filing limitation; and (3) simplify allowance reporting procedures by incorporating the new reporting form for coal washing allowances.

MMS proposes to amend $\S 206.259(b)(1)$ by deleting the fourth and fifth sentences that state:

However, before any estimated or actual deduction may be taken, the lessee must submit a completed Form MMS-4292 in accordance with paragraph (c)(2) of this section. A washing allowance may be claimed retroactively for a period of not more than 3 months prior to the first day of the month that Form MMS-4292 is filed with MMS, unless MMS approves a longer period upon a showing of good cause by the lessee.

MMS proposes replacing the two deleted sentences with the following two sentences:

Before any washing allowance deduction may be taken on Form MMS-2014, the lessee must file a Form MMS-4402, Notice of Intent to Take Coal Transportation and Washing Allowances, in accordance with paragraph (c)(2) of this section. After the Form MMS-4402 reporting period, the lessee must file a Form MMS-4292 in accordance with (c)(2) of this section.

MMS is proposing these changes to keep in line with the recommendations of the study group. These changes allow MMS to: (1) Focus its allowance administrative efforts on actual cost data rather than on estimated cost data; (2) eliminate the three-month filing limitation for coal washing allowances; and (3) simplify allowance reporting requirements.

MMS proposes to further amend $\S 206.259(b)(1)$ by deleting from the seventh sentence the phrase "* * estimated or * * *" The seventh sentence would read:

When necessary or appropriate, MMS may direct a lessee to modify its actual washing allowance.

MMS is proposing this change to simplify its coal washing allowance reporting requirements and to comply with the study group's report.

MMS proposes to amend § 206.259 (c)(1) by deleting existing paragraphs (i), (ii), and (iii) and add new paragraphs (i), (ii), and (iii) that read:

(i) With the exception of those washing allowances specified in paragraphs (c)(1)(v) and (vi) of this section, the lessee must file a Form MMS-4402 for washing allowances for each calendar year. The lessee must file the Form MMS-4402 by the due date of the first sales month in which a washing allowance is reported on Form \overrightarrow{MMS} –2014. A Form MMS-4402 received by the end of the month that Form MMS-2014 is due will be considered timely received.

(ii) The Form MMS-4402 will be effective for a reporting period beginning the month that the lessee is first authorized to deduct a washing allowance and will continue until

the end of the calendar year.

(iii) After the Form MMS-4402 reporting period, the lessee must file page one of Form MMS-4292 for washing allowances within 3 months after the end of the reporting period, unless MMS approves a longer period.

MMS proposes these changes to implement the study group's recommendations. These changes would: (1) Simplify coal washing allowance reporting procedures; (2) implement a new allowance form to show the payor's intent to take washing allowances for the current year; and (3) provide greater administrative focus on actual data rather than on estimated data submitted by the payor.

MMS proposes to amend § 206.259(c)(2) by deleting existing paragraphs (i), (ii), (iii), and (iv), and replacing them with new paragraphs (i), (ii), and (iii), to read as follows:

(i) With the exception of those washing allowances specified in paragraph (c)(2)(iv) and (vi) of this section, the lessee must file a Form MMS-4402 for washing allowances for each calendar year. The lessee must file the Form MMS-4402 by the due date of the first sales month in which a washing allowance is reported on Form MMS-2014. A Form MMS-4402 received by the end of the month that Form MMS-2014 is due will be considered timely received.

(ii) The Form MMS-4402 will be effective for a reporting period beginning the month that the lessee is first authorized to deduct a washing allowance and will continue until the end of the calendar year.

(iii) After the Form MMS-4402 reporting period, the lessee must file page one and all supporting schedules of Form MMS-4292 for the actual washing allowance calculated for the reporting period. Form MMS–4292 is due within 3 months after the end of the

reporting period, unless MMS approves a longer period.

These changes would address the study group's recommendations concerning MMS' administration of allowances and the need to focus on actual data reported annually rather than focus on estimated allowance rates reported at the beginning of each allowance year. Accordingly, MMS would continue to require the submission on an annual form which notifies MMS of the payor's intent to take allowance deductions from the royalty value.

Consistent with this amendment, paragraphs (v), (vi) and (vii), would be redesignated (iv), (v), and (vi).

MMS is proposing technical corrections to this section as a result of adopting changes recommended by the study group.

MMS proposes to amend § 206.259(c) by adding paragraph (5) to read:

A lessee is required to file a new Form MMS-4292 if adjustments are made to actual non-arm's-length washing allowances on Form MMS-2014.

MMS is proposing this change to comply with the study group's report. This change emphasizes MMS' focus on collecting actual data as opposed to estimated data and allows adjustments to allowance data previously submitted to MMS.

MMS proposes to amend § 206.259(d) by changing the title to read:

(d) Interest charges and assessments for incorrect or late reports and failure to report.

This change would better define and clarify the purpose of this section.

MMS proposes to amend § 206.259(d) by deleting paragraphs (1), (2), and (3) and replacing them with the following schedule:

(d) Interest charges and assessments for incorrect or late reports and failure to report. MMS may levy assessments and interest charges in accordance with the table below. MMS will determine interest rates in accordance with 30 CFR 218.202.

If a lessee * * *	The assessment is * * *	Plus interest calculated * * *
Files an inaccurate or Late Form MMS-4402	\$10 per allowance line required on Form MMS–4402.	
Deducts a washing allowance on Form MMS–2014 without complying with requirements for actual cost reporting on Form MMS–4292.	An amount equal to 10 percent of the total allowance amount deducted on Forms MMS-2014 during the year.	From the date that Form MMS–4292 was due until the date that the form was received.