

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 February 2004.

Rev. Rul. 2004-9

This revenue ruling provides various prescribed rates for federal income tax purposes for February 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. 2004-9 TABLE 1				
Applicable Federal Rates (AFR) for February 2004				
	<i>Period for Compounding</i>			
	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
<i>Short-Term</i>				
AFR	1.62%	1.61%	1.61%	1.60%
110% AFR	1.78%	1.77%	1.77%	1.76%
120% AFR	1.94%	1.93%	1.93%	1.92%
130% AFR	2.10%	2.09%	2.08%	2.08%
<i>Mid-Term</i>				
AFR	3.44%	3.41%	3.40%	3.39%
110% AFR	3.79%	3.75%	3.73%	3.72%
120% AFR	4.13%	4.09%	4.07%	4.06%
130% AFR	4.48%	4.43%	4.41%	4.39%
150% AFR	5.19%	5.12%	5.09%	5.07%
175% AFR	6.06%	5.97%	5.93%	5.90%
<i>Long-Term</i>				
AFR	4.94%	4.88%	4.85%	4.83%
110% AFR	5.44%	5.37%	5.33%	5.31%
120% AFR	5.95%	5.86%	5.82%	5.79%
130% AFR	6.44%	6.34%	6.29%	6.26%

REV. RUL. 2004-9 TABLE 2				
Adjusted AFR for February 2004				
	<i>Period for Compounding</i>			
	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
Short-term adjusted AFR	1.41%	1.41%	1.41%	1.41%
Mid-term adjusted AFR	2.64%	2.62%	2.61%	2.61%
Long-term adjusted AFR	4.31%	4.26%	4.24%	4.22%

REV. RUL. 2004-9 TABLE 3

Rates Under Section 382 for February 2004

Adjusted federal long-term rate for the current month	4.31%
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.)	4.58%

REV. RUL. 2004-9 TABLE 4

Appropriate Percentages Under Section 42(b)(2) for February 2004

Appropriate percentage for the 70% present value low-income housing credit	7.97%
Appropriate percentage for the 30% present value low-income housing credit	3.42%

REV. RUL. 2004-9 TABLE 5

Rate Under Section 7520 for February 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	4.2%
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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 February 2004. See Rev. Rul. 2004-9, page 428.

Section 1361.—S Corporation Defined

26 CFR 1.1361-4: *Effect on QSub election.*

Whether an Employee Stock Ownership Plan may be a shareholder in an S corporation. See Rev. Rul. 2004-4, page 414.

Section 4975.—Tax on Prohibited Transactions

26 CFR 54.4975-11: *“ESOP” requirements.*

Whether, under each of the three situations described therein, the Employee Stock Ownership Plan of an S corporation has a nonallocation year within the meaning of section 409(p)(3) of the Internal Revenue Code. See Rev. Rul. 2004-4, page 414.

Section 4979A.—Tax on Certain Prohibited Allocations of Qualified Securities

Whether transactions involving an S corporation ESOP and the ownership by a disqualified person of

synthetic equity in a nonallocation year of the ESOP give rise to the excise tax described in section 4979A. See Rev. Rul. 2004-4, page 414.

Section 6011.—General Requirement of Return, Statement or List

26 CFR 1.6011-4: *Requirement of statement disclosing participation in certain transactions by taxpayers.*

Whether transactions involving an S corporation ESOP and the ownership by a disqualified person of synthetic equity in a nonallocation year of the ESOP is a listed transaction. See Rev. Rul. 2004-4, page 414.

26 CFR 1.6011-4: *Requirement of statement disclosing participation in certain transactions by taxpayers.*

T.D. 9108

**DEPARTMENT OF THE TREASURY
Internal Revenue Service
26 CFR Parts 1 and 301**

Confidential Transactions

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Final regulations.

SUMMARY: These final regulations modify and clarify the rules relating to confidential transactions under the Income Tax Regulations, and make minor conforming changes to the list maintenance rules under the Procedure and Administration Regulations. These regulations affect taxpayers participating in reportable transactions and persons responsible for maintaining and furnishing lists of investors in reportable transactions.

DATES: Effective Date: These regulations are effective December 29, 2003.

Applicability Date: For dates of applicability, see §1.6011-4(h) and §301.6112-1.

FOR FURTHER INFORMATION CONTACT: Tara P. Volungis or Charlotte Chyr, 202-622-3070 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Paperwork Reduction Act

The collections of information contained in these regulations have been previously reviewed and approved by the Office of Management and Budget in accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. 3507(d)) under control numbers 1545-1685 and 1545-1686.