

chemical intermediate. They are not sold at retail.

How Did Red Phosphorus, White Phosphorus, and Hypophosphorus Acid (and Its Salts) Become List I Chemicals?

On September 25, 2000, DEA published a Notice of Proposed Rulemaking (65 FR 57577) that proposed that red phosphorus, white phosphorus, and hypophosphorus acid (and its salts) be placed in list I by amending 21 Code of Federal Regulations (CFR) 1310.02(a). On October 17, 2001, a Final Rule with request for comments was published in the **Federal Register** (66 FR 52670) which amended 21 CFR 1310.02(a) and placed these chemicals in list I of the CSA. Placing these forms of phosphorus in list I became necessary because they are used in the illicit manufacturing of methamphetamine, a Schedule II controlled substance.

The CSA requires that all handlers of red phosphorus, white phosphorus, and hypophosphorus acid (and its salts) must register as set forth in 21 CFR part 1309 and keep records and file reports as set forth in 21 CFR part 1310. Until regulations that delineate criteria and procedures for exempting specific regulated phosphorus-containing chemical mixtures are finalized, DEA is treating regulated phosphorus-containing chemical mixtures as being exempt from the chemical regulatory requirements of the CSA.

Why Is DEA Interested in Learning About Chemical Mixtures Containing Regulated Phosphorus?

DEA is in the process of establishing regulations that define which chemical mixtures are exempt from CSA regulatory controls. The CSA defines the term "chemical mixture" as "a combination of two or more chemical substances, at least one of which is not a list I chemical or a list II chemical, except that such term does not include any combination of a list I chemical or a list II chemical that is present solely as an impurity." The CSA further allows exemption of chemical mixtures "based on a finding that the mixture is formulated in such a way that it cannot be easily used in the illicit production of a controlled substance and that the listed chemical or chemicals contained in the mixture cannot be readily recovered."

A notice of proposed rule making (NPRM) regarding the exemption of chemical mixtures was published in the **Federal Register** on September 16, 1998 (63 FR 49506). The NPRM proposed regulations to identify if a chemical mixture is automatically exempt from

CSA regulatory controls. When the NPRM was published, white phosphorus, red phosphorus, and hypophosphorus acid (and its salts) were not regulated chemicals. Therefore, regulations addressing the exemption of chemical mixtures containing regulated phosphorus were not proposed.

The NPRM proposed a concentration limit for each listed chemical. If a listed chemical is found in a chemical mixture at or below the concentration limit, the mixture is exempt. Also proposed were categories of exempt chemical mixtures and an application process. The application process is a means to exempt chemical mixtures not automatically exempted by regulation. These approaches were well received by the regulated industry and may be proposed to identify exempt chemical mixtures containing regulated phosphorus.

What Is DEA Requesting in This ANPRM?

To propose regulations in line with the above approaches, DEA is interested in learning about formulations that contain regulated phosphorus. While some formulations containing regulated phosphorus have been identified, DEA is not aware of the entire scope of mixtures containing regulated phosphorus, including how they are used, traded, and their chemical composition. DEA invites all interested persons to provide any information on chemical mixtures containing regulated phosphorus. Both quantitative and qualitative information is requested. If the concentration of a chemical(s) varies in a formulation, DEA is interested in the range of concentration. Also of interest is how the mixtures are packaged, distributed, type of application, and the target market (*e.g.*, type of industry, availability at retail, Internet sales). This information will be used to propose regulations to exempt any chemical mixture that, according to 21 U.S.C. 802(39)(A)(v), is "formulated in such a way that it cannot be easily used in the illicit production of a controlled substance and that the listed chemical or chemicals contained in the mixture cannot be readily recovered."

Such information may be submitted to the address listed above and is requested by April 1, 2003. Information designated as confidential or proprietary will be treated accordingly. The release of confidential business information that is protected from disclosure under Exemption 4 of the Freedom of Information Act, 5 U.S.C. 552(b)(4), is governed by section 310(c) of the CSA (21 U.S.C. 830(c)) and the Department of

Justice procedures set forth in 28 CFR 16.8.

Dated: January 22, 2003.

Laura M. Nagel,

Deputy Assistant Administrator, Office of Diversion Control.

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DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

[REG-125638-01]

RIN 1545-BA00

Guidance Regarding Deduction and Capitalization of Expenditures; Correction

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Correction to notice of proposed rulemaking and notice of public hearing.

SUMMARY: This document contains corrections to a notice of proposed rulemaking and notice of public hearing that explains how section 263(a) of the Internal Revenue Code (Code) applies to amounts paid to acquire, create, or enhance intangible assets. This document was published in the **Federal Register** on December 19, 2002 (67 FR 77701).

FOR FURTHER INFORMATION CONTACT: Andrew J. Keyso (202) 927-9397 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

The proposed regulations that are the subject of these corrections are under sections 263(a), 167, and 446 of the Internal Revenue Code.

Need for Correction

As published, the proposed regulations REG-125638-01, contains errors that may prove to be misleading and are in need of clarification.

Correction of Publication

Accordingly, the publication of the proposed regulations REG-125638-01, which is the subject of FR Doc. 02-31859, is corrected as follows:

1. On page 77704, column 1, in the preamble, under the paragraph heading "Amounts Paid to Obtain or Modify Contract Rights", paragraph 4, the last two lines of the paragraph, the language "agreement is a separate and distinct asset" is corrected to read "agreement is a separate and distinct intangible asset".