

nant character, the LTND Levy meets the realization test.

2. Gross Receipts

A foreign tax satisfies the gross receipts requirement if, judged on the basis of its predominant character, it is imposed on the basis of gross receipts or gross receipts computed under a method that is likely to produce an amount that is not greater than fair market value. §1.901-2(b)(3)(i). A foreign tax that, judged on the basis of its predominant character, is imposed on the basis of amounts described in §1.901-2(b)(3)(i) satisfies the gross receipts requirement even if it is also imposed on the basis of some amounts not described in that paragraph. As is the case with income and gains that are taxed under either the arising basis or the remittance basis, nominated income and gains subject to the RBC generally are based on gross receipts. Therefore, the LTND Levy meets the gross receipts test.

3. Net Income

A foreign tax satisfies the net income requirement if, judged on the basis of its predominant character, the base of the tax is computed by reducing gross receipts to permit recovery of the significant costs and expenses (including significant capital expenditures) attributable, under reasonable principles, to such gross receipts; or recovery of such significant costs and expenses computed under a method that is likely to produce an amount that approximates, or is greater than, recovery of such significant costs and expenses. §1.901-2(b)(4)(i). Since the LTND Levy is imposed on U.K.-source income and gains, remitted non-U.K.-source income and gains, and nominated but unremitted non-U.K.-source income and gains, all of which consist of gross receipts less costs and expenses, the LTND Levy satisfies the net income requirement.

4. Conclusion

Because the LTND Levy is likely to reach net gain in the normal circumstances in which it applies, it has the predominant character of an income tax in the U.S. sense.

HOLDING

Because the LTND Levy is a tax (within the meaning of §1.901-2(a)(2)), and its predominant character is that of an income tax in the U.S. sense, the LTND Levy, including the Remittance Basis Charge (RBC) of £30,000, is an income tax for which a credit is allowable under section 901. However, a credit for the LTND Levy will be available only if the other legal requirements for obtaining a foreign tax credit are satisfied. For example, an amount paid is treated as a compulsory payment of income tax only to the extent the taxpayer applies the substantive and procedural provisions of foreign law, including elective provisions such as those available under U.K. law relating to the LTND Levy, in such a way as to reduce, over time, the taxpayer's reasonably expected liability under foreign law for income tax. §1.901-2(e)(5).

Taxpayers generally may rely upon revenue rulings to determine the tax treatment of their own transactions and need not request a ruling that would apply the principles of a published revenue ruling to the facts of their own particular cases. However, because each revenue ruling represents the conclusion of the Internal Revenue Service (IRS) as to the application of the law to the specific facts involved, taxpayers, IRS personnel, and others concerned are cautioned against reaching the same conclusion in other cases unless those cases present facts and circumstances that are substantially the same as those in the revenue ruling. §601.601(d)(2)(v)(e). Accordingly, because the provisions of U.K. law described in this revenue ruling are facts on which this revenue ruling bases its holding, a taxpayer may not rely on the revenue ruling if the relevant provisions have been amended in any material respect, and the taxpayer is responsible for determining whether any such modification has occurred.

DRAFTING INFORMATION

The principal author of this revenue ruling is Teresa Burridge Hughes of the Office of Associate Chief Counsel (International). For further information regarding

this revenue ruling, contact Ms. Hughes at (202) 622-3850 (not a toll-free call).

Section 1035.—Certain Exchanges of Insurance Policies

The Pension Protection Act amended sections 72, 1035, and 7702B of the Code. Notice 2011-68 provides interim guidance on these amendments and requests comments on issues to be addressed in future guidance concerning the taxation of annuity and life insurance contracts with a long-term care insurance feature. See Notice 2011-68, page 205.

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 September 2011.

Rev. Rul. 2011-20

This revenue ruling provides various prescribed rates for federal income tax purposes for September 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. 2011-20 TABLE 1				
Applicable Federal Rates (AFR) for September 2011				
	<i>Period for Compounding</i>			
	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
	<i>Short-term</i>			
AFR	.26%	.26%	.26%	.26%
110% AFR	.29%	.29%	.29%	.29%
120% AFR	.31%	.31%	.31%	.31%
130% AFR	.34%	.34%	.34%	.34%
	<i>Mid-term</i>			
AFR	1.63%	1.62%	1.62%	1.61%
110% AFR	1.79%	1.78%	1.78%	1.77%
120% AFR	1.95%	1.94%	1.94%	1.93%
130% AFR	2.12%	2.11%	2.10%	2.10%
150% AFR	2.44%	2.43%	2.42%	2.42%
175% AFR	2.86%	2.84%	2.83%	2.82%
	<i>Long-term</i>			
AFR	3.57%	3.54%	3.52%	3.51%
110% AFR	3.93%	3.89%	3.87%	3.86%
120% AFR	4.30%	4.25%	4.23%	4.21%
130% AFR	4.65%	4.60%	4.57%	4.56%

REV. RUL. 2011-20 TABLE 2				
Adjusted AFR for September 2011				
	<i>Period for Compounding</i>			
	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
Short-term adjusted AFR	.35%	.35%	.35%	.35%
Mid-term adjusted AFR	1.47%	1.46%	1.46%	1.46%
Long-term adjusted AFR	3.77%	3.74%	3.72%	3.71%

REV. RUL. 2011-20 TABLE 3	
Rates Under Section 382 for September 2011	
Adjusted federal long-term rate for the current month	3.77%
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.)	3.86%

REV. RUL. 2011-20 TABLE 4

Appropriate Percentages Under Section 42(b)(1) for September 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	7.60%
Appropriate percentage for the 30% present value low-income housing credit	3.26%

REV. RUL. 2011-20 TABLE 5

Rate Under Section 7520 for September 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	2.0%
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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 September 2011. See Rev. Rul. 2011-20, page 202.

Section 7520.—Valuation Tables

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of September 2011. See Rev. Rul. 2011-20, page 202.

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 September 2011. See Rev. Rul. 2011-20, page 202.