

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, 642, 1274, 1288, and other sections of the Code, tables set forth the rates for May 2004.

Rev. Rul. 2004-44

This revenue ruling provides various prescribed rates for federal income tax purposes for May 2004 (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. 2004-44 TABLE 1

Applicable Federal Rates (AFR) for May 2004

	<i>Period for Compounding</i>			
	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
<i>Short-Term</i>				
AFR	1.50%	1.49%	1.49%	1.49%
110% AFR	1.65%	1.64%	1.64%	1.63%
120% AFR	1.80%	1.79%	1.79%	1.78%
130% AFR	1.95%	1.94%	1.94%	1.93%
<i>Mid-Term</i>				
AFR	3.16%	3.14%	3.13%	3.12%
110% AFR	3.48%	3.45%	3.44%	3.43%
120% AFR	3.81%	3.77%	3.75%	3.74%
130% AFR	4.12%	4.08%	4.06%	4.05%
150% AFR	4.77%	4.71%	4.68%	4.66%
175% AFR	5.58%	5.50%	5.46%	5.44%
<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. 2004-44 TABLE 2

Rates Under Section 382 for May 2004

	<i>Period for Compounding</i>			
	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
Short-term adjusted AFR	1.28%	1.28%	1.28%	1.28%
Mid-term adjusted AFR	2.52%	2.50%	2.49%	2.49%
Long-term adjusted AFR	4.19%	4.15%	4.13%	4.11%

REV. RUL. 2004-44 TABLE 3

Rates Under Section 382 for May 2004

Adjusted federal long-term rate for the current month	4.19%
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.)	4.19%

REV. RUL. 2004-44 TABLE 4

Appropriate Percentages Under Section 42(b)(2) for May 2004

Appropriate percentage for the 70% present value low-income housing credit	7.91%
Appropriate percentage for the 30% present value low-income housing credit	3.39%

REV. RUL. 2004-44 TABLE 5

Rate Under Section 7520 for May 2004

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	3.8%
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Section 1288.—Treatment of Original Issue Discount on Tax-Exempt Obligations

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of May 2004. See Rev. Rul. 2004-44, page 885.

Section 1502.—Regulations

26 CFR 1.1502-31: Stock basis after a group structure change.

T.D. 9122

DEPARTMENT OF THE TREASURY Internal Revenue Service 26 CFR Part 1

Guidance Under Section 1502; Stock Basis After a Group Structure Change

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Final regulation.

SUMMARY: This document contains final regulations under section 1502 providing

guidance regarding the determination of basis in the stock of the former common parent following a group structure change. These final regulations affect corporations filing consolidated returns.

DATES: These regulations are effective April 26, 2004.

FOR FURTHER INFORMATION CONTACT: Ross Poulsen, (202) 622-7770 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

This document contains amendments to the Income Tax Regulations (26 CFR part 1) under section 1502 of the Internal Revenue Code of 1986 (Code), specifically §1.1502-31, relating to the determination of the basis of stock in the former common parent after a group structure change. Section 1.1502-31 applies if one corporation (P) succeeds another corporation (T) under the principles of §1.1502-75(d)(2) or (3) as the common parent of a consolidated group in a group structure change. Section 1.1502-31 provides that if a corporation acquires stock of the former common parent in a group structure change, the basis of the members in the former common parent's stock immediately after the group structure change is generally redetermined

to reflect the former common parent's net asset basis.

Because of a concern that the application of the net asset basis rule may produce inappropriate results on the disposition of stock acquired in a transaction in which, under generally applicable rules, the basis of the acquired stock would otherwise be determined by reference to the acquirer's cost, the IRS and Treasury Department issued regulations proposing to except from the application of the net asset basis rule stock acquired in a transaction in which gain or loss was recognized in whole. Those regulations were included in a notice of proposed rulemaking (REG-130262-03, 2003-37 I.R.B. 553 [68 FR 40579]) published in the **Federal Register** [technical correction published in 68 FR 52545] on July 8, 2003.

No public hearing was requested or held regarding the proposed regulations. One written comment, however, was received. That comment urged the expeditious promulgation of the proposed regulations as final regulations.

This Treasury decision adopts the proposed regulations without substantive changes as final regulations. The final regulations apply to group structure changes that occur after April 26, 2004. With respect to group structure changes that occur on or before April 26, 2004, and in a consolidated return year beginning on