

*Issue.* Whose profit margin and aggregate annual revenues should hospital A consider in determining if it can increase its prices?

*Ruling.* Institutional providers of health services include any hospital owned or operated by any person. Economic Stabilization Regulations, 6 CFR Part 300, Appendix I, 36 F.R. 23584 (December 30, 1971). In applying the regulations of the Economic Stabilization Program, each separate and distinct institutional health care provider in a community is considered on an individual basis. Therefore each individual hospital that wishes to charge a price in excess of its base price must individually meet the requirements of Economic Stabilization Regulations, 6 CFR 300.18, 36 F.R. 23584 (December 30, 1971), as amended, 37 F.R. 775 (January 19, 1972) and 37 F.R. 7621 (April 18, 1972). Each hospital must use its own allowable cost increases to justify a price increase and use its own profit margin, not the profit margin of a larger entity (such as corporation X in this example) that operates the hospital. Also, the aggregate annual revenue requirements of § 300.18(c) of the regulations apply to each individual hospital.

Therefore hospital A must consider its own profit margin (3 percent) and its own aggregate annual revenues (\$1.5 million) in determining if its proposed price increase is allowable.

This ruling has been approved by the General Counsel of the Price Commission.

Dated: June 5, 1972.

LEE H. HENKEL, Jr.,  
*Acting Chief Counsel,*  
*Internal Revenue Service.*

Approved: June 5, 1972.

SAMUEL R. PIERCE, Jr.,  
*General Counsel,*  
*Department of the Treasury.*

[FR Doc.72-8786 Filed 6-9-72; 8:48 am]

[Price Commission Ruling 1972-183]

## PROFIT MARGIN DETERMINATIONS

### Price Commission Ruling

*Facts.* Company A, a manufacturing firm which uses a cost method of accounting in preparing its financial statements, generally writes down its inventory valuation each year by approximately \$100,000. This write down reflects losses due to spoilage, obsolescence and other acceptable reasons. This year, however, A proposes to write down its inventory \$400,000 due to extraordinary reasons.

*Issue.* Is an inventory write down considered a general and recurring cost of business operations which may be used in determining A's profit margin?

*Ruling.* Economic Stabilization Regulation § 300.5, 6 CFR 300.5 (February 24, 1972), defines the term "Profit Margin" as "the ratio that operating income (net sales less cost of sales and less normal and generally recurring costs of business operations, determined before nonop-

erating items, extraordinary items, and income taxes) bears to net sales as reported on the person's financial statement prepared in accordance with generally accepted accounting principles consistently applied." In accordance with this regulation general accounting theory is used instead of income tax accounting, and each expense in order to be allowable in calculating the profit margin, must be general, recurring, operational in nature and not extraordinary. Further, its use in financial statements in determining profit and loss, must be consistent with general accounting principles applied consistently.

On the above facts, an inventory write down would comply with all the requirements, except that this year the excessive amount would make it extraordinary. As such it cannot be used, this year, in determining A's profit margin in accordance with the regulations.

This ruling has been approved by the General Counsel of the Price Commission.

Dated: June 5, 1972.

LEE H. HENKEL, Jr.,  
*Acting Chief Counsel,*  
*Internal Revenue Service.*

Approved: June 5, 1972.

SAMUEL R. PIERCE, Jr.,  
*General Counsel,*  
*Department of the Treasury.*

[FR Doc.72-8787 Filed 6-9-72; 8:48 am]

[Price Commission Ruling 1972-184; Cost of Living Council Ruling 1972-54]

## RETROACTIVE PAYMENTS

### Price Commission Ruling and Cost of Living Council Ruling

*Facts.* The Postal Service has a procedure for adjusting the payments it makes to contractors who carry mail in order to compensate them for unexpected cost increases. X, a contractor, applied and filed for such an increase in May 1971, for its various routes. The requests were neither granted nor denied due to the transition problems occurring within the Post Office.

*Issue.* If the Post Office approves such requests after August 15, 1971, will such payments to X violate the Economic Stabilization Act?

*Ruling.* X has performed services for the Post Office during the period prior to August 15, 1971. It is clear that the subsequent freeze did not give an obligor the right to renege on its past obligations due for services rendered prior to August 15, 1971. X can collect increased payments from the Post Office for services performed during this period even though such approval occurred after August 15, 1971.

As for compensation for services rendered by X during the August 15 to November 13, 1971, period, X can also collect the increased payments for this period. Under Phase I, the ceiling price for a service is the highest price at which a seller furnished the service in a substantial number of transactions during

the base period. Economic Stabilization Regulation No. 1, section 3a(1), 36 F.R. 16515 (August 21, 1971). A "transaction" under Phase I takes place when the seller performs the service. Economic Stabilization Circular No. 101.302(1). Since X has performed services during the pre-August 15, 1971, period at a higher price, the ceiling price during the freeze will be the higher price subsequently granted by the Post Office.

This ruling has been approved by the General Counsels of the Price Commission and Cost of Living Council.

Dated: June 6, 1972.

LEE H. HENKEL, Jr.,  
*Acting Chief Counsel,*  
*Internal Revenue Service.*

Approved: June 6, 1972.

SAMUEL R. PIERCE, Jr.,  
*General Counsel,*  
*Department of the Treasury.*

[FR Doc.72-8788 Filed 6-9-72; 8:48 am]

## Office of the Secretary

[Treasury Department Order 221]

## BUREAU OF ALCOHOL, TOBACCO, AND FIREARMS

### Establishment, Organization, and Functions

By virtue of the authority vested in me as Secretary of the Treasury, including the authority in Reorganization Plan No. 26 of 1950, it is ordered that:

1. The purpose of this order is to transfer, as specified herein, the functions, powers, and duties of the Internal Revenue Service arising under laws relating to alcohol, tobacco, firearms, and explosives (including the Alcohol, Tobacco, and Firearms Division of the Internal Revenue Service), to the Bureau of Alcohol, Tobacco, and Firearms (hereinafter referred to as the Bureau) which is hereby established. The Bureau shall be headed by the Director, Bureau of Alcohol, Tobacco, and Firearms (hereinafter referred to as the Director). The Director shall perform his duties under the general direction of the Secretary of the Treasury (hereinafter referred to as the Secretary) and under the supervision of the Assistant Secretary (Enforcement, Tariff and Trade Affairs, and Operations) (hereinafter referred to as the Assistant Secretary).

2. The Director shall perform the functions, exercise the powers, and carry out the duties of the Secretary in the administration and enforcement of the following provisions of law:

(a) Chapters 51, 52, and 53 of the Internal Revenue Code of 1954 and sections 7652 and 7653 of such Code insofar as they relate to the commodities subject to tax under such chapters;

(b) Chapters 61 to 80, inclusive, of the Internal Revenue Code of 1954, insofar as they relate to activities administered and enforced with respect to chapters 51, 52, and 53;

(c) The Federal Alcohol Administration Act (27 U.S.C. Chapter 8);

(d) 18 U.S.C. Chapter 44 (relating to firearms);

(e) Title VII, Omnibus Crime Control and Safe Streets Act of 1968 (18 U.S.C. Appendix, sections 1201-1203);

(f) 18 U.S.C. 1262-1265; 1952; 3615 (relating to liquor traffic);

(g) Act of August 9, 1939 (49 U.S.C. Chapter 11); insofar as it involves matters relating to violations of the National Firearms Act;

(h) 18 U.S.C. Chapter 40 (relating to explosives); and

(i) Section 414 of the Mutual Security Act of 1954, as amended (22 U.S.C. 1934) relating to the control of the importation of arms, ammunition, and implements of war.

3. All functions, powers, and duties of the Secretary which relate to the administration and enforcement of the laws specified in paragraph 2 hereof are delegated to the Director. Regulations for the purposes of carrying out the functions, powers, and duties delegated to the Director may be issued by him with the approval of the Secretary.

4. (a) All regulations prescribed, all rules and instructions issued, and all forms adopted for the administration and enforcement of the laws specified in paragraph 2 hereof, which are in effect or in use on the effective date of this order, shall continue in effect as regulations, rules, instructions, and forms of the Bureau until superseded or revised;

(b) All existing activities relating to the collection, processing, depositing, or accounting for taxes (including penalties and interest), fees, or other moneys under the laws specified in paragraph 2 hereof, shall continue to be performed by the Commissioner of Internal Revenue to the extent not now performed by the Alcohol, Tobacco, and Firearms Division or the Assistant Regional Commissioners (Alcohol, Tobacco, and Firearms), until the Director shall otherwise provide with the approval of the Secretary;

(c) All existing activities relating to the laws specified in paragraph 2 hereof which are now performed by the Bureau of Customs, shall continue to be performed by such Bureau until the Director shall otherwise provide with the approval of the Secretary.

5. (a) The terms "Director, Alcohol, Tobacco, and Firearms Division" and "Commissioner of Internal Revenue" wherever used in regulations, rules, instructions, and forms, issued or adopted for the administration and enforcement of the laws specified in paragraph 2 hereof, which are in effect or in use on the effective date of this order, shall be held to mean the Director.

(b) The terms "Assistant Regional Commissioner" wherever used in such regulations, rules, instructions, and forms, shall be held to mean Regional Director.

(c) The terms "internal revenue officer" and "officer, employee, or agent of the internal revenue" wherever used in such regulations, rules, instructions,

and forms, in any law specified in paragraph 2 above, and in 18 U.S.C. 1114, shall include all officers and employees of the United States engaged in the administration and enforcement of the laws administered by the Bureau, who are appointed or employed by, or pursuant to the authority of, or who are subject to the directions, instructions, or orders of, the Secretary.

(d) The above terms, when used in regulations, rules, instructions, and forms of Government agencies other than the Internal Revenue Service, which relate to the administration and enforcement of the laws specified in paragraph 2 hereof, shall be held to have the same meaning as if used in regulations, rules, instructions, and forms of the Bureau.

6. (a) There shall be transferred to the Bureau all positions, personnel, records, property, and unexpended balances of appropriations, allocations, and other funds of the Alcohol, Tobacco and Firearms Division of the Internal Revenue Service, including those of the Assistant Regional Commissioners (Alcohol, Tobacco and Firearms), Internal Revenue Service.

(b) In addition, there shall be transferred to the Bureau such other positions, personnel, records, property, and unexpended balances of appropriations, allocations, and other funds, as are determined by the Assistant Secretary for Administration, in consultation with the Assistant Secretary, the Director, and the Commissioner of Internal Revenue, to be necessary or appropriate to be transferred to carry out the purposes of this order.

(c) There shall be transferred to the Chief Counsel of the Bureau such functions, powers, and duties, and such positions, personnel, records, property, and unexpended balances of appropriations, allocations, and other funds, of the Chief Counsel of the Internal Revenue Service as the General Counsel of the Department shall direct.

7. All delegations inconsistent with this order are revoked.

8. This order shall become effective July 1, 1972.

Dated: June 6, 1972.

[SEAL] CHARLES E. WALKER,  
Acting Secretary of the Treasury.  
[FR Doc.72-8818 Filed 6-9-72;8:50 am]

## DEPARTMENT OF AGRICULTURE

### Agricultural Marketing Service

[Marketing Agreement 146]

#### DOMESTICALLY PRODUCED PEANUTS

#### Budget of Expenses of Administrative Committee and Rate of Assessment for 1972 Crop Year

Pursuant to Marketing Agreement 146, regulating the quality of domestically

produced peanuts (30 F.R. 9402), and upon recommendation of the Peanut Administrative Committee established pursuant to such agreement and other information, it is hereby found and determined that the expenses of said Committee and the rate of assessment applicable to peanuts produced in 1972 and for the crop year beginning July 1, 1972, shall be as follows:

(a) *Administrative expenses.* The budget of expenses for the Committee for the crop year beginning July 1, 1972, shall be in the total amount of \$285,000, such amount being reasonable and likely to be incurred for the maintenance and functioning of the Committee, and for such purposes as the Secretary may, pursuant to the provisions of the marketing agreement, determine to be appropriate.

(b) *Indemnification expenses.* Expenses of the Committee for indemnification payments, pursuant to the terms and conditions of indemnification applicable to 1972 crop peanuts, effective July 1, 1972, are estimated at, but may exceed \$3.5 million, such amount being reasonable and likely to be incurred.

(c) *Rate of assessment.* Each handler shall pay to the Peanut Administrative Committee, in accordance with section 48 of the marketing agreement, an assessment at the rate of \$2.55 per net ton of farmers stock peanuts received or acquired other than those described in section 31 (c) and (d) (\$0.30 for administrative expenses and \$2.25 for indemnification expenses).

(d) *Indemnification reserve.* Monetary additions to the indemnification reserve, established in the 1965 crop year pursuant to section 48 of the marketing agreement, shall continue. That portion of the total assessment funds accrued from the \$2.25 rate and not expended in providing indemnification on 1972 crop peanuts shall be placed in such reserve and shall be available to pay indemnification expenses on subsequent crops.

The expenses and rate of assessment are, under the agreement, on a crop year basis and will automatically be applicable to all assessable peanuts from the beginning of such crop year. The handlers of peanuts who will be affected hereby have signed the marketing agreement authorizing approval of expenses that may be incurred and the imposition of assessments, they are represented on the Committee which has submitted the recommendation with respect to such expenses and assessment for approval; and handlers have had knowledge of the foregoing in their recent industrywide discussions and will be afforded maximum time to plan their operations accordingly.

Dated: June 7, 1972.

FLOYD F. HEDLUND,  
Director,  
Fruit and Vegetable Division.

[FR Doc.72-8790 Filed 6-9-72;8:50 am]