articles. That is, when manufactured articles qualifying for drawback are commingled with nonqualifying articles after the former are manufactured by a drawback claimant, substitution under the law is not authorized. In such situations, identification of merchandise or articles for drawback purposes by accounting procedures must be revenue neutral or favorable to the Government and the accounting procedures should be consistent with the criteria for such accounting procedures described above.

Comment: The drawback law does not require any method of identifying fungible duty-paid imported materials which may be commingled in storage with other foreign or domestic materials; rather, the law delegates authority to the Secretary of the Treasury to prescribe appropriate accounting methods by regulation.

Response: Section 1313(l) of the drawback law provides that the allowance of drawback shall be subject to compliance with such rules and regulations as the Secretary of the Treasury shall prescribe. Under this authority, the agency has already prescribed, inter alia, a regulation governing the use of accounting methods (see, 19 CFR 191.22(c)). As stated above, the final interpretative ruling articulates Customs position that in situations where the law does not specifically authorize substitution, identification of merchandise or articles for drawback purposes by appropriate accounting procedures should be consistent with the criteria for such accounting procedures described above.

Comment: The higher-to-lower accounting method promotes administrative efficiency because it allows Customs to verify drawback claims without inquiring as to the order of withdrawal from commingled inventory.

Response: The drawback statute contains specific time limits (see e.g., sections 1313 (i), (b), (c), (j), (p)). Any verification by Customs of whether a drawback claimant has complied with the drawback law and the regulations issued thereunder must include verification that the statutory timelimits were met.

Comment: If Customs decides to revoke C.S.D. 84–82 and proscribe the use of higher-to-lower accounting for drawback, Customs should specify a "cut-off" date for use of the higher-to-lower method. Customs should delay the effective date for this change in position because the drawback public may have relied on this ruling in establishing its inventory methods for drawback. One commenter suggests an implementation period of 3 years.

Response: Customs is delaying the effective date of the amendment of T.D. 84–49 and the revocation of C.S.D. 84– 82 for 90 days after the publication of this document, the maximum delay provided for in the Customs Regulations for a modification or revocation of a ruling (see 19 CFR 177.9). Customs notes that, in regard to manufacturing drawback, a drawback claimant which relied on C.S.D. 84-82 should be able to document such reliance in its drawback rate (*i.e.*, in order to be paid manufacturing drawback, a claimant must have an approved drawback rate (see 19 CFR 191.23 and the general drawback rate for section 1313(a) (T.D. 81–234), as well as the sample drawback proposal for section 1313(b) provided for in 19 CFR 191.21(c), the latter of which contains specific sections in which the claimant is instructed to describe its inventory procedures)). In such instances (i.e., when a claimant is operating under a drawback rate which specifically provides for higher-to-lower accounting), drawback claimants may continue to use higher-to-lower accounting procedures, as provided for in their drawback rates, until their rates are modified, and notice of the modification is sent to the rate holders.

# Conclusion

For the reasons given in the June 28, 1994, **Federal Register** notice, and following careful consideration of the comments received and further review of the matter, Customs is taking the actions described in the June 28, 1994, **Federal Register** notice. That is:

1. T.D. 84–49 is amended to permit the accounting for withdrawals from inventory of exports and drawback deliveries on a FIFO basis. The order of such withdrawals will continue to be: first exports, then drawback deliveries, after which domestic shipments will be accounted for on a FIFO basis.

### 2. C.S.D. 84-82 is revoked.

This amendment of T.D. 84–49 and the revocation of C.S.D. 84–82 will be effective to drawback entries or claims properly filed with Customs on or after 90 days from the date of publication in the **Federal Register**. Drawback claimants operating under properly approved drawback rates under 19 CFR 191.23 may continue to claim drawback using higher-to-lower accounting procedures, as provided for in C.S.D. 84–82, if the drawback rates under which they are operating specifically provide for the use of such procedures, until such rates are modified, and notice

of such modification is sent to the rate holders.

#### Michael H. Lane,

Acting Commissioner of Customs. Approved: July 6, 1995.

#### John P. Simpson,

Deputy Assistant Secretary of the Treasury. [FR Doc. 95–19911 Filed 8–10–95; 8:45 am] BILLING CODE 4820–02–P

#### Internal Revenue Service

### 26 CFR Parts 1 and 602

[TD 8611]

RIN 1545-AS40

# **Conduit Arrangements Regulations**

**AGENCY:** Internal Revenue Service (IRS), Treasury.

**ACTION:** Final regulations.

**SUMMARY:** This document contains final regulations relating to conduit financing arrangements issued under the authority granted by section 7701(l). The final regulations apply to persons engaging in multiple-party financing arrangements. The final regulations are necessary to determine whether such arrangements should be recharacterized under section 7701(l).

**EFFECTIVE DATE:** The regulations are effective September 11, 1995.

FOR FURTHER INFORMATION CONTACT: Elissa J. Shendalman of the Office of the Associate Chief Counsel (International), (202) 622–3870 (not a toll-free number).

# SUPPLEMENTARY INFORMATION:

# **Paperwork Reduction Act**

The collection of information contained in these final regulations has been reviewed and approved by the Office of Management and Budget for review in accordance with the Paperwork Reduction Act (44 U.S.C. 3504(h)) under control number 1545–1440. The estimated annual burden per recordkeeper is 10 hours.

Comments concerning the accuracy of this burden estimate and suggestions for reducing this burden should be sent to the Internal Revenue Service, Attn: IRS Reports Clearance Officer, PC:FP, Washington, DC 20224, and to the Office of Management and Budget, Attn: Desk Officer for the Department of Treasury, Office of Information and Regulatory Affairs, Washington, DC 20503.

### **Background**

On August 10, 1993, Congress enacted section 7701(l) of the Internal Revenue Code (Code), which authorizes the