioned ATF for the establishment of a viticultural area in West Virginia, to be known as Kanawha River Valley.

General Description

The petitioned area consists of approximately 1,000 square miles, containing 14 acres of grapevines and one bonded winery. It is entirely within the approved Ohio River Valley viticultural area. There is historical evidence that winemaking began in the area as early as 1826. Several hundred acres of grapevines grew in the area in the 1850s. The Civil War brought an end to commercial winemaking in the area until a new winery was built in 1967.

Name

The petitioner claims that the name Kanawha is derived from an obscure tribe of Indians which camped near the river. The name Kanawha was used for the river on the earliest survey maps. The Greater Kanawha Valley Foundation, a philanthropic organization which awards scholarships and grants, defines the Kanawha Valley as a ten country area including all of the counties having watershed in the Kanawha River. The petitioned area is almost entirely within this Kanawha River Valley boundary which is currently in use. Numerous business enterprises in the area use the name Kanawha Valley of Kanawha River Valley as part of their trade names or as a description of the territory which they serve. In view of the fact that the entire petitioned area is within approximately 20 miles of the river, and appears to be almost entirely within the watershed of the river, ATF is satisfied that the petitioned area qualifies, in its entirety, for the use of the name Kanawha River Valley.

Geographic Characteristics

The petitioner submitted the following rainfall data for the Kanawha River Valley.

Name	Annual precipitation	Summer precipitation ¹
Weather Stations Located Inside Petitioned Area		
Hogsett Gallipolis Dam.....	40.42	14.95
Winfield locks.....	40.85	14.88
Averages.....	40.64	14.92
Weather Stations Located Outside Petitioned Area On the Ohio River		
Huntington.....	40.72	14.83
Parkersburg Weather Service Office.....	37.77	14.32
Ravenswood Lock Park.....	38.70	14.25
Averages.....	39.06	14.47
Weather Stations Located Outside Petitioned Area Inland From the Ohio River		
Branchland.....	43.79	15.94
Charleston.....	42.43	15.84
Clendenin.....	45.67	17.08
Hamlin.....	43.13	15.96
Ripley.....	45.94	16.35
Spencer.....	41.93	16.22
Averages.....	43.82	16.23

¹ Total precipitation during the months of June, July, August, and September, when grapes are most susceptible to mildew damage caused by excessive rainfall.

The river valleys average approximately 4 inches less rainfall annually than the inland terrain. During the critical period when grapes are growing on the vines, the river valleys average approximately 1.5 inches less rainfall than the inland terrain. Based on this data, the Ohio River Valley and the Kanawha River Valley share rainfall patterns which are more conducive to grape cultivation than areas which are farther inland from the rivers. The 6 weather stations named in the third list, above, are each located within approximately 16 miles of the proposed boundary, supporting the petitioner's location of the boundary.

In addition, the location of the inland boundary is also supported by the approximate boundary between the Central Allegheny Plateau Land Resource Area, in which the petitioned area is located, and the Cumberland Plateau and Mountains Land Resource Area. According to the U.S.D.A. Soil Conservation Service Soil Map of West Virginia, the Cumberland Plateau and Mountains Land Resource Area is characterized by extensive deep mining and surface mining activities, as opposed to grape growing of other agricultural land uses.

Boundary

The proposed northern and western boundaries of the Kanawha River Valley are the Ohio River. The proposed inland boundary is approximately the approved Ohio River Valley boundary. The inland boundary is connected to the Ohio River with a series of straight lines running approximately along the perimeter of the Kanawha River watershed.

Public Participation—Written Comments

ATF requests comments from all interested persons concerning this proposed viticultural area. This notice proposes one possible boundary for the "Kanawha River Valley" viticultural area. However, comments concerning other possible boundaries for this viticultural area will be given consideration.

Comments received before the closing date will be carefully considered. Comments received after the closing date and too late for consideration will be treated as possible suggestions for future ATF action.

ATF will not recognize any material in comments as confidential. Comments may be disclosed to the public. Any material which the commenter considers to be confidential or inappropriate for disclosure to the public should not be included in the comments. The name of the person submitting a comment is not exempt from disclosure.

Any interested person who desires an opportunity to comment orally at a public hearing on these proposed regulations should submit his or her requests, in writing, to the Director within the 30-day comment period. The Director, however, reserves the right to determine, in light of all circumstances, whether a public hearing will be held.

Regulatory Flexibility Act

The provisions of the Regulatory Flexibility Act relating to an initial and final regulatory flexibility analysis (5 U.S.C. 603, 604) are not applicable to this proposal because the notice of proposed rulemaking, if promulgated as a final rule, will not have a significant economic impact on a substantial number of small entities. The proposal will not impose, or otherwise cause, a significant increase in reporting, recordkeeping, or other compliance burdens on a substantial number of small entities. The proposal is not expected to have significant secondary or incidental effects on a substantial number of small entities.

Accordingly, it is hereby certified under the provisions of section 3 of the Regulatory Flexibility Act (5 U.S.C. 605(b)) that this notice of proposed rulemaking, if promulgated as a final rule, will not have a significant economic impact on a substantial number of small entities.

Executive order 12291

In compliance with Executive Order 12291, ATF has determined that this

proposal is not a "major rule" since it will not result in:

- (a) An annual effect on the economy of \$100 million or more;
- (b) A major increase in costs or prices for consumers, individual industries, Federal, state, or local government agencies, or geographic regions; or
- (c) Significant adverse effect on competition, employment, investment, productivity, innovation, or on the ability of United States-based enterprises to compete with foreign-based enterprises in domestic or export markets.

Paperwork Reduction Act

The provisions of the Paperwork Reduction Act of 1980, Pub. L. 96-511, 44 U.S.C. Chapter 35, and its implementing regulations, 5 CFR Part 1320, do not apply to this notice because no requirement to collect information is proposed.

List of Subjects in 27 CFR Part 9

Administrative practice and procedure, Consumer protection, Viticultural area, Wine.

Authority and Issuance

27 CFR Part 9—American Viticultural Areas is amended as follows:

Paragraph 1. The authority citation for Part 9 continues to read as follows:

Authority: 27 U.S.C. 205.

Par. 2. The table of sections for 27 CFR Part 9 is amended by adding the heading of § 9.111 to read as follows:

Sec.

* * * * *

9.111 Kanawha River Valley.

Par. 3. Subpart C of 27 CFR Part 9 is amended by adding § 9.111 to read as follows:

§ 9.111 Kanawha River Valley.

(a) *Name.* The name of the viticultural area described in this section is "Kanawha River Valley".

(b) *Approved maps.* The approved maps for determining the boundary of the Kanawha River Valley viticultural area are 20 U.S.G.S topographic maps in the 7.5-minute series as follows:

- (1) Addison, Ohio—W. Va., dated 1960;
- (2) Gallipolis, Ohio—W. Va., dated 1958;
- (3) Apple Grove, Ohio—W. Va., dated 1968, photorevised 1975;
- (4) Glenwood, W. Va.—Ohio, dated 1968;
- (5) Milton, W. Va., dated 1972;
- (6) West Hamlin, W. Va., dated 1957;

- (7) Hamlin, W. Va., Dated 1958;
- (8) Garrets Bend, W. Va., dated 1958;
- (9) Scott Depot, W. Va., dated 1958;
- (10) Saint Albans, W. Va., dated 1958;
- (11) Pocatlico, W. Va., dated 1958;
- (12) Sissonville, W. Va., dated 1958;
- (13) Romance, W. Va.—Ky., dated 1957;
- (14) Kentuck, W. Va., dated 1957;
- (15) Kenna, W. Va., dated 1957;
- (16) Ripley, W. Va., dated 1960;
- (17) Cottageville, W. Va., dated 1960;
- (18) Mount Alto, W. Va.—Ohio, dated 1958, photorevised 1972;
- (19) Beech Hill, W. Va.—Ohio, dated 1957, photorevised 1975;
- (20) Cheshire, W. Va.—Ohio, dated 1968;

(C) *Boundary description.* The boundary description of the Kanawha River Valley viticultural area includes (in parentheses) the name of the map on which each described point is found. The boundary description is as follows:

(1) The beginning point is the West Virginia-Ohio State Line at the confluence of Champaign Creek and the Ohio River. (Addison quadrangle)

(2) The boundary follows the West Virginia-Ohio State Line, in the Ohio River, (across the Gallipolis and Apple Grove quadrangles) southwesterly to the point at which the Mason County-Cabell County Line intersects the State Line. (Glenwood quadrangle)

(3) The boundary proceeds in a straight line southerly to the benchmark at 583 ft. elevation in the town of Yates Crossing in Cabell County, WV. (Milton quadrangle)

(4) The boundary proceeds in a straight line southeasterly to the benchmark at 640 ft. elevation in the town of Ball Gap, in Lincoln County, WV. (West Hamlin quadrangle)

(5) The boundary proceeds in a straight line easterly (across the Hamlin, Garrett Bend, and Scott Depot quadrangles) to the benchmark at 590 ft. elevation in the town of Institute in Kanawha County, WV. (Saint Albans quadrangle)

(6) The boundary proceeds in a straight line northeasterly to the benchmark at 654 ft. elevation in the town of Pocatlico, in Kanawha County, WV. (Pocatlico quadrangle)

(7) The boundary proceeds in a straight line northeasterly (across the Sissonville quadrangle) to the confluence of Johns Branch and Sugar Creek in the town of Romance, in Jackson County, WV. (Romance quadrangle)

(8) The boundary proceeds in a straight line northwesterly (across the

Kentucky quadrangle) to the confluence of Plum Orchard Run and Stonelick Creek in the town of Plum Orchard, in Jackson County, WV. (Kenna quadrangle)

(9) The boundary proceeds in a straight line northwesterly (across the Ripley quadrangle) to the Baltimore and Ohio Railroad crossing of State Highway 87 in the town of Evans, in Jackson County, WV. (Cottageville quadrangle)

(10) The boundary proceeds in a straight line northwesterly (across the Mount Alto quadrangle) to the benchmark at 674 ft. elevation in the town of Flatrock, in Mason County, WV. (Beech Hill quadrangle)

(11) The boundary proceeds northwesterly in a straight line (across the Cheshire quadrangle) to the beginning point.

Approved: January 15, 1986.

Stephen E. Higgins,
Director.

[FR Doc. 86-1241 Filed 1-17-86; 8:45 am]

BILLING CODE 4810-31-M

DEPARTMENT OF LABOR

Office of Surface Mining Reclamation and Enforcement

30 CFR Part 917

Consideration of Amendments to the Kentucky Program Under the Surface Mining Control and Reclamation Act of 1977 (SMCRA)

AGENCY: Office of Surface Mining Reclamation and Enforcement (OSM), Interior.

ACTION: Reopening of public comment period.

SUMMARY: OSM is reopening the period for review and comment on certain amendments submitted by the Commonwealth of Kentucky to its program for the regulation of surface coal mining and reclamation in the State. The amendments relate to Kentucky's revised regulations pertaining to liability insurance requirements.

DATES: Written comments, data or other relevant information must be received on or before 4:00 p.m. February 5, 1986 to be considered. Comments submitted after this date may not necessarily be considered.

ADDRESS: Comments should be sent or hand-delivered to: W. Hord Tipton, Director, Lexington Field Office, Office of Surface Mining, 340 Legion Drive, Suite 28, Lexington, Kentucky 40504.

FOR FURTHER INFORMATION CONTACT: W. Hord Tipton, Director, Lexington Field Office, Office of Surface Mining, 340 Legion Drive, Lexington, Kentucky 40504; Telephone: (606) 233-7327.

SUPPLEMENTARY INFORMATION: By letter dated September 16, 1985, OSM received, pursuant to the 30 CFR 732.17 State program amendment procedures, revised regulations amending the Kentucky program. On October 25, 1985, OSM published a notice in the Federal Register (50 FR 43413) announcing receipt of the amendments to the Kentucky program and inviting public comment thereon. The public comment period closed November 25, 1985. A public hearing was not held because no one expressed a desire to testify.

On December 10, 1985, OSM received additional material from Kentucky, pertaining to liability insurance requirements. This material consists of further revisions to the Kentucky Administrative Regulations (KAR) at 405 10:030. The revisions modify amendments to section 4(1) pertaining to terms and conditions for liability insurance, and in particular pertaining to compensation for personal injury and property damage resulting from surface coal mining and reclamation operations. OSM is reopening the comment period for an additional 15 days to allow the public sufficient time to review and comment on the above Kentucky amendments. Written comments should be specific, pertain only to the issues proposed in this rulemaking and include explanations of why the commenter believes or does not believe that the proposed amendments are in accordance with SMCRA and no less effective than its implementing regulations. Pursuant to 30 CFR 732.17(h)(2)(ii), each requester may receive, free of charge, one single copy of the proposed amendment by contacting OSM's Lexington Field Office listed under ADDRESS.

This announcement is made in keeping with OSM's commitment to public participation as a vital component in fulfilling the purposes of SMCRA.

List of Subjects in 30 CFR Part 917

Coal mining, Intergovernmental relations, Surface mining, Underground mining.

Dated: January 13, 1986.

Brent Wahlquist,
Assistant Director, Program Operations.
[FR Doc. 86-1213 Filed 1-17-86; 8:45 am]

BILLING CODE 4310-05-M

DEPARTMENT OF TRANSPORTATION

Coast Guard

33 CFR Part 110

[CGD09 85-05]

Anchorage Grounds; Detroit River, Detroit, MI

AGENCY: Coast Guard, DOT.

ACTION: Supplemental Notice of Proposed Rule Making.

SUMMARY: The Coast Guard is revising a proposal to designate two anchorages on the U.S. side of the international boundary in the Detroit River. An original Notice of Proposed Rulemaking was published in 50 FR 27622. This proposal revises the original proposal by calling for a single anchorage which will be located in the vicinity of Belle Isle. The creation of this anchorage will provide a designated safe anchorage for vessels in the Detroit River and provide a holding area in the event U.S. authorities need to detain a vessel.

DATES: Comments must be received on or before March 7, 1986.

ADDRESSES: Comments should be mailed to Commander (mpes), Ninth Coast Guard District, 1240 East Ninth St, Cleveland OH 44199. The comments and other materials referenced in this notice will be available for inspection and copying at Marine Safety Division, Room 2019, 1240 East Ninth St, Cleveland, OH 44199. Normal office hours are between 7:30 a.m. and 4:00 p.m., Monday through Friday, except holidays. Comments may also be hand-delivered to this address.

FOR FURTHER INFORMATION CONTACT: Ensign George H. Burns III, Ninth Coast Guard District, Marine Port and Environmental Safety Branch. Telephone number (216) 522-3919.

SUPPLEMENTARY INFORMATION: Interested persons are invited to participate in this rule making by submitting written views, data, or arguments. Persons submitting comments should include their names and addresses, identify this notice (CGD09 85-05) and the specific section of the proposal to which their comments apply, and give reasons for each comment. Receipt of comments will be acknowledged if a stamped self-addressed postcard or envelope is enclosed.

The regulations may be changed in light of comments received. All comments received before the expiration of the comment period will be considered before final action is taken.