

## Section 807.—Rules for Certain Reserves

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of May 2002. See Rev. Rul. 2002–25, on this page.

## Section 846.—Discounted Unpaid Losses Defined

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of May 2002. See Rev. Rul. 2002–25, on this page.

## Section 1041.—Transfers of Property Between Spouses or Incident to Divorce

26 CFR 1.1041–1T: Treatment of transfer of property between spouses or incident to divorce.

A taxpayer who transfers interests in nonstatutory stock options and nonqualified deferred compensation to the taxpayer's former spouse incident to divorce is not required to include an amount in gross income upon the transfer. Rather, the former spouse is required to include an amount in gross

income when the former spouse exercises the stock options or when the deferred compensation is paid or made available to the former spouse. See Rev. Rul. 2002–22, page 849.

## 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 May 2002.

## Rev. Rul. 2002–25

This revenue ruling provides various prescribed rates for federal income tax purposes for May 2002 (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. 2002–25 TABLE 1

Applicable Federal Rates (AFR) for May 2002

*Period for Compounding*

	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
<i>Short-Term</i>				
AFR	3.21%	3.18%	3.17%	3.16%
110% AFR	3.53%	3.50%	3.48%	3.47%
120% AFR	3.86%	3.82%	3.80%	3.79%
130% AFR	4.17%	4.13%	4.11%	4.09%
<i>Mid-Term</i>				
AFR	4.99%	4.93%	4.90%	4.88%
110% AFR	5.49%	5.42%	5.38%	5.36%
120% AFR	6.01%	5.92%	5.88%	5.85%
130% AFR	6.51%	6.41%	6.36%	6.33%
150% AFR	7.54%	7.40%	7.33%	7.29%
175% AFR	8.82%	8.63%	8.54%	8.48%

REV. RUL. 2002-25 TABLE 1—CONTINUED

Applicable Federal Rates (AFR) for May 2002

*Period for Compounding*

	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
<i>Long-Term</i>				
AFR	5.85%	5.77%	5.73%	5.70%
110% AFR	6.45%	6.35%	6.30%	6.27%
120% AFR	7.04%	6.92%	6.86%	6.82%
130% AFR	7.64%	7.50%	7.43%	7.39%

REV. RUL. 2002-25 TABLE 2

Adjusted AFR for May 2002

*Period for Compounding*

	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
Short-term adjusted AFR	2.56%	2.54%	2.53%	2.53%
Mid-term adjusted AFR	3.98%	3.94%	3.92%	3.91%
Long-term adjusted AFR	5.01%	4.95%	4.92%	4.90%

REV. RUL. 2002-25 TABLE 3

Rates Under Section 382 for May 2002

Adjusted federal long-term rate for the current month	5.01%
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.)	5.01%

REV. RUL. 2002-25 TABLE 4

Appropriate Percentages Under Section 42(b)(2) for May 2002

Appropriate percentage for the 70% present value low-income housing credit	8.27%
Appropriate percentage for the 30% present value low-income housing credit	3.54%

REV. RUL. 2002-25 TABLE 5

Rate Under Section 7520 for May 2002

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

6.0%

**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 May 2002. See Rev. Rul. 2002-25, page 904.

**Section 2032A.—Valuation of Certain Farm, etc., Real Property**

26 CFR 20.2032A-4: Method of valuing farm real property.

**Special use value; farms; interest rates.** The 2002 interest rates to be used in computing the special use value of farm real property for which an election is made under section 2032A of the Code are listed for estates of decedents.

**Rev. Rul. 2002-26**

This revenue ruling contains a list of the average annual effective interest rates on new loans under the Farm Credit Bank system. This revenue ruling also contains a list of the states within each Farm Credit Bank District.

Under § 2032A(e)(7)(A)(ii) of the Internal Revenue Code, rates on new Farm Credit Bank loans are used in computing the special use value of real property used as a farm for which an election is made under § 2032A. The rates in this revenue ruling may be used by estates that value farmland under § 2032A as of a date in 2002.

Average annual effective interest rates, calculated in accordance with § 2032A(e)(7)(A) and § 20.2032A-4(e) of the Estate Tax Regulations, to be used under § 2032A(e)(7)(A)(ii), are set forth in the accompanying Table of Interest Rates

(Table 1). The states within each Farm Credit Bank District are set forth in the accompanying Table of Farm Credit Bank Districts (Table 2).

Rev. Rul. 81-170 (1981-1 C.B. 454) contains an illustrative computation of an average annual effective interest rate. The rates applicable for valuation in 2001 are in Rev. Rul. 2001-21 (2001-1 C.B. 1144). For rate information for years prior to 2001, see Rev. Rul. 2000-26 (2000-1 C.B. 1124), and other revenue rulings that are referenced therein.

**DRAFTING INFORMATION**

The principal author of this revenue ruling is Lane Damazo of the Office of the Associate Chief Counsel (Passthroughs and Special Industries). For further information regarding this revenue ruling, contact Lane Damazo at (202) 622-3090 (not a toll-free call).

REV. RUL. 2002-26 TABLE 1

TABLE OF INTEREST RATES  
(Year of Valuation 2002)

Farm Credit Bank District in Which Property Is Located	Interest Rate
Columbia .....	9.68
Omaha/Spokane .....	7.77
Sacramento .....	7.66
St. Paul .....	7.88
Springfield .....	8.16
Texas .....	7.80
Wichita .....	7.96