

recourse liabilities, then under § 1.704-2(d), the partnership minimum gain on the last day of the first taxable year of the partnership is computed by using the replacement property and the replacement nonrecourse liability.

In *Situation 1*, *P*'s amount realized is \$300x (the fair market value of the replacement property (\$260x), increased by the relinquished liability (\$100x), and decreased by the replacement liability (\$60x)), and *P*'s adjusted basis in the relinquished property is \$80x, resulting in a realized gain of \$220x. Under § 1031(b), *P* recognizes gain only to the extent of money or other property received in the exchange. The relinquished liability of \$100x is offset by the replacement liability of \$60x in determining the amount of money or other property that *P* is treated as receiving. Therefore, under § 1031(b), *P* is treated as receiving \$40x of money or other property and therefore recognizes a gain of \$40x in Year 1. That gain is allocated \$20x to each partner of *P* as part of each partner's distributive share of *P*'s Year 1 income. Furthermore, under § 752(b), each partner is treated as receiving a deemed distribution from the partnership of \$20x in Year 1. Under Rev. Rul. 94-4, each partner's § 752(b) deemed distribution of \$20x is treated as an advance or drawing of money to the extent of each partner's distributive share of *P*'s income for Year 1.

In *Situation 2*, *P*'s amount realized is \$300x (the fair market value of the replacement property (\$340x), increased by the relinquished liability (\$100x), and decreased by the replacement liability (\$140x)), and *P*'s adjusted basis in the relinquished property is \$80x, resulting in a realized gain of \$220x. Under § 1031(b), *P* recognizes gain only to the extent of money or other property received in the exchange. The relinquished liability of \$100x is offset by the replacement liability of \$140x in determining the amount of money or other property that *P* is treated as receiving. Therefore, under § 1031(b), *P* is not treated as having received money or other property. Accordingly, *P* recognizes no gain in Year 1. Furthermore, under § 752(a), each partner is treated as having made a contribution to the partnership of \$20x in Year 2.

HOLDING

If a partnership enters into an exchange that qualifies as a deferred like kind exchange under § 1031 in which property sub-

ject to a liability is transferred in one taxable year of the partnership and property subject to a liability is received in the following taxable year of the partnership, the liabilities are netted for purposes of § 752. Any net decrease in a partner's share of partnership liability is taken into account for purposes of § 752(b) in the first taxable year of the partnership, and any net increase in a partner's share of partnership liability is taken into account for purposes of § 752(a) in the second taxable year of the partnership.

DRAFTING INFORMATION

The principal author of this revenue ruling is Pietro Canestrelli of the Office of Associate Chief Counsel (Passthroughs and Special Industries). For more information regarding this revenue ruling, contact Mr. Canestrelli at (202) 622-3060 (not a toll-free call).

Section 807.—Rules for Certain Reserves

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of June 2003. See Rev. Rul. 2003-60, on this page.

Section 846.—Discounted Unpaid Losses Defined

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of June 2003. See Rev. Rul. 2003-60, on this page.

Section 1031.—Exchange of Property Held for Productive Use or Investment

26 CFR 1.1031(b)-1: Receipt of other property or money in tax-free exchange.

26 CFR 1.1031(k)-1: Treatment of deferred exchanges.

If a partnership enters into an exchange that qualifies as a deferred like kind exchange under § 1031 of the Internal Revenue Code in which property subject to a liability is transferred in one taxable year of the partnership and property subject to a liability is received in the following taxable year of the partnership, are the liabilities netted for purposes of § 752, and if so, when is any net change in a partner's share of partnership liability

taken into account? See Rev. Rul. 2003-56, page 985.

Section 1245.—Gain From Dispositions of Certain Depreciable Property

26 CFR 1.1245-3: Definition of section 1245 property.

This ruling classifies typical "stand-alone" gasoline pump canopies as tangible personal property includible in asset class 57.0 of Revenue Procedure 87-56 for depreciation purposes by determining that section 1245 property used in petroleum marketing that is tangible personal property, as listed in section 1.1245-3(b) of the Income Tax Regulations, is includible in the asset class 57.0. See Rev. Rul. 2003-54, page 982.

Section 1250.—Gain From Dispositions of Certain Depreciable Realty

This ruling classifies supporting concrete footings for typical "stand-alone" gasoline pump canopies as inherently permanent structures (that is, land improvements) includible in asset class 57.1 of Revenue Procedure 87-56 for depreciation purposes by determining that other inherently permanent structures used in petroleum marketing, regardless of whether the structures are section 1245 property or section 1250 property are includible in the asset class 57.1. See Rev. Rul. 2003-54, page 982.

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 June 2003.

Rev. Rul. 2003-60

This revenue ruling provides various prescribed rates for federal income tax purposes for June 2003 (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 fed-

eral 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. 2003-60 TABLE 1				
Applicable Federal Rates (AFR) for June 2003				
	<i>Period for Compounding</i>			
	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
<i>Short-Term</i>				
AFR	1.49%	1.48%	1.48%	1.48%
110% AFR	1.64%	1.63%	1.63%	1.62%
120% AFR	1.79%	1.78%	1.78%	1.77%
130% AFR	1.93%	1.92%	1.92%	1.91%
<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	4.65%	4.60%	4.57%	4.56%
110% AFR	5.12%	5.06%	5.03%	5.01%
120% AFR	5.60%	5.52%	5.48%	5.46%
130% AFR	6.07%	5.98%	5.94%	5.91%

REV. RUL. 2003-60 TABLE 2				
Adjusted AFR for June 2003				
	<i>Period for Compounding</i>			
	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
<i>Short-term</i>				
adjusted AFR	1.29%	1.29%	1.29%	1.29%
<i>Mid-term</i>				
adjusted AFR	2.61%	2.59%	2.58%	2.58%
<i>Long-term</i>				
adjusted AFR	4.35%	4.30%	4.28%	4.26%

REV. RUL. 2003-60 TABLE 3
Rates Under Section 382 for June 2003

Adjusted federal long-term rate for the current month	4.35%
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.)	4.45%

REV. RUL. 2003-60 TABLE 4
Appropriate Percentages Under Section 42(b)(2) for June 2003

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. 2003-60 TABLE 5
Rate Under Section 7520 for June 2003

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%
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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 June 2003. See Rev. Rul. 2003-60, page 987.

Section 1361.—S Corporation Defined

Can a taxpayer get relief for late S corporation elections, Electing Small Business Trust (ESBT) elections, Qualified Subchapter S Trust (QSST) elections, and Qualified Subchapter S Subsidiary (QSub) elections if the request for relief is filed within 24 months of the due date of the election and other requirements are met? See Rev. Proc. 2003-43, page 998.

Section 1362.—Election; Revocation; Termination

Can a taxpayer get relief for late S corporation elections, Electing Small Business Trust (ESBT) elections, Qualified Subchapter S Trust (QSST) elections, and Qualified Subchapter S Subsidiary (QSub) elections if the request for relief is filed within 24 months of the due date of the election and other requirements are met? See Rev. Proc. 2003-43, page 998.

Section 7520.—Valuation Tables

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of June 2003. See Rev. Rul. 2003-60, page 987.

Section 7872.—Treatment of Loans With Below-Market Interest Rates

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of June 2003. See Rev. Rul. 2003-60, page 987.