

Part IV. Applicable Federal Interest Rates.

TABLE OF
APPLICABLE FEDERAL INTEREST RATES
FOR PURPOSES OF § 807

Year	Interest Rate
1995	6.99
1996	6.63

Sources: Rev. Rul. 94-73, 1994-2 C.B. 197 for the 1995 rate and Rev. Rul. 95-79, 1995-49 I.R.B. 4 (at 6) for the 1996 rate.

EFFECT ON OTHER REVENUE
RULINGS

Rev. Rul. 92-19 is supplemented by the addition to Part III of that ruling of prevailing state assumed interest rates under § 807 for certain insurance products issued in 1995 and 1996 and is further supplemented by an addition to the table in Part IV of Rev. Rul. 92-19 listing applicable federal interest rates. Parts I and II of Rev. Rul. 92-19 are not affected by this ruling.

DRAFTING INFORMATION

The principal author of this revenue ruling is Ann H. Logan of the Office of Assistant Chief Counsel (Financial Institutions and Products). For further information regarding this revenue ruling contact her on (202) 622-3970 (not a toll-free call).

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of January 1996. See Rev. Rul. 96-6, page 00.

**Section 846.—Discounted Unpaid
Losses Defined**

The adjusted applicable federal short-term, mid-term, and long-term rates are set for the month of January 1996. See Rev. Rul. 96-6, page 00.

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

(Also Sections 42, 280G, 382, 412, 467, 468, 483, 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 1274, 1288, 382, and other sections of the Code, tables set forth the rates for January 1996.

Rev. Rul. 96-6

This revenue ruling provides various prescribed rates for federal income tax purposes for January 1996 (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. 95-79, 1995-49 I.R.B. 4, which set forth the applicable federal rates and various other rates for December 1995, incorrectly provided in Table 1 that the Long-Term 120% Applicable Federal Rate based on annual compounding was 7.01%. The correct percentage is 7.65%. This correction will be made to Rev. Rul. 95-79 when it is published in issue 1995-2 of the Cumulative Bulletin.

REV. RUL. 96-6 TABLE 1

Applicable Federal Rates (AFR) for January 1996

Period for Compounding

	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
<i>Short-Term</i>				
AFR	5.50%	5.43%	5.39%	5.37%
110% AFR	6.06%	5.97%	5.93%	5.90%
120% AFR	6.63%	6.52%	6.47%	6.43%
<i>Mid-Term</i>				
AFR	5.73%	5.65%	5.61%	5.58%
110% AFR	6.32%	6.22%	6.17%	6.14%
120% AFR	6.89%	6.78%	6.72%	6.69%
150% AFR	8.66%	8.48%	8.39%	8.33%
175% AFR	10.13%	9.89%	9.77%	9.69%
<i>Long-Term</i>				
AFR	6.19%	6.10%	6.05%	6.02%
110% AFR	6.82%	6.71%	6.65%	6.62%
120% AFR	7.45%	7.32%	7.25%	7.21%

REV. RUL. 96-6 TABLE 2

Adjusted AFR for January 1996

Period for Compounding

	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
Short-term adjusted AFR	3.68%	3.65%	3.63%	3.62%
Mid-term adjusted AFR	4.37%	4.32%	4.30%	4.28%
Long-term adjusted AFR	5.31%	5.24%	5.21%	5.18%

REV. RUL. 95-79 TABLE 3

Rates Under Section 382 for January 1996

Adjusted federal long-term rate for the current month	5.31%
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).	5.65%

REV. RUL. 95-79 TABLE 4

Appropriate Percentages Under Section 42(b)(2)
for January 1996

Appropriate percentage for the 70% present value low-income housing credit	8.40%
Appropriate percentage for the 30% present value low-income housing credit	3.60%

Rate Under Section 7520 for January 1996

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

6.8%

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 January 1996. See Rev. Rul. 96-6, page 8.

Section 2031.—Definition of gross estate

26 CFR 20.2031-7: Valuation of annuities, interests for life or term of years, and remainder or reversionary interests for estate of decedents for which the valuation date of the gross estate is after April 30, 1989.

Rev. Rul. 80-80, 1980-1 C.B. 194, and Rev. Rul. 66-307, 1966-2 C.B. 429, which hold that the valuation tables in the regulations for valuing annuities, interests for life or a term of years, and remainder or reversionary interests are not to be used if the individual, who is the measuring life, is known to be terminally ill at the time of the transfer, are obsolete effective December 14, 1995. See Rev. Rul. 96-3, page 14.

Section 2512.—Valuation of gifts

26 CFR 25.2512-5: Valuation of annuities, unitrust interests, interests for life or term of years, and remainder or reversionary interests transferred after April 30, 1989.

Rev. Rul. 80-80, 1980-1 C.B. 194, and Rev. Rul. 66-307, 1966-2 C.B. 429, which hold that the valuation tables in the regulations for valuing annuities, interests for life or a term of years, and remainder or reversionary interests are not to be used if the individual, who is the measuring life, is known to be terminally ill at the time of the transfer, are obsolete effective December 14, 1995. See Rev. Rul. 96-3, page 14.

Section 6033.—Returns by Exempt Organizations

26 CFR 1.6033-2: Returns by exempt organizations (taxable years beginning after December 31, 1969) and returns by certain nonexempt organizations (taxable years beginning after December 31, 1980).

Organizations, affiliated with a church or convention or association of churches, and

exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code, that are not required to file an annual information Form 990, Return of Organizations Exempt from Income Tax. See Rev. Proc. 96-10, page 17.

26 CFR 1.6033-2: Returns by exempt organizations (taxable years beginning after December 31, 1969) and returns by certain nonexempt organizations (taxable years beginning after December 31, 1980).

T.D. 8640

DEPARTMENT OF THE TREASURY Internal Revenue Service 26 CFR Part 1

Exempt Organizations Not Required To File Annual Returns: Integrated Auxiliaries Of Churches

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Final regulations.

SUMMARY: This document contains final regulations that exempt certain integrated auxiliaries of churches from filing information returns. These regulations incorporate the rules of Rev. Proc. 86-23 (1986-1 C.B. 564), into the regulations defining integrated auxiliary for purposes of determining what entities must file information returns. The new definition focuses on the sources of an organization's financial support in addition to the nature of the organization's activities.

DATES: These regulations are effective December 20, 1995.

For dates of applicability of these regulations, see §1.6033-2(h)(6).

FOR FURTHER INFORMATION CONTACT: Terri Harris or Paul Accettura, of the Office of the Associate Chief Counsel (Employee Benefits and Exempt Organizations), IRS, at 202-622-6070 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

On December 15, 1994 proposed regulations §§1.6033-2 and 1.508-1 [EE-41-86 (1995-1 C.B. 841)] under sections 6033(a)(2) and 508 of the Internal Revenue Code of 1986, respectively, were published in the Federal Register (59 FR 64633). The proposed regulations adopted the rules of Rev. Proc. 86-23 (1986-1 C.B. 564) as the definition of integrated auxiliary of a church replacing the current definition set forth in §1.6033-2(g)(5). Additionally, section 508(c) excepts integrated auxiliaries of a church from the requirement that new organizations notify the Secretary of the Treasury that they are applying for recognition of section 501(c)(3) status (Form 1023). For consistency, §1.508-1(a)(3)(i)(a), which gives several examples of integrated auxiliaries, was proposed to be amended by deleting the examples and by adding a cross-reference to §1.6033-2(h) for the definition of integrated auxiliary of a church. After IRS and Treasury consideration of the public comments received regarding the proposed regulations, the regulations are adopted as revised by this Treasury decision.

Explanation of Provisions

Section 6033(a)(1) requires organizations that are exempt from income tax under section 501(a) to file annual returns. Section 6033(a)(2)(A) provides exceptions to this requirement for certain specified types of organizations, including, among others, churches, their integrated auxiliaries, and conventions or associations of churches. Section 6033(a)(2)(B) provides that the Secretary may relieve any organization from the filing requirement where the Secretary determines that filing is not necessary to the efficient administration of the internal revenue laws.