

respect to the combination of the stock and the written qualified covered call option. In addition, when the owner of the stock acquires the put, the amount of the premium received from the call option is offset, in whole or in part, by the amount of the premium paid for the put option, thus reducing any potential enhancement of investment return on the stock resulting from the receipt of the call option premium. In effect, when the writer of the call option purchases the put, the writer gives up potential enhancement of return on investment to acquire additional risk protection.

Accordingly, in each of the three situations described above, the presence of the purchased put causes the stock and the qualified covered call option to constitute part of a larger straddle within the meaning of § 1092(c)(4)(A).

HOLDINGS

Situation 1. All of the positions in X stock are treated as part of a larger straddle. Section 1092(c)(4) does not apply to any of the positions in X stock.

Situation 2. All of the positions in Y stock are part of a larger straddle beginning on September 6, 2002. Section 1092(c)(4) does not apply to any of the positions in Y stock beginning on that date.

Situation 3. Prior to December 2, 2002, the combination of the qualified covered call option and the underlying shares are not treated as a straddle for purposes of §§ 1092 and 263(g). However, beginning on December 2, 2002, all of the positions in Z stock are part of a larger straddle, and § 1092(c)(4), therefore, does not apply to any of the positions in Z stock beginning on that date.

DRAFTING INFORMATION

The principal author of this revenue ruling is Pamela Lew of the Office of Associate Chief Counsel (Financial Institutions and Products). For further information regarding this revenue ruling, contact Pamela Lew at (202) 622-3950 (not a toll-free call).

Section 1274.—Determination of Issue Price in the Case of Certain Debt Instruments Issued for Property

(Also Sections 42, 280G, 382, 412, 467, 468, 482, 483, 642, 807, 846, 1288, 7520, 7872.)

Federal rates; adjusted federal rates; adjusted federal long-term rate and the

long-term exempt rate. For purposes of sections 382, 1274, 1288, and other sections of the Code, tables set forth the rates for November 2002.

Rev. Rul. 2002-74

This revenue ruling provides various prescribed rates for federal income tax purposes for November 2002 (the current month). Table 1 contains the short-term, mid-term, and long-term applicable federal rates (AFR) for the current month for purposes of section 1274(d) of the Internal Revenue Code. Table 2 contains the short-term, mid-term, and long-term adjusted applicable federal rates (adjusted AFR) for the current month for purposes of section 1288(b). Table 3 sets forth the adjusted federal long-term rate and the long-term tax-exempt rate described in section 382(f). Table 4 contains the appropriate percentages for determining the low-income housing credit described in section 42(b)(2) for buildings placed in service during the current month. Finally, Table 5 contains the federal rate for determining the present value of annuity, an interest for life or for a term of years, or a remainder or a reversionary interest for purposes of section 7520.

REV. RUL. 2002-74 TABLE 1

Applicable Federal Rates (AFR) for November 2002

Period for Compounding

	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
<i>Short-Term</i>				
AFR	1.82%	1.81%	1.81%	1.80%
110% AFR	2.00%	1.99%	1.99%	1.98%
120% AFR	2.18%	2.17%	2.16%	2.16%
130% AFR	2.36%	2.35%	2.34%	2.34%
<i>Mid-Term</i>				
AFR	3.06%	3.04%	3.03%	3.02%
110% AFR	3.37%	3.34%	3.33%	3.32%
120% AFR	3.68%	3.65%	3.63%	3.62%
130% AFR	3.99%	3.95%	3.93%	3.92%
150% AFR	4.61%	4.56%	4.53%	4.52%
175% AFR	5.39%	5.32%	5.29%	5.26%
<i>Long-Term</i>				
AFR	4.60%	4.55%	4.52%	4.51%
110% AFR	5.07%	5.01%	4.98%	4.96%
120% AFR	5.53%	5.46%	5.42%	5.40%
130% AFR	6.01%	5.92%	5.88%	5.85%

REV. RUL. 2002-74 TABLE 2				
Adjusted AFR for November 2002				
	<i>Period for Compounding</i>			
	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
Short-term adjusted AFR	1.64%	1.63%	1.63%	1.62%
Mid-term adjusted AFR	2.82%	2.80%	2.79%	2.78%
Long-term adjusted AFR	4.31%	4.26%	4.24%	4.22%

REV. RUL. 2002-74 TABLE 3	
Rates Under Section 382 for November 2002	
Adjusted federal long-term rate for the current month	4.31%
Long-term tax-exempt rate for ownership changes during the current month (the highest of the adjusted federal long-term rates for the current month and the prior two months.)	4.63%

REV. RUL. 2002-74 TABLE 4	
Appropriate Percentages Under Section 42(b)(2) for November 2002	
Appropriate percentage for the 70% present value low-income housing credit	7.89%
Appropriate percentage for the 30% present value low-income housing credit	3.38%

REV. RUL. 2002-74 TABLE 5	
Rate Under Section 7520 for November 2002	
Applicable federal rate for determining the present value of an annuity, an interest for life or a term of years, or a remainder or reversionary interest	3.6%

Section 1288.—Treatment of Original Issue Discounts on Tax-Exempt Obligations

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of November 2002. See Rev. Rul. 2002-74, page 814.

Section 6011.—General Requirement of Return, Statement, or List

26 CFR 1.6011-4T: Requirement of statement disclosing participation in certain transactions by taxpayers (temporary).

T.D. 9017

DEPARTMENT OF THE TREASURY Internal Revenue Service 26 CFR Parts 1, 20, 25, 31, 53, 54, 56, and 301

Tax Shelter Disclosure Statements

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Temporary regulations.

SUMMARY: These temporary regulations modify the rules relating to the filing by certain taxpayers of a disclosure statement with their Federal tax returns under section 6011(a) and include conforming changes to the rules relating to the registration of confidential corporate tax shelters under section 6111(d). These regulations affect taxpayers participating in reportable transactions and persons responsible for registering confidential corporate tax shelters. The text of these temporary regulations also serves as the text of the proposed regulations set forth in the notice of proposed rule-making on this subject on page 832 in this issue of the Bulletin.