

tion. As a result, no more than 40 percent of the value of DC1's and DC2's assets at all times during Year X are passive and no more than 40 percent of DC1's and DC2's gross income for Year X is passive. DC1 and DC2 do not satisfy the passive income or passive asset threshold in paragraph (b)(1)(ii) of this section for Year X. DC1 and DC2 are not specified domestic entities for Year X.

(B) *DP*. For the reasons described in paragraph (ii)(B) of *Example 2*, DP is a specified domestic entity for Year X.

(iii) *Reporting requirements*—(A) *DC1 and DC2*. DC1 and DC2 are not specified domestic entities for Year X, and are not required to file Form 8938.

(B) *DP*. Under § 1.6038D-3, DP has an interest in specified foreign financial assets. Under § 1.6038D-2(a)(6)(ii), DP is treated as owning in addition to its own assets the assets of DC2. As a result, DP satisfies the reporting threshold of § 1.6038D-2(a)(1) because the value of the specified foreign financial assets it is considered to own for purposes of § 1.6038D-2(a)(1) is \$105,000 on October 12, Year X, which exceeds DP's \$75,000 reporting threshold. DP must file Form 8938 for Year X to report the specified foreign financial assets in which it has an interest and disclose their maximum values as provided in § 1.6038D-4, which is \$90,000.

(c) *Domestic trusts*. Except as otherwise provided in paragraph (d) of this section, a trust described in section 7701(a)(30)(E) is formed or availed of for purposes of holding, directly or indirectly, specified foreign financial assets if and only if the trust has one or more specified persons as a current beneficiary. The term current beneficiary means, with respect to the taxable year, any person who at any time during such taxable year is entitled to, or at the discretion of any person may receive, a distribution from the principal or income of the trust (determined without regard to any power of appointment to the extent that such power remains unexercised at the end of the taxable year). The term current beneficiary also includes any holder of a general power of appointment, whether or not exercised, that was exercisable at any time during the taxable year, but does not include any holder of a general power of appointment that is exercisable only on the death of the holder.

(d) *Excepted domestic entities*. An entity is not considered to be a specified domestic entity if the entity is—

(1) *Certain persons described in section 1473(3)*. An entity, except for a trust that is exempt from tax under section 664(c), that is excepted from the definition of the term “specified United States person” under section 1473(3) and the regulations issued under that section;

(2) *Certain domestic trusts*. A trust described in section 7701(a)(30)(E) provided that the trustee of the trust—

(i) Has supervisory authority over or fiduciary obligations with regard to the specified foreign financial assets held by the trust;

(ii) Timely files (including any applicable extensions) annual returns and information returns on behalf of the trust; and

(iii) Is —

(A) A bank that is examined by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, or the National Credit Union Administration;

(B) A financial institution that is registered with and regulated or examined by the Securities and Exchange Commission; or

(C) A domestic corporation described in section 1473(3)(A) or (B), and the regulations issued with respect to those provisions.

(3) *Domestic trusts owned by one or more specified persons*. A trust described in section 7701(a)(30)(E) to the extent such trust or any portion thereof is treated as owned by one or more specified persons under sections 671 through 678 and the regulations issued under those sections.

(e) *Effective/applicability dates*. This section applies to taxable years beginning after December 31, 2015.

Karen M. Schiller,  
Deputy Commissioner for  
Services and Enforcement.

Approved: January 19, 2016.

Mark J. Mazur,  
Assistant Secretary of the  
Treasury (Tax Policy).

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## 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. 2016-07

This revenue ruling provides various prescribed rates for federal income tax purposes for March 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. 2016-07 TABLE 1  
Applicable Federal Rates (AFR) for March 2016  
*Period for Compounding*

	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
		<i>Short-term</i>		
AFR	.65%	.65%	.65%	.65%
110% AFR	.72%	.72%	.72%	.72%
120% AFR	.78%	.78%	.78%	.78%
130% AFR	.85%	.85%	.85%	.85%
		<i>Mid-term</i>		
AFR	1.48%	1.47%	1.47%	1.47%
110% AFR	1.63%	1.62%	1.62%	1.61%
120% AFR	1.77%	1.76%	1.76%	1.75%
130% AFR	1.92%	1.91%	1.91%	1.90%
150% AFR	2.22%	2.21%	2.20%	2.20%
175% AFR	2.59%	2.57%	2.56%	2.56%
		<i>Long-term</i>		
AFR	2.33%	2.32%	2.31%	2.31%
110% AFR	2.57%	2.55%	2.54%	2.54%
120% AFR	2.80%	2.78%	2.77%	2.76%
130% AFR	3.04%	3.02%	3.01%	3.00%

REV. RUL. 2016-07 TABLE 2  
Adjusted AFR for March 2016  
*Period for Compounding*

	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
Short-term adjusted AFR	.55%	.55%	.55%	.55%
Mid-term adjusted AFR	1.12%	1.12%	1.12%	1.12%
Long-term adjusted AFR	2.27%	2.26%	2.25%	2.25%

REV. RUL. 2016-07 TABLE 3  
Rates Under Section 382 for March 2016

Adjusted federal long-term rate for the current month	2.27%
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.)	2.65%

REV. RUL. 2016-07 TABLE 4  
Appropriate Percentages Under Section 42(b)(1) for March 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	7.44%
Appropriate percentage for the 30% present value low-income housing credit	3.19%

REV. RUL. 2016-07 TABLE 5  
Rate Under Section 7520 for March 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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