

DRAFTING INFORMATION

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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 June 2002. See Rev. Rul. 2002-36, page 1148.

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 June 2002. See Rev. Rul. 2002-36, page 1148.

Section 642.—Special Rules for Credits and Deductions

Federal short-term, mid-term, and long-term rates are set forth for the month of June 2002. See Rev. Rul. 2002-36, page 1148.

Section 706.—Taxable Years of Partner and Partnership

26 CFR 1.706-1: Taxable years of partner and partnership.

Final regulations relate to taxable years of partnerships under section 706 of the Code. See T.D. 8996, page 1127.

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 June 2002. See Rev. Rul. 2002-36, page 1148.

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 June 2002. See Rev. Rul. 2002-36, page 1148.

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, 1274, 1288, and other sections of the Code, tables set forth the rates for June 2002.

Rev. Rul. 2002-36

This revenue ruling provides various prescribed rates for federal income tax purposes for June 2002 (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. 2002-36 TABLE 1

Applicable Federal Rates (AFR) for June 2002

Period for Compounding

Table with 5 columns: Term (Short-Term, Mid-Term), Rate Type (AFR, 110% AFR, 120% AFR, 130% AFR), and Compounding Period (Annual, Semiannual, Quarterly, Monthly). It lists applicable federal rates for June 2002.

REV. RUL. 2002-36 TABLE 1—CONTINUED

Applicable Federal Rates (AFR) for June 2002

Period for Compounding

	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
<i>Long-Term</i>				
AFR	5.70%	5.62%	5.58%	5.56%
110% AFR	6.28%	6.18%	6.13%	6.10%
120% AFR	6.85%	6.74%	6.68%	6.65%
130% AFR	7.44%	7.31%	7.24%	7.20%

REV. RUL. 2002-36 TABLE 2

Adjusted AFR for June 2002

Period for Compounding

	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
Short-term adjusted AFR	2.45%	2.44%	2.43%	2.43%
Mid-term adjusted AFR	3.67%	3.64%	3.62%	3.61%
Long-term adjusted AFR	4.89%	4.83%	4.80%	4.78%

REV. RUL. 2002-36 TABLE 3

Rates Under Section 382 for June 2002

Adjusted federal long-term rate for the current month	4.89%
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.)	5.01%

REV. RUL. 2002-36 TABLE 4

Appropriate Percentages Under Section 42(b)(2) for June 2002

Appropriate percentage for the 70% present value low-income housing credit	8.22%
Appropriate percentage for the 30% present value low-income housing credit	3.52%

REV. RUL. 2002-36 TABLE 5

Rate Under Section 7520 for June 2002

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

5.8%

Section 1288.—Treatment of Original Issue Discounts on Tax-Exempt Obligations

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of June 2002. See Rev. Rul. 2002-36, page 1148.

Section 1378.—Taxable Year of S Corporation

26 CFR 1.1378-1: Taxable year of S corporation.

Final regulations relate to taxable years of S corporations under section 1378 of the Code. See T.D. 8996, page 1127.

Section 4261.—Imposition of Tax

26 CFR 49.4261-1: Imposition of tax; in general. (Also §§ 4281.)

Segment Tax. This ruling provides guidance on how to calculate the tax on domestic segments under section 4261(b) of the Code if an aircraft is chartered and one or more persons are transported on that aircraft.

Rev. Rul. 2002-34

ISSUE

How is the tax on domestic segments under § 4261(b) of the Internal Revenue Code calculated if an aircraft is chartered and one or more persons are transported on that aircraft?

FACTS

X operates an air charter service that provides taxable air transportation. Each of X's aircraft has a certificated takeoff weight in excess of 6,000 pounds. The amount X charges for the charter of an

aircraft is not affected by the number of passengers transported on the aircraft. Passengers transported on the aircraft do not pay for the transportation.

LAW AND ANALYSIS

Section 4261(a) imposes a tax on the amount paid for taxable transportation (as defined in § 4262) of any person by air (the percentage tax) equal to 7.5 percent of the amount paid.

Section 4262(a)(1) provides that the term "taxable transportation" includes transportation by air which begins in the United States and ends in the United States.

Section 4261(b)(1), enacted by § 1031(c)(1) of the Taxpayer Relief Act of 1997, 1997-4 (Vol. 1) C.B. 1, 143, imposes a tax on the amount paid for each domestic segment of taxable transportation (the segment tax) equal to a fixed amount determined in accordance with the table contained in that section. For segments beginning in 2002, that amount is \$3.00 per segment. The term "domestic segment" is defined in § 4261(b)(2) as any segment consisting of one takeoff and one landing that is taxable transportation described in § 4262(a)(1).

Section 4261(c) imposes a tax on any amount paid for any transportation of any person by air if the transportation begins or ends in the United States (the international facilities tax). Generally, the amount of the tax was set at \$12.00 for amounts paid in 1997. Section 4261(e)(4) provides that the amount of the tax imposed by § 4261(c) is to be adjusted for inflation; generally, the amount of the tax for amounts paid in 2002 is \$13.20.

Section 4281 provides an exemption from the tax imposed by § 4261 for aircraft having a certificated takeoff weight of 6,000 pounds or less, except when that aircraft is operated on an established line.

Rev. Rul. 72-309, 1972-1 C.B. 348, addresses the calculation of the international facilities tax imposed by § 4261(c) in the context of a single payment for a charter. The revenue ruling concludes that, if a single amount is paid for a charter, the § 4261(c) international facilities tax applies with respect to each passenger because implicit in the charter fee is an amount paid for the transportation of each passenger actually on the flight.

The § 4261(b) segment tax is similar to the § 4261(c) international facilities tax inasmuch as it is not calculated as a percentage of the amount paid, but is a fixed amount imposed on the amount paid for the transportation. Rev. Rul. 72-309 establishes that implicit in a charter payment is an amount paid for each passenger actually on the flight. Thus, as in the case of the § 4261(c) international facilities tax, the § 4261(b) segment tax is to be calculated on a per-passenger basis. Accordingly, for each segment, X must calculate the § 4261(b) segment tax by multiplying the amount of tax set forth in § 4261(b)(1) by the number of passengers transported on the chartered aircraft. (The segment tax so determined is not an amount paid for taxable transportation for purposes of calculating the § 4261(a) percentage tax.)

HOLDING

If an aircraft is chartered and one or more persons are transported on that aircraft, for each segment the tax under § 4261(b) is calculated by multiplying the amount of tax set forth in § 4261(b)(1) by the number of passengers transported on the aircraft.

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