

Part I. Rulings and Decisions Under the Internal Revenue Code of 1986

Section 42.—Low-Income Housing Credit

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of February 2011. See Rev. Rul. 2011-4, page 448.

Section 280G.—Golden Parachute Payments

Federal short-term, mid-term, and long-term rates are set forth for the month of February 2011. See Rev. Rul. 2011-4, page 448.

Section 382.—Limitation on Net Operating Loss Carryforwards and Certain Built-In Losses Following Ownership Change

The adjusted applicable federal long-term rate is set forth for the month of February 2011. See Rev. Rul. 2011-4, page 448.

Section 412.—Minimum Funding Standards

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of February 2011. See Rev. Rul. 2011-4, page 448.

Section 467.—Certain Payments for the Use of Property or Services

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of February 2011. See Rev. Rul. 2011-4, page 448.

Section 468.—Special Rules for Mining and Solid Waste Reclamation and Closing Costs

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of February 2011. See Rev. Rul. 2011-4, page 448.

Section 471.—General Rule for Inventories

26 CFR 1.471-3: Inventories at cost.

Proposed regulations provide that the amount of a sales-based vendor allowance is a reduction in the cost of merchandise sold and does not reduce the inventory cost or value of goods on hand at the end of the taxable year. See REG-149335-08, page 468.

Section 482.—Allocation of Income and Deductions Among Taxpayers

Federal short-term, mid-term, and long-term rates are set forth for the month of February 2011. See Rev. Rul. 2011-4, page 448.

Section 483.—Interest on Certain Deferred Payments

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of February 2011. See Rev. Rul. 2011-4, page 448.

Section 642.—Special Rules for Credits and Deductions

Federal short-term, mid-term, and long-term rates are set forth for the month of February 2011. See Rev. Rul. 2011-4, page 448.

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 February 2011. See Rev. Rul. 2011-4, page 448.

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 February 2011. See Rev. Rul. 2011-4, page 448.

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 February 2011.

Rev. Rul. 2011-4

This revenue ruling provides various prescribed rates for federal income tax purposes for February 2011 (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)(1) for buildings placed in service during the current month. However, under section 42(b)(2), the applicable percentage for non-federally subsidized new buildings placed in service after July 30, 2008, and before December 31, 2013, shall not be less than 9%. 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. 2011-4 TABLE 1
Applicable Federal Rates (AFR) for February 2011

	<i>Period for Compounding</i>			
	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
<i>Short-term</i>				
AFR	.51%	.51%	.51%	.51%
110% AFR	.56%	.56%	.56%	.56%
120% AFR	.61%	.61%	.61%	.61%
130% AFR	.66%	.66%	.66%	.66%
<i>Mid-term</i>				
AFR	2.33%	2.32%	2.31%	2.31%
110% AFR	2.57%	2.55%	2.54%	2.54%
120% AFR	2.80%	2.78%	2.77%	2.76%
130% AFR	3.04%	3.02%	3.01%	3.00%
150% AFR	3.51%	3.48%	3.46%	3.46%
175% AFR	4.10%	4.06%	4.04%	4.03%
<i>Long-term</i>				
AFR	4.15%	4.11%	4.09%	4.08%
110% AFR	4.57%	4.52%	4.49%	4.48%
120% AFR	4.99%	4.93%	4.90%	4.88%
130% AFR	5.41%	5.34%	5.30%	5.28%

REV. RUL. 2011-4 TABLE 2
Adjusted AFR for February 2011

	<i>Period for Compounding</i>			
	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
Short-term adjusted AFR	.74%	.74%	.74%	.74%
Mid-term adjusted AFR	2.04%	2.03%	2.02%	2.02%
Long-term adjusted AFR	4.47%	4.42%	4.40%	4.38%

REV. RUL. 2011-4 TABLE 3
Rates Under Section 382 for February 2011

Adjusted federal long-term rate for the current month	4.47%
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.)	4.47%

REV. RUL. 2011-4 TABLE 4
Appropriate Percentages Under Section 42(b)(1) for February 2011

Note: Under Section 42(b)(2), the applicable percentage for non-federally subsidized new buildings placed in service after July 30, 2008, and before December 31, 2013, shall not be less than 9%.

Appropriate percentage for the 70% present value low-income housing credit	7.75%
Appropriate percentage for the 30% present value low-income housing credit	3.32%

REV. RUL. 2011-4 TABLE 5

Rate Under Section 7520 for February 2011

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

2.8%

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 February 2011. See Rev. Rul. 2011-4, page 448.

Section 1301.—Average of Farm Income

26 CFR 1.1301-1: *Averaging of farm and fishing income.*

T.D. 9509

DEPARTMENT OF THE TREASURY Internal Revenue Service 26 CFR Part 1

Farmer and Fisherman Income Averaging

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Final regulations and removal of temporary regulations.

SUMMARY: This document contains final regulations relating to the averaging of farm and fishing income in computing income tax liability. The regulations reflect changes made by the American Jobs Creation Act of 2004 and the Tax Extenders and Alternative Minimum Tax Relief Act of 2008. The regulations provide guidance to individuals engaged in a farming or fishing business who elect to reduce their tax liability by treating all or a portion of the current taxable year's farm or fishing income as if one-third of it had been earned in each of the prior three taxable years.

DATES: *Effective Date:* These regulations are effective on December 15, 2010.

Applicability Date: For date of applicability, see §1.1301-1(g).

FOR FURTHER INFORMATION CONTACT: Erika Reigle, (202) 622-4950 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background and Explanation of Provisions

This document contains amendments to 26 CFR part 1. On July 22, 2008, temporary regulations (T.D. 9417, 2008-2 C.B. 693) were published in the **Federal Register** (73 FR 42522) relating to the averaging of farm and fishing income in computing tax liability. A notice of proposed rulemaking (REG-161695-04, 2008-37 I.R.B. 699) cross-referencing the temporary regulations also was published in the **Federal Register** (73 FR 42538) on July 22, 2008. No comments in response to the notice of proposed rulemaking or requests to hold a public hearing were received, and no hearing was held. This Treasury decision adopts the proposed regulations with minor changes and removes the temporary regulations.

Section 504 of the Tax Extenders and Alternative Minimum Tax Relief Act of 2008, Div. C of Public Law 110-343 (122 Stat. 3765), enacted on October 3, 2008, provides that a taxpayer may treat qualified settlement income received in connection with the civil action *In re Exxon Valdez*, No. 8-095-CV (HRH) (Consolidated) (D. Alaska), as income from a fishing business eligible for income averaging. Therefore, these final regulations include this qualified settlement income in the definition of income from a fishing business. Qualified settlement income is limited to interest and punitive damages. The extent to which compensatory damages are treated as income from a fishing business is determined under the generally applicable rules of section 1301.

Special Analyses

It has been determined that this Treasury decision is not a significant regulatory action as defined in Executive Order

12866. Therefore, a regulatory assessment is not required. It also has been determined that section 553(b) of the Administrative Procedure Act (5 U.S.C. chapter 5) does not apply to these regulations, and because the regulations do not impose a collection of information on small entities, the Regulatory Flexibility Act (5 U.S.C. chapter 6) does not apply. Pursuant to section 7805(f) of the Code, the notice of proposed rulemaking preceding these regulations were submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on their impact on small business.

Drafting Information

The principal author of these regulations is Erika Reigle of the Office of Associate Chief Counsel (Income Tax & Accounting). However, other personnel from the IRS and Treasury Department participated in their development.

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Adoption of Amendments to the Regulations

Accordingly, 26 CFR part 1 is amended as follows:

PART 1—INCOME TAXES

Paragraph 1. The authority citation for part 1 continues to read in part as follows:

Authority: 26 U.S.C. 7805 * * *

Par. 2. Section 1.1301-1 is amended by revising the section heading and paragraphs (a), (b)(1), (b)(3), (c)(1), (d)(3)(ii), (d)(4), (e), (f)(2), (f)(4), and (g) to read as follows:

§1.1301-1 Averaging of farm and fishing income.

(a) *Overview.* An individual engaged in a farming or fishing business may make a farm income averaging election to compute current year (election year) income tax liability under section 1 by averaging, over the prior three-year period (base