

(d) * * *

(3) *Nonrecognition transactions, installment sales and contributed contracts*—(i) *Nonrecognition transactions.* * * *

(ii) *Installment sales.* An installment obligation received by the partnership in an installment sale (as defined in section 453(b)) of section 704(c) property is treated as the contributed property with regard to the contributing partner for purposes of section 737 to the extent that the installment obligation received is treated as section 704(c) property under §1.704-3(a)(8). See §1.704-4(d)(1) for a similar rule in the context of section 704(c)(1)(B).

(iii) *Contributed contracts.* Property acquired by a partnership pursuant to a contract that is section 704(c) property is treated as the contributed property with regard to the contributing partner for purposes of section 737 to the extent that the acquired property is treated as section 704(c) property under §1.704-3(a)(8). See §1.704-4(d)(1) for a similar rule in the context of section 704(c)(1)(B).

* * * * *

Par. 5. Section 1.737-5 is revised to read as follows:

§1.737-5 Effective dates.

Sections 1.737-1, 1.737-2, 1.737-3, and 1.737-4 apply to distributions by a partnership to a partner on or after January 9, 1995, except that §1.737-2(d)(3)(ii) and (iii) apply to distributions by a partnership to a partner on or after November 24, 2003.

Mark E. Matthews,
*Deputy Commissioner for
Services and Enforcement.*

Approved March 15, 2005.

Eric Solomon,
*Acting Deputy Assistant Secretary
of the Treasury (Tax Policy).*

(Filed by the Office of the Federal Register on March 21, 2005, 8:45 a.m., and published in the issue of the Federal Register for March 22, 2005, 70 F.R. 14394)

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 April 2005. See Rev. Rul. 2005-23, page 864.

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 April 2005. See Rev. Rul. 2005-23, page 864.

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 April 2005.

Rev. Rul. 2005-23

This revenue ruling provides various prescribed rates for federal income tax purposes for April 2005 (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 an 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. 2005-23 TABLE 1
Applicable Federal Rates (AFR) for April 2005

| | <i>Period for Compounding</i> | | | |
|-------------------|-------------------------------|-------------------|------------------|----------------|
| | <i>Annual</i> | <i>Semiannual</i> | <i>Quarterly</i> | <i>Monthly</i> |
| <i>Short-term</i> | | | | |
| AFR | 3.35% | 3.32% | 3.31% | 3.30% |
| 110% AFR | 3.68% | 3.65% | 3.63% | 3.62% |
| 120% AFR | 4.02% | 3.98% | 3.96% | 3.95% |
| 130% AFR | 4.37% | 4.32% | 4.30% | 4.28% |

REV. RUL. 2005-23 TABLE 1

Applicable Federal Rates (AFR) for April 2005 — Continued

| | <i>Period for Compounding</i> | | | |
|------------------|-------------------------------|-------------------|------------------|----------------|
| | <i>Annual</i> | <i>Semiannual</i> | <i>Quarterly</i> | <i>Monthly</i> |
| <i>Mid-term</i> | | | | |
| AFR | 4.09% | 4.05% | 4.03% | 4.02% |
| 110% AFR | 4.51% | 4.46% | 4.44% | 4.42% |
| 120% AFR | 4.92% | 4.86% | 4.83% | 4.81% |
| 130% AFR | 5.34% | 5.27% | 5.24% | 5.21% |
| 150% AFR | 6.17% | 6.08% | 6.03% | 6.00% |
| 175% AFR | 7.22% | 7.09% | 7.03% | 6.99% |
| <i>Long-term</i> | | | | |
| AFR | 4.68% | 4.63% | 4.60% | 4.59% |
| 110% AFR | 5.15% | 5.09% | 5.06% | 5.04% |
| 120% AFR | 5.64% | 5.56% | 5.52% | 5.50% |
| 130% AFR | 6.11% | 6.02% | 5.98% | 5.95% |

REV. RUL. 2005-23 TABLE 2

Adjusted AFR for April 2005

| | <i>Period for Compounding</i> | | | |
|------------------------------|-------------------------------|-------------------|------------------|----------------|
| | <i>Annual</i> | <i>Semiannual</i> | <i>Quarterly</i> | <i>Monthly</i> |
| <i>Short-term adjusted</i> | | | | |
| AFR | 2.40% | 2.39% | 2.38% | 2.38% |
| <i>Mid-term adjusted AFR</i> | | | | |
| | 3.03% | 3.01% | 3.00% | 2.99% |
| <i>Long-term adjusted</i> | | | | |
| AFR | 4.19% | 4.15% | 4.13% | 4.11% |

REV. RUL. 2005-23 TABLE 3

Rates Under Section 382 for April 2005

| | |
|--|-------|
| 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.) | 4.20% |

REV. RUL. 2005-23 TABLE 4

Appropriate Percentages Under Section 42(b)(2) for April 2005

| | |
|--|-------|
| Appropriate percentage for the 70% present value low-income housing credit | 8.02% |
| Appropriate percentage for the 30% present value low-income housing credit | 3.44% |

REV. RUL. 2005-23 TABLE 5

Rate Under Section 7520 for April 2005

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

5.00%

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 April 2005. See Rev. Rul. 2005-23, page 864.

Section 1502.—Regulations

26 CFR 1.1502-11: Consolidated taxable income.

T.D. 9192

DEPARTMENT OF THE TREASURY Internal Revenue Service 26 CFR Part 1

Guidance Under Section 1502; Application of Section 108 to Members of a Consolidated Group

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Final regulations, temporary regulations, and removal of temporary regulations.

SUMMARY: This document contains final regulations under section 1502 of the Internal Revenue Code that govern the application of section 108 when a member of a consolidated group realizes discharge of indebtedness income. These final regulations affect corporations filing consolidated returns.

DATES: *Effective Date:* These regulations are effective March 21, 2005.

Applicability Dates: For dates of applicability, see §1.1502-11(c)(7), §1.1502-13(g)(3)(i)(A) and (ii)(C),

§1.1502-19(h)(2)(ii), §1.1502-21(h)(6), §1.1502-28(d), and §1.1502-32(h)(7).

FOR FURTHER INFORMATION CONTACT: Concerning §1.1502-11 of the final regulations, Candace B. Ewell at (202) 622-7530 (not a toll-free number), concerning all other sections of the final regulations, Amber R. Cook at (202) 622-7530 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background and Explanation of Provisions

This document contains amendments to 26 CFR part 1 under section 1502 of the Internal Revenue Code (Code). On September 4, 2003, temporary regulations (T.D. 9089, 2003-2 C.B. 906) (the first temporary regulations) relating to the application of section 108 to members of a consolidated group were published in the **Federal Register** (68 FR 52487). A notice of proposed rulemaking (REG-132760-03, 2003-2 C.B. 933) cross-referencing the first temporary regulations was published in the **Federal Register** for the same day (68 FR 52542). The first temporary regulations added §1.1502-28T, which provides guidance regarding the determination of the attributes that are available for reduction when a member of a consolidated group realizes discharge of indebtedness income that is excluded from gross income (excluded COD income) and the method for reducing those attributes. Section 1.1502-28T reflects a consolidated approach that is intended to reduce all attributes that are available to the debtor member.

Because the first temporary regulations may not have provided for the reduction of all the attributes that are available to the debtor member, on December 11, 2003, the IRS and Treasury Department published in the **Federal Register** (68 FR 69024) temporary regulations (T.D. 9098,

2003-2 C.B. 1248) (the second temporary regulations) under section 1502 amending §1.1502-28T. A notice of proposed rulemaking (REG-153319-03, 2003-2 C.B. 1256) cross-referencing the second temporary regulations was published in the **Federal Register** for the same day (68 FR 69062). The second temporary regulations clarify that certain attributes that arise (or are treated as arising) in a separate return year are subject to reduction when no SRLY limitation applies to the use of such attributes.

On March 15, 2004, the IRS and Treasury Department published in the **Federal Register** (69 FR 12069) temporary regulations (T.D. 9117, 2004-15 I.R.B. 721) (the third temporary regulations) under section 1502 amending §§1.1502-13 and 1.1502-28T. A notice of proposed rulemaking (REG-167265-03, 2004-15 I.R.B. 730) (the 2004 proposed regulations) cross-referencing the third temporary regulations was published in the **Federal Register** for the same day (69 FR 12091). The third temporary regulations address certain technical issues relating to the application of excluded COD income to reduce attributes under sections 108 and 1017 and §1.1502-28T.

The 2004 proposed regulations, in addition to cross-referencing the third temporary regulations, proposed amendments to §§1.1502-28T and 1.1502-11 to provide a methodology for computing consolidated taxable income and for effecting attribute reduction when there is a disposition of the stock of a member in a year during which any member realizes excluded COD income.

No public hearing was requested or held for any of the regulations described above. Written and electronic comments responding to the notices of proposed rulemaking were received. After consideration of all the comments, the proposed regulations are adopted as revised by this Treasury decision, and the affected provisions in the