

CFR part or section where identified and described	Current OMB control No.
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1.1445-2	1545-0902
.....	1545-1060
.....	1545-1797
1.1.445-3.....	1545-0902
.....	1545-1060
.....	1545-1797
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Robert E. Wenzel,
Deputy Commissioner for
Services and Enforcement.

Approved July 9, 2003.

Pamela F. Olson,
Assistant Secretary of the Treasury.

(Filed by the Office of the Federal Register on August 4, 2003, 8:45 a.m., and published in the issue of the Federal Register for August 5, 2003, 68 F.R. 46081)

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 October 2003.

Rev. Rul. 2003-107

This revenue ruling provides various prescribed rates for federal income tax purposes for October 2003 (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 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. 2003-107 TABLE 1

Applicable Federal Rates (AFR) for October 2003

	<i>Period for Compounding</i>			
	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
<i>Short-Term</i>				
AFR	1.68%	1.67%	1.67%	1.66%
110% AFR	1.85%	1.84%	1.84%	1.83%
120% AFR	2.01%	2.00%	2.00%	1.99%
130% AFR	2.18%	2.17%	2.16%	2.16%
<i>Mid-Term</i>				
AFR	3.65%	3.62%	3.60%	3.59%
110% AFR	4.02%	3.98%	3.96%	3.95%
120% AFR	4.39%	4.34%	4.32%	4.30%
130% AFR	4.77%	4.71%	4.68%	4.66%
150% AFR	5.50%	5.43%	5.39%	5.37%
175% AFR	6.44%	6.34%	6.29%	6.26%
<i>Long-Term</i>				
AFR	5.23%	5.16%	5.13%	5.11%
110% AFR	5.76%	5.68%	5.64%	5.61%
120% AFR	6.29%	6.19%	6.14%	6.11%
130% AFR	6.82%	6.71%	6.65%	6.62%

REV. RUL. 2003-107 TABLE 2

Adjusted AFR for October 2003

	<i>Period for Compounding</i>			
	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
Short-term adjusted AFR	1.36%	1.36%	1.36%	1.36%
Mid-term adjusted AFR	2.98%	2.96%	2.95%	2.94%
Long-term adjusted AFR	4.74%	4.69%	4.66%	4.64%

REV. RUL. 2003-107 TABLE 3

Rates Under Section 382 for October 2003

Adjusted federal long-term rate for the current month	4.74%
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.)	4.74%

REV. RUL. 2003-107 TABLE 4

Appropriate Percentages Under Section 42(b)(2) for October 2003

Appropriate percentage for the 70% present value low-income housing credit	8.03%
Appropriate percentage for the 30% present value low-income housing credit	3.44%

REV. RUL. 2003-107 TABLE 5

Rate Under Section 7520 for October 2003

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	4.4%
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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 October 2003. See Rev. Rul. 2003-107, page 815.

Section 1445.—Withholding of Tax on Dispositions of United States Real Property Interests

Final and temporary regulations under sections 897 and 1445 of the Code require the use of taxpayer identifying numbers on submissions. See T.D. 9082, page 807.

Section 6109.—Identifying Numbers

Final and temporary regulations under sections 897 and 1445 of the Code require the use of taxpayer identifying numbers on submissions. See T.D. 9082, page 807.

Section 7122.—Compromises

26 CFR 300.3: Offer to compromise fee.

T.D. 9086

**DEPARTMENT OF THE TREASURY
Internal Revenue Service
26 CFR Part 300**

User Fees for Processing Offers to Compromise

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Final regulations.

SUMMARY: This document contains amendments to the regulations relating to user fees to provide for the imposition of user fees for the processing of offers to compromise. The charging of user fees implements the Independent Offices Appropriations Act.

EFFECTIVE DATE: NOVEMBER 1, 2003.

FOR FURTHER INFORMATION CONTACT: Concerning cost methodology, Eva Williams, 301-492-5395; concerning the regulations, G. William Beard, 202-622-3620 (not toll-free numbers).

SUPPLEMENTARY INFORMATION:

Background

This document amends the regulations relating to user fees to provide for the imposition of user fees for the processing of offers to compromise. The charging of user fees implements the Independent Offices Appropriations Act (IOAA), which is codified at 31 U.S.C. 9701. On November 6, 2002, a notice of proposed rulemaking (REG-103777-02, 2002-2 C.B. 889) was published in the **Federal Register**. Approximately 149 comments were received. A public hearing on the regulations was held on February 13, 2003. The final regulations adopt the rules of the proposed regulations.

Offers to Compromise

Section 7122 of the Internal Revenue Code (Code) gives the IRS the authority to

compromise any civil or criminal case arising under the internal revenue laws, prior to the referral of that case to the Department of Justice. Section 7122 also directs the IRS to prescribe guidelines for officers and employees of the IRS to determine whether an offer to compromise is adequate and should be accepted. Guidelines are contained in §301.7122-1. Pursuant to §301.7122-1(b), an offer may be accepted if there is doubt as to liability, if there is doubt as to collectibility, or if acceptance will promote effective tax administration. Pursuant to §301.7122-1(b)(3), offers may be accepted to promote effective tax administration if either: (1) the IRS determines that, although collection in full could be achieved, collection of the full liability would cause the taxpayer economic hardship within the meaning of §301.6343-1, or (2) there are no other grounds for compromise and there are compelling public policy or equity considerations.

When an offer to compromise is received, an initial determination is made as to whether the offer is processable. Currently, an offer is returned as nonprocessable if the taxpayer is in bankruptcy, has not filed required tax returns, or has not submitted the offer to compromise on the proper form. Absent these conditions, the offer is accepted for processing and cannot be rejected without an independent administrative review of the decision to reject and, if the taxpayer chooses to appeal the rejection, independent review by the Office of Appeals. Even though an offer accepted for processing may later be returned to the taxpayer if the taxpayer fails to provide requested information or the IRS determines that the offer was submitted solely to delay collection, such an