

BUREAU OF LABOR STATISTICS, DEPARTMENT STORE  
INVENTORY PRICE INDEXES BY DEPARTMENT GROUPS—Continued  
(January 1941 = 100, unless otherwise noted)

Groups	Dec. 1996	Dec. 1997	Percent Change from Dec. 1996 to Dec. 1997 <sup>1</sup>
18. Housewares . . . . .	806.1	806.6	0.1
19. Major Appliances . . . . .	245.3	241.7	-1.5
20. Radio and Television . . . . .	78.1	73.9	-5.4
21. Recreation and Education <sup>2</sup> . . . . .	110.8	108.6	-2.0
22. Home Improvements <sup>2</sup> . . . . .	132.2	133.4	0.9
23. Auto Accessories <sup>2</sup> . . . . .	107.3	108.0	0.7
Groups 1 – 15: Soft Goods . . . . .	589.8	594.5	0.8
Groups 16 – 20: Durable Goods . . . . .	466.6	460.9	-1.2
Groups 21 – 23: Misc. Goods <sup>2</sup> . . . . .	112.9	111.7	-1.1
Store Total <sup>3</sup> . . . . .	547.4	548.2	0.1

<sup>1</sup>Absence of a minus sign before percentage change in this column signifies price increase.

<sup>2</sup>Indexes on a January 1986=100 base.

<sup>3</sup>The store total index covers all departments, including some not listed separately, except for the following: candy, foods, liquor, tobacco, and contract departments.

**DRAFTING INFORMATION**

The principal author of this revenue ruling is Stan Michaels of the Office of Assistant Chief Counsel (Income Tax and Accounting). For further information regarding this revenue ruling, contact Mr. Michaels on (202) 622-4970 (not a toll-free call).

**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 1998. See Rev. Rul. 98-7 on this page.

Guidance is provided regarding special procedures for small business taxpayers to obtain an advance pricing agreement. See Notice 98-10, page 9.

**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 1998. See Rev. Rul. 98-7 on this page.

**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 1998. See Rev. Rul. 98-7 on this page.

**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 1998. See Rev. Rul. 98-7 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 February 1998. See Rev. Rul. 98-7 on this page.

**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 1274, 1288, 382, and other sections of the Code, tables set forth the rates for February 1998.

**Rev. Rul. 98-7**

This revenue ruling provides various prescribed rates for federal income tax purposes for February 1998 (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. 98-7 TABLE 1  
Applicable Federal Rates (AFR) for February 1998

	<i>Period for Compounding</i>			
	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
<i>Short-Term</i>				
AFR	5.54%	5.47%	5.43%	5.41%
110% AFR	6.11%	6.02%	5.98%	5.95%
120% AFR	6.67%	6.56%	6.51%	6.47%
130% AFR	7.24%	7.11%	7.05%	7.01%
<i>Mid-Term</i>				
AFR	5.69%	5.61%	5.57%	5.55%
110% AFR	6.27%	6.17%	6.12%	6.09%
120% AFR	6.84%	6.73%	6.67%	6.64%
130% AFR	7.42%	7.29%	7.22%	7.18%
150% AFR	8.60%	8.42%	8.33%	8.28%
175% AFR	10.06%	9.82%	9.70%	9.62%
<i>Long-Term</i>				
AFR	5.93%	5.84%	5.80%	5.77%
110% AFR	6.52%	6.42%	6.37%	6.34%
120% AFR	7.13%	7.01%	6.95%	6.91%
130% AFR	7.73%	7.59%	7.52%	7.47%

REV. RUL. 98-7 TABLE 2  
Adjusted AFR for February 1998

	<i>Period for Compounding</i>			
	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
Short-term adjusted AFR	3.77%	3.74%	3.72%	3.71%
Mid-term adjusted AFR	4.23%	4.19%	4.17%	4.15%
Long-term adjusted AFR	4.96%	4.90%	4.87%	4.85%

REV. RUL. 98-7 TABLE 3  
Rates Under Section 382 for February 1998

Adjusted federal long-term rate for the current month	4.96%
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.)	5.23%

REV. RUL. 98-7 TABLE 4

Appropriate Percentages Under Section 42(b)(2) for February 1998

Appropriate percentage for the 70% present value low-income housing credit	8.36%
Appropriate percentage for the 30% present value low-income housing credit	3.58%

REV. RUL. 98-7 TABLE 5

Rate Under Section 7520 for February 1998

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%
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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 February 1998. See Rev. Rul. 98-7, page 6.

Section 4261.—Imposition of Tax

26 CFR 49.4261-1: Imposition of tax; in general.

This revenue procedure provides a list of “rural airports” as that term is defined in § 4261(e)(1)(B) of the Internal Revenue Code, for purposes of com-

puting the tax on air transportation. The revenue procedure also provides guidance on how to calculate the tax where at least one segment of multiple segment domestic transportation does not begin or end at a rural airport. See Rev. Proc. 98-18, page 20.

Section 7520.—Valuation Tables

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of February 1998. See Rev. Rul. 98-7, page 6.

Section 7701.—Definitions

The entity classification regulations, §§301.7701-1 through -3 have facilitated the cre-

ation of certain hybrid branch arrangements. Notice 98-11 announces that Treasury and the Service will issue regulations to prevent the use of hybrid branch arrangements to reduce foreign tax while avoiding the corresponding creation of subpart F income. See Notice 98-11, page 18.

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 February 1998. See Rev. Rul. 98-7, page 6.