

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

## Section 42.—Low-Income Housing Credit

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of December 1998. See Rev. Rul. 98-57, page 4.

## Section 56.—Adjustments in Computing Alternative Minimum Taxable Income

What procedures should taxpayers follow to obtain automatic consent to change their method of accounting for certain deferred payment sales contracts (relating to property used or produced in the trade or business of farming) to the installment method for alternative minimum tax purposes. See Rev. Proc. 98-58, page 19.

## Section 280G.—Golden Parachute Payments

Federal short-term, mid-term, and long-term rates are set forth for the month of December 1998. See Rev. Rul. 98-57, page 4.

## Section 382.—Limitation on Net Operating Loss Carryforwards and Certain Built-In Losses Following Ownership Change

The adjusted federal long-term rates is set forth for the month of December 1998. See Rev. Rul. 98-57, page 4.

## Section 412.—Minimum Funding Standards

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of December 1998. See Rev. Rul. 98-57, page 4.

## Section 467.—Certain Payments for the Use of Property or Services

The adjusted applicable federal short-term, mid-

term, and long-term rates are set forth for the month of December 1998. See Rev. Rul. 98-57, page 4.

## Section 468.—Special Rules for Mining and Solid Waste Reclamation and Closing Costs

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of December 1998. See Rev. Rul. 98-57, page 4.

## Section 482.—Allocation of Income and Deductions Among Taxpayers

Federal short-term, mid-term, and long-term rates are set forth for the month of December 1998. See Rev. Rul. 98-57, page 4.

## 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 December 1998. See Rev. Rul. 98-57, page 4.

## Section 642.—Special Rules for Credits and Deductions

Federal short-term, mid-term, and long-term rates are set forth for the month of December 1998. See Rev. Rul. 98-57, page 4.

## 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 December 1998. See Rev. Rul. 98-57, page 4.

## 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 December 1998. See Rev. Rul. 98-57, page 4.

## 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 long-term exempt rate.** For purposes of sections 1274, 1288, 382, and other sections of the Code, tables set forth the rates for December 1998.

Rev. Rul. 98-57

This revenue ruling provides various prescribed rates for federal income tax purposes for December 1998 (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. 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. Finally, Table 6 contains the 1999 interest rate for purposes of sections 846 and 807.

REV. RUL. 98-57 TABLE 1

Applicable Federal Rates (AFR) for December 1998

	<i>Period for Compounding</i>			
	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
<i>Short-Term</i>				
AFR	4.33%	4.28%	4.26%	4.24%
110% AFR	4.77%	4.71%	4.68%	4.66%
120% AFR	5.21%	5.14%	5.11%	5.09%
130% AFR	5.64%	5.56%	5.52%	5.50%
<i>Mid-Term</i>				
AFR	4.52%	4.47%	4.45%	4.43%
110% AFR	4.98%	4.92%	4.89%	4.87%
120% AFR	5.43%	5.36%	5.32%	5.30%
130% AFR	5.89%	5.81%	5.77%	5.74%
150% AFR	6.82%	6.71%	6.65%	6.62%
175% AFR	7.97%	7.82%	7.75%	7.70%
<i>Long-Term</i>				
AFR	5.25%	5.18%	5.15%	5.12%
110% AFR	5.78%	5.70%	5.66%	5.63%
120% AFR	6.32%	6.22%	6.17%	6.14%
130% AFR	6.84%	6.73%	6.67%	6.64%

REV. RUL. 98-57 TABLE 2

Adjusted AFR for December 1998

	<i>Period for Compounding</i>			
	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
<i>Short-term</i>				
adjusted AFR	3.20%	3.17%	3.16%	3.15%
<i>Mid-term</i>				
adjusted AFR	3.89%	3.85%	3.83%	3.82%
<i>Long-term</i>				
adjusted AFR	4.67%	4.62%	4.59%	4.58%

REV. RUL. 98-57 TABLE 3

Rates Under Section 382 for December 1998

Adjusted federal long-term rate for the current month	4.67%
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).	4.80%

REV. RUL. 98-57 TABLE 4

Appropriate Percentages Under Section 42(b)(2) for December 1998

Appropriate percentage for the 70% present value low-income housing credit	8.14%
Appropriate percentage for the 30% present value low-income housing credit	3.49%

REV. RUL. 98-57 TABLE 5

Rate Under Section 7520 for December 1998

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	5.4%
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REV. RUL. 98-57 TABLE 6

Rate Under Sections 846 and 807

Applicable rate of interest for 1999 for purposes of sections 846 and 807	6.3%
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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 December 1998. See Rev. Rul. 98-57, page 4.

Section 6321.—Lien for Taxes

Ct.D. 2063\*

**SUPREME COURT  
OF THE UNITED STATES**

No. 96-1613

UNITED STATES v. ESTATE OF  
FRANCIS J. ROMANI ET AL.

523 U.S. \_\_\_ (1998)

CERTIORARI TO THE SUPREME  
COURT OF PENNSYLVANIA,  
WESTERN DISTRICT

APRIL 19, 1998

Syllabus

After a third party perfected a \$400,000 judgment lien under Pennsylvania law on

\*Corrected due to typographical errors in *United States v. Estate of Francis J. Romani, et al.*, 1998-36 I.R.B. 13.

Francis Romani's Cambria County real property, the Internal Revenue Service filed notices of tax liens on the property, totaling some \$490,000. When Mr. Romani died, his entire estate consisted of real estate worth only \$53,001. Because the property was encumbered by both the judgment lien and the federal tax liens, the estate's administrator sought the county court's permission to transfer the property to the judgment creditor in lieu of execution. The court authorized the conveyance, overruling the Federal Government's objection that the transfer violated the federal priority statute, 31 U.S.C. §3713(a), which provides that a Government claim "shall be paid first" when a decedent's estate cannot pay all of its debts. The Superior Court of Pennsylvania affirmed, as did the Pennsylvania Supreme Court. The latter court determined that there was a "plain inconsistency" between §3713 and the Federal Tax Lien Act of 1966, which provides that a federal tax lien "shall not be valid" against judgment lien creditors until a prescribed notice has been given, 26 U.S.C. §6323(a). The court concluded that the 1966 Act effectively limited §3713's operation as to tax debts, relying on *United States v. Kimbell Foods, Inc.*, 440 U.S. 715, 738, which noted that the 1966 Act

modified the Government's preferred position in the tax area and recognized the priority of many state claims over federal tax liens.

*Held:* Section 3713(a) does not require that a federal tax claim be given preference over a judgment creditor's perfected lien on real property. Pp. 4-17.

(a) There is no dispute about the meaning of either the Pennsylvania lien statute or the Tax Lien Act. It is undisputed that, under the state law, the judgment creditor acquired a valid lien on Romani's real property before his death and before the Government served notice of its tax liens. That lien was therefore perfected in the sense that there is nothing more to be done to have a choate lien. *E.g., United States v. City of New Britain*, 347 U.S. 81, 84. And a review of the Tax Lien Act's history reveals that each time Congress has revisited the federal tax lien, it has ameliorated pre-existing harsh consequences for the delinquent taxpayer's other secured creditors. Here, all agree that by §6323(a)'s terms, the Government's liens are not valid as against the earlier recorded judgment lien. Pp. 4-7.

(b) Because this Court has never definitively resolved the basic question whether the federal priority statute gives the United States a preference only over