

Part I. Rulings and Decisions Under the Internal Revenue Code of 1986

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.)

Rev. Rul. 2016-11

This revenue ruling provides various prescribed rates for federal income tax

purposes for May 2016 (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, 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. 2016-11 TABLE 1
Applicable Federal Rates (AFR) for May 2016
Period for Compounding

	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
		<i>Short-term</i>		
AFR	.67%	.67%	.67%	.67%
110% AFR	.74%	.74%	.74%	.74%
120% AFR	.80%	.80%	.80%	.80%
130% AFR	.87%	.87%	.87%	.87%
		<i>Mid-term</i>		
AFR	1.43%	1.42%	1.42%	1.42%
110% AFR	1.57%	1.56%	1.56%	1.55%
120% AFR	1.71%	1.70%	1.70%	1.69%
130% AFR	1.86%	1.85%	1.85%	1.84%
150% AFR	2.14%	2.13%	2.12%	2.12%
175% AFR	2.51%	2.49%	2.48%	2.48%
		<i>Long-term</i>		
AFR	2.24%	2.23%	2.22%	2.22%
110% AFR	2.47%	2.45%	2.44%	2.44%
120% AFR	2.70%	2.68%	2.67%	2.67%
130% AFR	2.92%	2.90%	2.89%	2.88%

REV. RUL. 2016-11 TABLE 2
Adjusted AFR for May 2016
Period for Compounding

	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
Short-term adjusted AFR	.63%	.63%	.63%	.63%
Mid-term adjusted AFR	1.26%	1.26%	1.26%	1.26%
Long-term adjusted AFR	2.24%	2.23%	2.22%	2.22%

REV. RUL. 2016–11 TABLE 3
Rates Under Section 382 for May 2016

Adjusted federal long-term rate for the current month	2.24%
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.)	2.27%

REV. RUL. 2016–11 TABLE 4

Appropriate Percentages Under Section 42(b)(1) for May 2016

Note: Under section 42(b)(2), the applicable percentage for non-federally subsidized new buildings placed in service after July 30, 2008, shall not be less than 9%

Appropriate percentage for the 70% present value low-income housing credit	7.42%
Appropriate percentage for the 30% present value low-income housing credit	3.18%

REV. RUL. 2016–11 TABLE 5
Rate Under Section 7520 for May 2016

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	1.8%
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T.D. 9762

DEPARTMENT OF THE TREASURY Internal Revenue Service 26 CFR Part 53

Examples of Program-Related Investments

AGENCY: Internal Revenue Service (IRS),
Treasury.

ACTION: Final regulations.

SUMMARY: This document contains final regulations that provide guidance to private foundations on program-related investments. The final regulations provide a series of examples illustrating investments that qualify as program-related investments. In addition to private foundations, these final regulations affect foundation managers who participate in the making of program-related investments.

DATES: *Effective Date:* These regulations are effective April 25, 2016.

FOR FURTHER INFORMATION
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SUPPLEMENTARY INFORMATION:

Background

This document contains amendments to 26 CFR part 53 under section 4944(a) of the Internal Revenue Code (Code). Section 4944(a) imposes an excise tax on a private foundation that makes an investment that jeopardizes the carrying out of its exempt purposes (a “jeopardizing investment”). Section 4944(c) provides that investments that are program-related investments (“PRIs”) are not jeopardizing investments. Section 4944(c) defines a PRI as an investment: (1) the primary purpose of which is to accomplish one or more of the purposes described in section 170(c)(2)(B); and (2) no significant purpose of which is the production of income or the appreciation of property.¹ The regulations under section 4944(c) provide that an investment is made primarily to accomplish one or more of the purposes described in section 170(c)(2)(B) (referred to in this preamble as “exempt purposes”) if it significantly furthers the accomplishment

of the private foundation’s exempt activities and would not have been made but for the relationship between the investment and the accomplishment of those exempt activities. Section 53.4944–3(a)(2)(i). In determining whether no significant purpose of an investment is the production of income or the appreciation of property, § 53.4944–3(a)(2)(iii) provides that it shall be relevant whether investors who are engaged in the investment solely for the production of income would be likely to make the investment on the same terms as the private foundation. Section 53.4944–3(a)(2)(iii) further provides that the fact that an investment produces significant income or capital appreciation shall not, in the absence of other factors, be conclusive evidence of a significant purpose involving the production of income or the appreciation of property.

Since 1972, § 53.4944–3(b) has contained nine examples illustrating investments that qualify as PRIs and one example of an investment that does not qualify as a PRI. These long-standing examples focus on domestic situations principally involving economically disadvantaged individuals and deteriorated urban areas.

On April 19, 2012, a notice of proposed rulemaking (REG –144267–11) re-

¹The regulations under section 4944(c) further provide that no purpose of a PRI may be to accomplish one or more of the purposes described in section 170(c)(2)(D) (attempting to influence legislation or participating in or intervening in any political campaign). Treas. Reg. § 53.4944–3(a)(1)(iii).