

partnership CD, and distributing the interests in such partnerships to the designated partners.

Example 6. (i) Partnership ABCDE owns Blackacre, Whiteacre, and Redacre, and divides into partnership AB, partnership CD, and partnership DE. Under paragraph (d)(1) of this section, partnership ABCDE is considered terminated (and, hence, none of the resulting partnerships are a continuation of the prior partnership) because none of the members of the new partnerships (partnership AB, partnership CD, and partnership DE) owned an interest of more than 50 percent in the capital and profits of partnership ABCDE.

(ii) Partnership ABCDE distributes Blackacre to A and B and titles Blackacre in the names of A and B. A and B then contribute Blackacre to partnership AB in exchange for interests in partnership AB. Partnership ABCDE will be treated as following the assets-up form described in paragraph (d)(2)(ii)(B) of this section for Federal income tax purposes.

(iii) Partnership ABCDE distributes Whiteacre to C and D and titles Whiteacre in the names of C and D. C and D then contribute Whiteacre to partnership CD in exchange for interests in partnership CD. Partnership ABCDE will be treated as following the assets-up form described in paragraph (d)(2)(ii)(B) of this section for Federal income tax purposes.

(iv) Partnership ABCDE does not liquidate under state law so that, in form, the assets in new partnership DE are not considered to have been transferred under state law. Partnership ABCDE will be treated as undertaking the assets-over form described in paragraph (d)(2)(i)(B) of this section for Federal income tax purposes with respect to the assets of partnership DE. Thus, partnership ABCDE will be treated as contributing Redacre to partnership DE in exchange for interests in partnership DE; and, immediately thereafter, partnership ABCDE will be treated as distributing interests in partnership DE to D and E in liquidation of their interests in partnership ABCDE. Partnership ABCDE then terminates.

(5) Prescribed form not followed in certain circumstances. If any transactions described in paragraph (d)(2) of this section are part of a larger series of transactions, and the substance of the larger series of transactions is inconsistent with following the form prescribed in such paragraph, the Commissioner may disregard such form, and may recast the larger series of transactions in accordance with their substance.

(6) Effective date. This paragraph (d) is applicable to partnership divisions occurring on or after the date final regulations are published in the Federal Register.

Par. 3. Section 1.743-1 is amended by adding two sentences to the end of paragraph (h)(1).

§ 1.743-1 Optional adjustment to basis of partnership property.

\* \* \* \* \*

(h) \* \* \* \* \*
(1) \* \* \* When a resulting partnership that is considered a continuation of a merged or consolidated partnership under section 708(b)(2)(A) has a basis adjustment in property held by the merged or consolidated partnership that is considered terminated under § 1.708-1(c)(1) (as a result of the resulting partnership acquiring an interest in such merged or consolidated partnership, see § 1.708-1(c)(3)), the resulting partnership will continue to have the same basis adjustments with respect to property distributed (see § 1.708-1(c)(4), Example 4(v)) by the terminated partnership to the resulting partnership, regardless of whether the resulting partnership makes a section 754 election. The portion of the resulting partnership's adjusted basis in its assets attributable to the basis adjustment with respect to the property distributed by the terminating partnership must be segregated and allocated solely to the partners who were partners in the resulting partnership immediately before the merger or consolidation.

\* \* \* \* \*

Par. 4. Section 1.752-1 is amended as follows:

- 1. A sentence is added to the end of paragraph (f).
2. The current Example in paragraph (g) is redesignated as Example 1.
3. Example 2 is added in paragraph (g).

§ 1.752-1 Treatment of partnership liabilities.

\* \* \* \* \*

(f) \* \* \* \* \* When two or more partnerships merge or consolidate under section 708(b)(2)(A), as described in § 1.708-1(c)(2)(i), increases and decreases in partnership liabilities associated with the merger or consolidation are netted by the partners in the terminating partnership and the resulting partnership to determine the effect of the merger under section 752.

(g) \* \* \* \* \*

Example 1. \* \* \*
Example 2. Merger or consolidation of partnerships holding property encumbered by liabilities. (i) B owns a 70 percent interest in partnership T. Partnership T's sole asset is property X, which is encumbered by a \$900 liability. Partnership T's adjusted basis in property X is \$600, and the value of property X is \$1,000. B's adjusted basis in its partnership T interest is \$420. B also owns a 20 percent interest in partnership S. Partnership S's sole asset is property Y, which is encumbered by a \$100 liability.

Partnership S's adjusted basis in property Y is \$200, the value of property Y is \$1,000, and B's adjusted basis in its partnership S interest is \$40.

(ii) Partnership T and partnership S merge under section 708(b)(2)(A). Under section 708(b)(2)(A) and § 1.708-1(c)(1), partnership T is considered terminated and the resulting partnership is considered a continuation of partnership S. Partnerships T and S undertake the form described in § 1.708-1(c)(2)(i) for the partnership merger. Under § 1.708-1(c)(2)(i), partnership T contributes property X and its \$900 liability to partnership S in exchange for an interest in partnership S. Immediately thereafter, partnership T distributes the interests in partnership S to its partners in liquidation of their interests in partnership T. B owns a 25 percent interest in partnership S after partnership T distributes the interests in partnership S to B.

(iii) Under paragraph (f) of this section, B nets the increases and decreases in its share of partnership liabilities associated with the merger of partnership T and partnership S. Before the merger, B's share of partnership liabilities was \$650 (B had a \$630 share of partnership liabilities in partnership T and a \$20 share of partnership liabilities in partnership S immediately before the merger). B's share of S's partnership liabilities after the merger is \$250 (25 percent of S's total partnership liabilities of \$1,000). Accordingly, B has a \$400 net decrease in its share of S's partnership liabilities. Thus, B is treated as receiving a \$400 distribution from partnership S under section 752(b). Because B's adjusted basis in its partnership S interest before the deemed distribution under section 752(b) is \$460 (\$420 + \$40), B will not recognize gain under section 731. After the merger, B's adjusted basis in its partnership S interest is \$60.

\* \* \* \* \*

Robert E. Wenzel,
Deputy Commissioner of Internal Revenue.
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DEPARTMENT OF THE INTERIOR

Minerals Management Service

30 CFR Part 206

RIN 1010-AC09

Workshops on Further Supplementary Proposed Rule—Establishing Oil Value for Royalty Due on Federal Leases

AGENCY: Minerals Management Service, Interior.

ACTION: Notice of cancellation and rescheduling of public workshop.

SUMMARY: The Minerals Management Service (MMS) is giving notice that it is canceling the public workshop for Albuquerque, New Mexico, concerning the further supplementary proposed

rule. The MMS is rescheduling the workshop as described in this notice.

**DATES:** The workshop will be held in Lakewood, Colorado, on January 18, 2000, beginning at 1 p.m. and ending at 5 p.m., Mountain time.

**ADDRESSES:** The workshop will be held at the Minerals Management Service, Auditorium, Building 85, Denver Federal Center, Lakewood, Colorado 80225, telephone number (303) 231-3386.

**FOR FURTHER INFORMATION CONTACT:** David S. Guzy, Chief, Rules and Publications Staff, Minerals Management Service, Royalty Management Program, P.O. Box 25165, MS 3021, Denver, Colorado 80225-0165, telephone (303) 231-3432, fax number (303) 231-3385, e-mail David\_Guzy@mms.gov.

**SUPPLEMENTARY INFORMATION:** The MMS published notice (64 FR 73458, December 30, 1999) of three public workshops concerning the further supplementary proposed rule on Federal oil valuation (64 FR 73820, December 30, 1999). However, due to scheduling conflicts with the workshop in Albuquerque, interested parties requested that MMS reschedule that workshop. In response to that request, MMS hereby cancels the workshop in Albuquerque and gives notice of a new workshop in Lakewood, Colorado, as described in the **DATES** and **ADDRESSES** sections of this notice. MMS is not making any changes to the workshops scheduled for Houston, Texas, or Washington, DC. Public attendance may be limited to the space available. We encourage a workshop atmosphere; members of the public are encouraged to participate in a discussion of the further supplementary proposed rule. For building security measures, each person may be required to present a picture identification to gain entry to the workshops.

Dated: January 6, 2000.

**Lucy Querques Denett,**

*Associate Director for Royalty Management.*  
[FR Doc. 00-640 Filed 1-10-00; 8:45 am]

**BILLING CODE 4310-MR-P**

## DEPARTMENT OF TRANSPORTATION

### Coast Guard

#### 33 CFR PART 110

[CGD11-99-009]

RIN 2115-AA98

#### Anchorage Regulation; San Francisco Bay, California

**AGENCY:** Coast Guard, DOT.

**ACTION:** Notice of proposed rulemaking.

**SUMMARY:** The Coast Guard proposes to amend the regulations for the existing special anchorage area in Richardson Bay, adjacent to San Francisco Bay, California by modifying the explanatory note accompanying the designation of the special anchorage. This explanatory information is provided at the request of local authorities and is intended to facilitate safe navigation by calling mariners' attention to local regulations governing the anchorage area.

**DATES:** Comments must be received on or before March 13, 2000.

**ADDRESSES:** Comments may be mailed to Commanding Officer, Coast Guard Marine Safety Office San Francisco Bay, Bldg. 14, Coast Guard Island, Alameda, CA 94501, ATTN: LT Drew Cheney. The comments and other materials referenced in this notice will be available for inspection and copying at the Marine Safety Office. Normal office hours are between 7:30 a.m. and 4 p.m., Monday through Friday, except holidays. Comments may also be hand delivered to this address.

**FOR FURTHER INFORMATION CONTACT:** Lieutenant Commander Brian Tetreault, Vessel Traffic Management Section, Coast Guard Eleventh District/Pacific Area, Bldg. 50-6 Coast Guard Island, Alameda, CA 94501, telephone (510) 437-2951, email: btetreault@d11.uscg.mil.

**SUPPLEMENTARY INFORMATION:**

#### Request for Comments

Interested persons are invited to participate in this proposed rulemaking by submitting written views, data or arguments to the office listed under **ADDRESS** in this preamble. Persons submitting comments should include their names and addresses, identify the docket number for the regulations (CGD11-99-009), the specific section of the proposal to which their comments apply, and give reasons for each comment. Please submit all comments and related material in an unbound format, no larger than 8½ by 11 inches, suitable for copying. If you would like to know they reached us, please enclose

a stamped, self-addressed postcard or envelope. We will consider all comments and material received during the comment period. The regulations may be changed in light of the comments received. All comments received before the expiration of the comment period will be considered before final action is taken on this proposal.

#### Public Meeting

We do not now plan to hold a public meeting. But you may submit a request for a meeting by writing to the U.S. Coast Guard Marine Safety Office at the Address under **ADDRESSES**. The request should include the reasons why a hearing would be beneficial. If it determines that the opportunity for oral presentations will aid this rulemaking, the Coast Guard will hold a public hearing at a time and place announced by a later notice in the **Federal Register**.

#### Background and Purpose

The Coast Guard proposes to revise the "Note" accompanying the special anchorage regulations, 33 CFR 110.126a, for San Francisco Bay. The proposed regulations will amend the explanatory information provided regarding local authority and requirements.

#### Discussion of Proposed Regulation

A special anchorage is an area where vessels less than 20 meters in length are not required to make sound signals while anchored or display anchor lights as would otherwise be required under the Navigation Rules. Richardson Bay was designated a special anchorage area in 1969, and the regulations were amended in 1980. The special anchorage designation is marked on the chart of the area and referenced in the Coast Pilot for the convenience of mariners. Local authorities also exercise jurisdiction over this water area and have enacted ordinances further regulating vessel activity. These local authorities have encountered confusion on the part of mariners about the applicable requirements and the concurrent exercise of authority by both federal and local entities. The Richardson Bay Regional Agency has asked the Coast Guard to update the explanatory note accompanying the Federal anchorage regulations regarding the existence of local authority and ordinances. The Coast Guard believes that providing accurate and current information regarding applicable authority and requirements would be in the best interest of safe and efficient navigation. The proposed amendment to this regulation does not alter the special