

taxes are not reduced because no taxes were deemed paid.

(iv) On December 31, 1990, Corporation A distributes a 5u dividend to Corporation M and a 45u dividend to Corporation Z. At that time Corporation A has 50u of post-1986 undistributed earnings, and \$150 of post-1986 foreign income taxes. Foreign taxes deemed paid by Corporation M under section 902 with respect to the 5u dividend are \$15 (\$150 x 10%[5u/50u]). Post-1986 undistributed earnings as of January 1, 1991, are -0- (50u - 50u). Post-1986 foreign income taxes as of January 1, 1991, also are -0-, \$150 reduced by \$150 (\$150 x 100%[50u/50u]) of foreign income taxes that would have been deemed paid if both Corporations M and Z were eligible to compute an amount of deemed paid taxes on the 50u dividend.

Par. 4. Newly designated § 1.902-3 is amended by revising the section heading and paragraph (a) introductory text, and by designating the last paragraph as paragraph (l) and revising it to read as follows:

*§ 1.902-3 Credit for domestic corporate shareholder of a foreign corporation for foreign income taxes paid with respect to accumulated profits of taxable years of the foreign corporation beginning before January 1, 1987.*

(a) *Definitions.* For purposes of section 902 and §§ 1.902-3 and 1.902-4:

\* \* \* \* \*

(l) *Effective date.* Except as provided in § 1.902-4, this section applies to any distribution received from a first-tier corporation by its domestic shareholder after December 31, 1964, and before the beginning of the foreign corporation's first taxable year beginning after December 31, 1986. If, however, the first day on which the ownership requirements of section 902(c)(3)(B) and § 1.902-1(a)(1) through (4) are met with respect to the foreign corporation is in a taxable year of the foreign corpora-

tion beginning after December 31, 1986, then this section shall apply to all taxable years beginning after December 31, 1964, and before the year in which the ownership requirements are first met. See § 1.902-1(a)(13)(iii). For corresponding rules applicable to distributions received by the domestic shareholder prior to January 1, 1965, see § 1.902-5 as contained in the 26 CFR part 1 edition revised April 1, 1976.

Par. 5. Newly designated § 1.902-4, paragraph (b), in the last sentence, the language “§ 1.902-1” is removed and “§ 1.902-3” is added in its place.

**PART 602—OMB CONTROL NUMBERS UNDER**

**THE PAPERWORK REDUCTION ACT**

Par. 6. The authority citation for part 602 continues to read as follows:

Authority: 26 U.S.C. 7805.

Par. 7. In § 602.101, paragraph (c) is amended by adding entries in numerical order to the table to read as follows:

*§ 602.101 OMB Control Numbers.*

\* \* \* \* \*  
(c) \* \* \*

CFR part or section where identified and described	Current OMB control No.
* * * * *	* * * * *
1.902-1 . . . . .	1545-1458
* * * * *	* * * * *

Margaret Milner Richardson,  
*Commissioner of Internal Revenue.*

Approved December 12, 1996.

Donald C. Lubick,  
*Assistant Secretary of the Treasury.*

(Filed by the Office of the Federal Register on January 6, 1997, 8:45 a.m., and published in the issue of the Federal Register on January 6, 1997, 62 F.R. 923)

**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, 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 1274, 1288, 382, and other sections of the Code, tables set forth the rates for March 1997.

**Rev. Rul. 97-10**

This revenue ruling provides various prescribed rates for federal income tax purposes for March 1997 (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. 97-10 TABLE 1				
Applicable Federal Rates (AFR) for March 1997				
Short-Term	Period for Compounding			
	Annual	Semiannual	Quarterly	Monthly
AFR	5.83%	5.75%	5.71%	5.68%
110% AFR	6.43%	6.33%	6.28%	6.25%
120% AFR	7.02%	6.90%	6.84%	6.80%
130% AFR	7.62%	7.48%	7.41%	7.37%

REV. RUL. 97-10 TABLE 1—Continued  
Applicable Federal Rates (AFR) for March 1997

	<i>Period for Compounding</i>			
	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
<i>Mid-Term</i>				
AFR	6.42%	6.32%	6.27%	6.24%
110% AFR	7.07%	6.95%	6.89%	6.85%
120% AFR	7.72%	7.58%	7.51%	7.46%
130% AFR	8.39%	8.22%	8.14%	8.08%
150% AFR	9.70%	9.48%	9.37%	9.30%
175% AFR	11.37%	11.06%	10.91%	10.81%
<i>Long-Term</i>				
AFR	6.86%	6.75%	6.69%	6.66%
110% AFR	7.57%	7.43%	7.36%	7.32%
120% AFR	8.26%	8.10%	8.02%	7.97%
130% AFR	8.97%	8.78%	8.69%	8.62%

REV. RUL. 97-10 TABLE 2  
Adjusted AFR for March 1997

	<i>Period for Compounding</i>			
	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
Short-term adjusted AFR	3.77%	3.74%	3.72%	3.71%
Mid-term adjusted AFR	4.62%	4.57%	4.54%	4.53%
Long-term adjusted AFR	5.50%	5.43%	5.39%	5.37%

REV. RUL. 97-10 TABLE 3  
Rates Under Section 382 for March 1997

Adjusted federal long-term rate for the current month	5.50%
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.)	5.50%

REV. RUL. 97-10 TABLE 4  
Appropriate Percentages Under Section 42(b)(2) for March 1997

Appropriate percentage for the 70% present value low-income housing credit	8.56%
Appropriate percentage for the 30% present value low-income housing credit	3.67%

REV. RUL. 97-10 TABLE 5  
Rate Under Section 7520 for March 1997

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	7.8%
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