

**Unsafe Condition**

(d) This AD results from reports of fatigue cracks in the airfoil of the power turbine blade. We are issuing this AD to prevent fracture of the power turbine blade airfoil, which could result in sudden loss of engine power and prevent continued safe flight or safe landing.

**Compliance**

(e) You are responsible for having the actions required by this AD performed within

the compliance times specified unless the actions have already been done.

(f) For engines with power turbine rotors, P/Ns 4-141-290-11, -12, -13, and -14, marked with "ORI T41881," on the aft hub in the vicinity of the P/N, no further action is required.

**Removing Power Turbine Rotors From LTS101-600A-2, -3, -3A, and LTS101-700D-2 Turboshaft Engines and LTP101-600A-1A and LTP101-700A-1A Turboprop Engines**

(g) For LTS101-600A-2, -3, -3A, and LTS101-700D-2 turboshaft engines and LTP101-600A-1A and LTP101-700A-1A turboprop engines, remove power turbine rotors, P/Ns 4-141-290-01, -02, -03, -05, -06, -11, -12, -13, -14, or -16, using the cycles specified in Table 1 of this AD:

**TABLE 1—DRAWDOWN CYCLES FOR LTS101-600A-2, -3, -3A, AND LTS101-700D-2 TURBOSHAFT ENGINES AND LTP101-600A-1A AND LTP101-700A-1A TURBOPROP ENGINES**

If power turbine rotor time on the effective date of this AD is * * *	Then remove the power turbine rotor from the engine * * *
(1) Fewer than 5,000 cycles-since-new (CSN) .....	Between 5,000 and 5,500 CSN.
(2) 5,000 to 7,899 CSN .....	Within 500 cycles-in-service (CIS) after the effective date of this AD or before exceeding 8,000 CSN, whichever occurs first.
(3) 7,900 to 9,999 CSN .....	Within 100 CIS after the effective date of this AD or before exceeding 10,050 CSN, whichever occurs first.
(4) 10,000 or more CSN .....	Within 50 CIS after the effective date of this AD.

**Removing Power Turbine Rotors From LTS101-650B-1, -650C-3, -650C-3A, -750B-1, -2, -750C-1, and -850B-2 Engines**

(h) Remove power turbine rotors, P/Ns 4-141-290-01, -02 -03, -05, -06, -11, -12,

-13, -14, or -16, using the cycles specified in Table 2 of this AD:

**TABLE 2—DRAWDOWN CYCLES FOR LTS101-650B-1, -650C-3, -650C-3A, -750B-1, -2, -750C-1, AND -850B-2 ENGINES**

If power turbine rotor time on the effective date of this AD is * * *	Then remove the power turbine rotor from the engine * * *
(1) Fewer than 5,500 CSN .....	Between 5,000 and 7,200 CSN.
(2) 5,500 to 7,999 CSN .....	Within 1,700 CIS after the effective date of this AD or before exceeding 8,950 CSN, whichever occurs first.
(3) 8,000 to 9,999 CSN .....	Within 950 CIS after the effective date of this AD or before exceeding 10,400 CSN, whichever occurs first.
(4) 10,000 or more CSN .....	Within 400 CIS after the effective date of this AD.

**Alternative Methods of Compliance**

(i) The Manager, Los Angeles Aircraft Certification Office, has the authority to approve alternative methods of compliance for this AD if requested using the procedures found in 14 CFR 39.19.

**Related Information**

(j) Contact Robert Baitoo, Aerospace Engineer, Los Angeles Aircraft Certification Office, FAA, Transport Airplane Directorate, 3960 Paramount Blvd., Lakewood, CA 90712-4137; e-mail: [robert.baitoo@faa.gov](mailto:robert.baitoo@faa.gov); telephone (562) 627-5245; fax (562) 627-5210, for more information about this AD.

(k) Honeywell International Inc. Service Bulletins LT 101-71-00-0252 and LTS101-71-00-0253, pertain to the subject of this AD. Contact Honeywell International Inc., P.O. Box 52181, Phoenix, AZ 85072-2181; telephone (800) 601-3099 (U.S.A.) or (602) 365-3099 (International); or go to: <https://portal.honeywell.com/wps/portal/aero>, for a copy of this service information.

Issued in Burlington, Massachusetts, on December 13, 2010.

**Thomas A. Boudreau,**  
*Acting Manager, Engine and Propeller Directorate, Aircraft Certification Service.*

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**BILLING CODE 4910-13-P**

**DEPARTMENT OF LABOR**

**Employment and Training Administration**

**20 CFR Part 641**

**RIN 1205-AB60**

**Senior Community Service Employment Program; Notice of Proposed Rulemaking, Additional Indicator on Volunteer Work; Correction**

**AGENCY:** Employment and Training Administration, Labor.

**ACTION:** Proposed rule; correction.

**SUMMARY:** This document corrects an expiration date cited in the Notice of Proposed Rulemaking (NPRM) of the Senior Community Service Employment Program (SCSEP), Additional Indicator on Volunteer Work that was published on November 23, 2010. The NPRM updates the SCSEP regulations to add an indicator to measure the number of exiting participants who enter volunteer work. The relevant Office of Management and Budget (OMB) Control Number for SCSEP's approved information collection is 1205-0040. The NPRM stated that the expiration date for 1205-0040 was October 31, 2010. However, that date is incorrect. The information collection is now pending with OMB, as the Department has requested a 3-year extension on the expiration of the approval date for it. Therefore 1205-0040 remains current on a month-by-month basis until OMB acts on the current information

collection extension request. For more information on this request, see <http://www.reginfo.gov>.

**DATES:** This correction is effective December 17, 2010.

**FOR FURTHER INFORMATION CONTACT:** For information on this correction, contact Thomas M. Dowd, Administrator, Office of Policy Development and Research, Employment and Training Administration, U.S. Department of Labor, 200 Constitution Avenue, NW., Room N-5641, Washington, DC 20210. Telephone: (202) 693-3700 (this is not a toll-free number). Individuals with hearing or speech impairments may access the telephone via TTY by calling the toll-free Federal Information Relay Service at 1-800-877-8339.

**SUPPLEMENTARY INFORMATION:**

**Correction**

In proposed rule FR Doc. 2010-29424 (75 FR 71514), beginning on page 71514 in the issue of November 23, 2010, make the following correction in the

**SUPPLEMENTARY INFORMATION** section. On page 71517, in the 2nd column, in the 8th line, delete the sentence: "The approval expires October 31, 2010." Replace that sentence with "The approval for 1205-0040 remains current on a month-by-month basis until OMB acts on the currently pending information collection extension request. For more information on this request, see <http://www.reginfo.gov>."

Signed in Washington, DC, this 13th day of December 2010.

**Jane Oates,**

*Assistant Secretary, Employment and Training Administration, Labor.*

[FR Doc. 2010-31680 Filed 12-16-10; 8:45 am]

**BILLING CODE 4510-FN-P**

**DEPARTMENT OF THE TREASURY**

**Internal Revenue Service**

**26 CFR Part 1**

[REG-149335-08; RIN 1545-BI57]

**Sales-Based Royalties and Vendor Allowances**

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

**ACTION:** Notice of proposed rulemaking.

**SUMMARY:** This document contains proposed regulations relating to the capitalization and allocation of royalties that are incurred only upon the sale of property produced or property acquired for resale (sales-based royalties). This document also contains proposed regulations on adjusting the cost of

merchandise inventory for an allowance, discount, or price rebate based on merchandise sales (sales-based vendor allowances). The regulations modify the simplified production method and the simplified resale method of allocating capitalized costs between ending inventory and cost of goods sold. The regulations affect taxpayers that incur capitalizable sales-based royalties and earn sales-based vendor allowances.

**DATES:** Written or electronic comments and a request for a public hearing must be received by March 17, 2011.

**ADDRESSES:** Send submissions to: CC:PA:LPD:PR (REG-149335-08), Room 5203, Internal Revenue Service, P.O. Box 7604, Ben Franklin Station, Washington, DC 20044. Submissions may be hand-delivered Monday through Friday between the hours of 8 a.m. and 4 p.m. to: CC:PA:LPD:PR (REG-149335-08), Courier's Desk, Internal Revenue Service, 1111 Constitution Avenue, NW., Washington, DC. Alternatively, taxpayers may submit comments electronically via the Federal eRulemaking Portal at <http://www.regulations.gov> (IRS REG-149335-08).

**FOR FURTHER INFORMATION CONTACT:**

Concerning the proposed regulations, John Roman Faron, (202) 622-4930 (not a toll-free number); concerning submission of comments or a request for a public hearing, Richard Hurst at [Richard.A.Hurst@irs.counsel.treas.gov](mailto:Richard.A.Hurst@irs.counsel.treas.gov).

**SUPPLEMENTARY INFORMATION:**

**Background**

This document contains proposed amendments to 26 CFR part 1 relating to the allocation under section 263A of the Internal Revenue Code (Code) of certain sales-based royalties. Sales-based royalties are royalty costs that become due only upon the sale of property. Thus, the fact of the liability arises, and the royalty is incurred within the meaning of section 461, only upon sale.

This document also contains proposed amendments to 26 CFR part 1 relating to the determination of cost of goods in inventory under section 471 when a taxpayer receives a sales-based vendor allowance. Sales-based vendor allowances are allowances, discounts, or price rebates that a reseller receives, earns, or otherwise becomes entitled to based on the resale of a vendor's merchandise to a third party.

*Capitalization and Allocation of Sales-Based Royalties Under Section 263A*

Section 263A requires taxpayers to capitalize the direct costs and indirect

costs that are properly allocable to (1) real or tangible personal property the taxpayer produces, and (2) real property or personal property described in section 1221(a)(1) that the taxpayer acquires for resale. Taxpayers must allocate costs required to be capitalized under section 263A to property produced or acquired for resale during the taxable year using a cost allocation method described in the regulations. A taxpayer generally determines whether the cost of goods is included in cost of goods sold or in ending inventory using a cost flow assumption (for example, first-in, first-out or last-in, first-out). However, as explained later in this preamble, a taxpayer may use a simplified method to allocate costs required to be capitalized under section 263A between cost of goods sold and ending inventory.

Section 1.263A-1(e)(3)(i) defines indirect costs as all costs other than direct material costs and direct labor costs (in the case of property produced) or acquisition costs (in the case of property acquired for resale). Indirect costs are properly allocable to property produced or acquired for resale when the costs directly benefit or are incurred by reason of the performance of production or resale activities.

Section 1.263A-1(e)(3)(ii) provides a non-exclusive list of indirect costs that must be capitalized to the extent they are properly allocable to property produced or property acquired for resale. These costs include licensing and franchise costs incurred in securing the contractual right to use a trademark, corporate plan, manufacturing procedure, special recipe, or other similar right associated with property produced or property acquired for resale. Section 1.263A-1(e)(3)(ii)(U). Thus, royalty costs, including sales-based royalty costs, incurred in securing the contractual right to use a trademark, corporate plan, manufacturing procedure, special recipe, or other similar right associated with property produced or property acquired for resale, are indirect costs that are properly allocable to the property produced or acquired for resale to the extent the costs directly benefit or are incurred by reason of production or resale activities. See, for example, *Plastic Engineering & Technical Services, Inc. v. Commissioner*, TC Memo. 2001-324; but see *Robinson Knife Manufacturing Company, Inc. v. Commissioner*, No. 09-1496-ag, 2010 WL 986532 (2d Cir. March 19, 2010).

Section 1.263A-1(f) provides various "facts-and-circumstances" cost allocation methods that taxpayers may use to allocate direct and indirect costs