

realize on a sale of their shares, this shareholder purpose is so nearly coextensive with the corporate business purpose as to preclude any distinction between them. Section 1.355-2(b)(2). Therefore, the distribution is treated as carried out for a corporate business purpose. *Id.*

Situation 2. Because D expects that the increased value of its stock expected to result from the separation may permit D to effect future acquisitions in a manner that preserves capital with significantly less dilution of the existing shareholders' interests, providing D with a real and substantial benefit, the distribution is motivated by a real and substantial non-Federal tax purpose germane to the business of D. Section 1.355-2(b)(1) and (2). Further, because this purpose cannot be achieved through another nontaxable transaction that is neither impractical nor unduly expensive, the distribution is carried out for a corporate business purpose. Section 1.355-2(b)(2) and (3). Although the increase in stock value is expected to benefit the shareholders by increasing the amount they would realize on a sale of their shares, this shareholder purpose is so nearly coextensive with the corporate business purpose as to preclude any distinction between them. Section 1.355-2(b)(2). Therefore, the distribution is treated as carried out for a corporate business purpose. *Id.*

HOLDING

A distribution that is expected to cause the aggregate value of the stock of a distributing corporation and the stock of a controlled corporation to exceed the pre-distribution value of the distributing corporation's stock satisfies the corporate business purpose requirement of § 355 and § 1.355-2(b) when the increased value is expected to serve a corporate business purpose of either the distributing corporation or the controlled corporation (or both), even if it benefits the shareholders of the distributing corporation.

DRAFTING INFORMATION

The principal author of this revenue ruling is Jeffrey B. Fienberg of the Office of Associate Chief Counsel (Corporate). For further information regarding this rev-

enue ruling, contact Mr. Fienberg at (202) 622-7930 (not a toll-free call).

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

The adjusted applicable federal long-term rate is set forth for the month of March 2004. See Rev. Rul. 2004-25, page 587.

Section 412.—Minimum Funding Standards

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of March 2004. See Rev. Rul. 2004-25, page 587.

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 March 2004. See Rev. Rul. 2004-25, page 587.

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 March 2004. See Rev. Rul. 2004-25, page 587.

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 March 2004. See Rev. Rul. 2004-25, page 587.

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 March 2004. See Rev. Rul. 2004-25, page 587.

Section 642.—Special Rules for Credits and Deductions

Federal short-term, mid-term, and long-term rates are set forth for the month of March 2004. See Rev. Rul. 2004-25, page 587.

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 March 2004. See Rev. Rul. 2004-25, page 587.

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 March 2004. See Rev. Rul. 2004-25, page 587.

Section 1001.—Determination of Amount of and Recognition of Gain or Loss

26 CFR 1.1001-3: Modifications of debt instruments.

What are the income and employment tax consequences when an employer and employee reduce the stated principal of a recourse note issued by the employee to the employer to acquire employer stock? See Rev. Rul. 2004-37, page 583.

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, 642, 1274, 1288, and other sections of the Code, tables set forth the rates for March 2004.

Rev. Rul. 2004-25

This revenue ruling provides various prescribed rates for federal income tax purposes for March 2004 (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 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. 2004-25 TABLE 1				
Applicable Federal Rates (AFR) for March 2004				
	<i>Period for Compounding</i>			
	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
<i>Short-Term</i>				
AFR	1.58%	1.57%	1.57%	1.56%
110% AFR	1.74%	1.73%	1.73%	1.72%
120% AFR	1.89%	1.88%	1.88%	1.87%
130% AFR	2.05%	2.04%	2.03%	2.03%
<i>Mid-Term</i>				
AFR	3.34%	3.31%	3.30%	3.29%
110% AFR	3.67%	3.64%	3.62%	3.61%
120% AFR	4.01%	3.97%	3.95%	3.94%
130% AFR	4.35%	4.30%	4.28%	4.26%
150% AFR	5.03%	4.97%	4.94%	4.92%
175% AFR	5.87%	5.79%	5.75%	5.72%
<i>Long-Term</i>				
AFR	4.84%	4.78%	4.75%	4.73%
110% AFR	5.33%	5.26%	5.23%	5.20%
120% AFR	5.82%	5.74%	5.70%	5.67%
130% AFR	6.31%	6.21%	6.16%	6.13%

REV. RUL. 2004-25 TABLE 2				
Rates Under Section 382 for March 2004				
	<i>Period for Compounding</i>			
	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
Short-term adjusted AFR	1.30%	1.30%	1.30%	1.30%
Mid-term adjusted AFR	2.47%	2.45%	2.44%	2.44%
Long-term adjusted AFR	4.19%	4.15%	4.13%	4.11%

REV. RUL. 2004-25 TABLE 3
Rates Under Section 382 for March 2004

Adjusted federal long-term rate for the current month	4.19%
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.)	4.40%

REV. RUL. 2004-25 TABLE 4
Appropriate Percentages Under Section 42(b)(2) for March 2004

Appropriate percentage for the 70% present value low-income housing credit	7.95%
Appropriate percentage for the 30% present value low-income housing credit	3.41%

REV. RUL. 2004-25 TABLE 5
Rate Under Section 7520 for March 2004

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	4.0%
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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 March 2004. See Rev. Rul. 2004-25, page 587.

Section 3121.—Definitions

26 CFR 31.3121(a)-1: Wages.

What are the income and employment tax consequences when an employer and employee reduce the stated principal of a recourse note issued by the employee to the employer to acquire employer stock? See Rev. Rul. 2004-37, page 583.

Section 3306.—Definitions

26 CFR 31.3306(b)-1: Wages.

What are the income and employment tax consequences when an employer and employee reduce the stated principal of a recourse note issued by the employee to the employer to acquire employer stock? See Rev. Rul. 2004-37, page 583.

Section 3401.—Definitions

26 CFR 31.3401(a)-1: Wages.

What are the income and employment tax consequences when an employer and employee reduce the

stated principal of a recourse note issued by the employee to the employer to acquire employer stock? See Rev. Rul. 2004-37, page 583.

Section 6051.—Receipts for Employees

26 CFR 31.6051-1: Statements for employees.

T.D. 9114

DEPARTMENT OF THE TREASURY Internal Revenue Service 26 CFR Parts 1, 31, 301, and 602

Electronic Payee Statements

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Final regulations and removal of temporary regulations.

SUMMARY: This document contains final regulations relating to the voluntary electronic furnishing of statements on Forms W-2, *Wage and Tax Statement*, under sections 6041 and 6051, and statements on Forms 1098-T, *Tuition Statement*, and Forms 1098-E, *Student Loan Interest Statement*, under section 6050S. These

final regulations affect businesses, other for-profit institutions, and eligible educational institutions that wish to furnish these required statements electronically. The regulations will also affect individuals (recipients), principally employees, students, and borrowers, who consent to receive these statements electronically.

DATES: *Effective Date:* These regulations are effective February 18, 2004.

Applicability Date: These regulations apply to statements and reports required to be furnished after February 13, 2004. The rules relating to maintenance of access to website statements also apply to statements and reports required to be furnished after December 31, 2003.

FOR FURTHER INFORMATION CONTACT: Michael E. Hara at (202) 622-4910 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Paperwork Reduction Act

The collection of information contained in these final regulations has been reviewed and approved by the Office of Management and Budget in accordance with the Paperwork Reduction Act (44 U.S.C. 3507) under control number 1545-1729. Responses to this collection