

Example 8. U.S. Parent (USP), Foreign Subsidiary 1 (FS1) and Foreign Subsidiary 2 (FS2) enter into a cost sharing arrangement to develop computer software that each will market and install on customers' computer systems. The participants divide costs on the basis of projected sales by USP, FS1, and FS2 of the software in their respective geographic areas. However, FS1 plans not only to sell but also to license the software to unrelated customers, and FS1's licensing income (which is a percentage of the licensees' sales) is not counted in the projected benefits. In this case, the basis used for measuring the benefits of each participant is not the most reliable because all of the benefits received by participants are not taken into account. In order to reliably determine benefit shares, FS1's projected benefits from licensing must be included in the measurement on a basis that is the same as that used to measure its own and the other participants' projected benefits from sales (*e.g.*, all participants might measure their benefits on the basis of operating profit).

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(j) * * *

(2) *Documentation*—(i) *Requirements.* * * *

(ii) *Coordination with penalty regulation.* The documents described in paragraph (j)(2)(i) of this section will satisfy the principal documents requirement under §1.6662-6(d)(2)(iii)(B)

with respect to a qualified cost sharing arrangement.

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Margaret Milner Richardson,
Commissioner of Internal Revenue.

Approved May 2, 1996.

Leslie Samuels,
Assistant Secretary of the Treasury.

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Section 483.—Interest on Certain Deferred Payments

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of June 1996. See Rev. Rul. 96-27, on this page.

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 June 1996. See Rev. Rul. 96-27, 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 June 1996. See Rev. Rul. 96-27, on this page.

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 rates, 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 June 1996.

Rev. Rul. 96-27

This revenue ruling provides various prescribed rates for federal income tax purposes for June 1996 (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. 96-27 TABLE 1

Applicable Federal Rates (AFR) for June 1996

| | <i>Period for Compounding</i> | | | |
|-------------------|-------------------------------|-------------------|------------------|----------------|
| | <i>Annual</i> | <i>Semiannual</i> | <i>Quarterly</i> | <i>Monthly</i> |
| <i>Short-Term</i> | | | | |
| AFR | 5.88% | 5.80% | 5.76% | 5.73% |
| 110 AFR | 6.48% | 6.38% | 6.33% | 6.30% |
| 120 AFR | 7.08% | 6.96% | 6.90% | 6.86% |
| 130 AFR | 7.68% | 7.54% | 7.47% | 7.42% |
| <i>Mid-Term</i> | | | | |
| AFR | 6.58% | 6.48% | 6.43% | 6.39% |
| 110 AFR | 7.26% | 7.13% | 7.07% | 7.03% |
| 120 AFR | 7.93% | 7.78% | 7.71% | 7.66% |
| 130 AFR | 8.60% | 8.42% | 8.33% | 8.28% |
| 150 AFR | 9.96% | 9.72% | 9.60% | 9.53% |
| 175 AFR | 11.66% | 11.34% | 11.18% | 11.08% |
| <i>Long-Term</i> | | | | |
| AFR | 7.04% | 6.92% | 6.86% | 6.82% |
| 110 AFR | 7.75% | 7.61% | 7.54% | 7.49% |
| 120 AFR | 8.47% | 8.30% | 8.22% | 8.16% |
| 130 AFR | 9.20% | 9.00% | 8.90% | 8.84% |

REV. RUL. 96-27 TABLE 2

Adjusted AFR for June 1996

| | <i>Period for Compounding</i> | | | |
|-------------------|-------------------------------|-------------------|------------------|----------------|
| | <i>Annual</i> | <i>Semiannual</i> | <i>Quarterly</i> | <i>Monthly</i> |
| <i>Short-term</i> | | | | |
| adjusted AFR | 3.93% | 3.89% | 3.87% | 3.86% |
| <i>Mid-term</i> | | | | |
| adjusted AFR | 4.81% | 4.75% | 4.72% | 4.70% |
| <i>Long-term</i> | | | | |
| adjusted AFR | 5.78% | 5.70% | 5.66% | 5.63% |

REV. RUL. 96-27 TABLE 3

Rates Under Section 382 for June 1996

| | |
|--|-------|
| Adjusted federal long-term rate for the current month | 5.78% |
| 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.) | 5.78% |

REV. RUL. 96-27 TABLE 4

Appropriate Percentages Under Section 42(b)(2) for June 1996

| | |
|--|-------|
| Appropriate percentage for the 70% present value low-income housing credit | 8.60% |
| Appropriate percentage for the 30% present value low-income housing credit | 3.69% |

REV. RUL. 96-27 TABLE 5

Rate Under Section 7520 for June 1996

| | |
|---|----|
| 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 | 8% |
|---|----|

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 June 1996. See Rev. Rul. 96-27, page 9.

Section 6621.— Determination of Interest Rate

26 CFR 301.6621-1: Interest rate.

Interest rates; underpayments and overpayments. The rate of interest determined under section 6621 of the Code for the calendar quarter beginning July 1, 1996, is 8 percent for overpayments, 9 percent for underpayments, and 11 percent for large corporate underpayments. The rate of interest paid on the portion of a corporate

overpayment exceeding \$10,000 is 6.5 percent.

Rev. Rul. 96-28

Section 6621 of the Internal Revenue Code establishes different rates for interest on tax overpayments and interest on tax underpayments. Under § 6621(a)(1), the overpayment rate is the sum of the federal short-term rate plus 2 percentage points, except the rate for the portion of a corporate overpayment of tax exceeding \$10,000 for a taxable period is the sum of the federal short-term rate plus 0.5 of a percentage point for interest computations made after December 31, 1994. Under § 6621(a)(2), the underpayment rate is the sum of the federal short-term rate plus 3 percentage points.

Section 6621(c) provides that for purposes of interest payable under

§ 6601 on any large corporate underpayment, the underpayment rate under § 6621(a)(2) is determined by substituting “5 percentage points” for “3 percentage points.” See § 6621(c) and § 301.6621-3 of the Regulations on Procedure and Administration for the definition of a large corporate underpayment and for the rules for determining the applicable rate. Section 6621(c) and § 301.6621-3 are generally effective for periods after December 31, 1990.

Section 6621(b)(1) provides that the Secretary will determine the federal short-term rate for the first month in each calendar quarter.

Section 6621(b)(2)(A) provides that the federal short-term rate determined under § 6621(b)(1) for any month applies during the first calendar quarter beginning after such month.