

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 July 2006. See Rev. Rul. 2006-35, page 50.

Section 280G.—Golden Parachute Payments

Federal short-term, mid-term, and long-term rates are set forth for the month of July 2006. See Rev. Rul. 2006-35, page 50.

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

The adjusted applicable federal long-term rate is set forth for the month of July 2006. See Rev. Rul. 2006-35, page 50.

Section 412.—Minimum Funding Standards

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of July 2006. See Rev. Rul. 2006-35, page 50.

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 July 2006. See Rev. Rul. 2006-35, page 50.

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 July 2006. See Rev. Rul. 2006-35, page 50.

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 July 2006. See Rev. Rul. 2006-35, page 50.

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 July 2006. See Rev. Rul. 2006-35, page 50.

Section 642.—Special Rules for Credits and Deductions

Federal short-term, mid-term, and long-term rates are set forth for the month of July 2006. See Rev. Rul. 2006-35, page 50.

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 July 2006. See Rev. Rul. 2006-35, page 50.

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 July 2006. See Rev. Rul. 2006-35, page 50.

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 July 2006.

Rev. Rul. 2006-35

This revenue ruling provides various prescribed rates for federal income tax purposes for July 2006 (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 blended annual rate for 2006 for purposes of section 7872.

REV. RUL. 2006-35 TABLE 1
Applicable Federal Rates (AFR) for July 2006

	<i>Period for Compounding</i>			
	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
<i>Short-term</i>				
AFR	5.05%	4.99%	4.96%	4.94%
110% AFR	5.57%	5.49%	5.45%	5.43%
120% AFR	6.08%	5.99%	5.95%	5.92%
130% AFR	6.60%	6.49%	6.44%	6.40%
<i>Mid-term</i>				
AFR	5.05%	4.99%	4.96%	4.94%
110% AFR	5.57%	5.49%	5.45%	5.43%
120% AFR	6.08%	5.99%	5.95%	5.92%
130% AFR	6.60%	6.49%	6.44%	6.40%
150% AFR	7.63%	7.49%	7.42%	7.38%
175% AFR	8.92%	8.73%	8.64%	8.58%
<i>Long-term</i>				
AFR	5.29%	5.22%	5.19%	5.16%
110% AFR	5.82%	5.74%	5.70%	5.67%
120% AFR	6.36%	6.26%	6.21%	6.18%
130% AFR	6.91%	6.79%	6.73%	6.70%

REV. RUL. 2006-35 TABLE 2
Adjusted AFR for July 2006

	<i>Period for Compounding</i>			
	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
Short-term adjusted AFR	3.60%	3.57%	3.55%	3.54%
Mid-term adjusted AFR	3.81%	3.77%	3.75%	3.74%
Long-term adjusted AFR	4.43%	4.38%	4.36%	4.34%

REV. RUL. 2006-35 TABLE 3
Rates Under Section 382 for July 2006

Adjusted federal long-term rate for the current month	4.43%
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.)	4.45%

REV. RUL. 2006-35 TABLE 4
Appropriate Percentages Under Section 42(b)(2) for July 2006

Appropriate percentage for the 70% present value low-income housing credit	8.21%
Appropriate percentage for the 30% present value low-income housing credit	3.52%

REV. RUL. 2006-35 TABLE 5
Rate Under Section 7520 for July 2006

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%

REV. RUL. 2006-35 TABLE 6
Blended Annual Rate for 2006

Section 7872(e)(2) blended annual rate for 2006 4.71%

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 July 2006. See Rev. Rul. 2006-35, page 50.

Section 3121.—Definitions

26 CFR 31.3121(a)-2: *Wages; when paid and received.*

T.D. 9266

DEPARTMENT OF THE TREASURY Internal Revenue Service 26 CFR Part 31

Application of the Federal Insurance Contributions Act to Payments Made for Certain Services

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Final regulation.

SUMMARY: This document contains final regulations relating to payments made for service not in the course of the employer's trade or business, for domestic service in a private home of the employer, for agricultural labor, and for service performed as a home worker within the meaning of section 3121(d)(3)(C) of the Internal Revenue Code (Code). These final regulations provide guidance concerning the application of the Federal Insurance Contributions Act (FICA) to these payments. These final regulations affect employers that make these

payments and employees that receive these payments. These final regulations provide guidance to assist these taxpayers in complying with the law.

DATES: Effective Date: These regulations are effective on June 19, 2006.

Applicability Dates: The regulations relating to payments made for service not in the course of the employer's trade or business and/or for service performed as a home worker within the meaning of section 3121(d)(3)(C) apply to cash remuneration paid on or after January 1, 1978. The regulations relating to payments made for domestic service in a private home of the employer apply to cash remuneration paid on or after January 1, 1994. The regulations relating to payments for agricultural labor apply to cash remuneration paid on or after January 1, 1988. The regulations relating to computation to the nearest dollar of cash remuneration for domestic service in a private home of the employer apply to cash remuneration paid on or after January 1, 1994.

FOR FURTHER INFORMATION CONTACT: Selvan Boominathan of the Office of Division Counsel/Associate Chief Counsel (Tax Exempt and Government Entities), (202) 622-0047 (not a toll-free call).

SUPPLEMENTARY INFORMATION:

Background

This document contains amendments to the Employment Tax Regulations (26 CFR part 31) under sections 3102, 3121(a), 3121(a)(7), 3121(a)(8), 3121(a)(10), and 3121(i) of the Code. The Federal Insurance Contributions Act (FICA) generally imposes tax on each employer and employee. Under section 3111, FICA tax is

imposed on the employer in an amount equal to a percentage of the wages paid by that employer. Under section 3101, FICA tax is also imposed on the employee in an amount equal to a percentage of the wages received by the employee with respect to employment. Section 3102 requires the employer to collect the tax imposed under section 3101 by deducting and withholding the amount of the tax from the wages as and when paid. Section 3121(a) defines wages for FICA tax purposes as all remuneration for employment unless otherwise excepted. Sections 3121(a)(7) (relating to domestic service in a private home of the employer and to service not in the course of the employer's trade or business), 3121(a)(8) (relating to agricultural labor) and 3121(a)(10) (relating to service performed as a home worker within the meaning of section 3121(d)(3)(C)) provide exceptions to the definition of wages for FICA tax purposes. Section 3121(i)(1) provides that in the case of domestic service described in section 3121(a)(7)(B), any payment of cash remuneration for such service which is more or less than a whole-dollar amount, to the extent prescribed by regulations, may be computed to the nearest dollar.

Proposed regulations (REG-104143-05, 2005-41 I.R.B. 708) under sections 3102, 3121(a), 3121(a)(7), 3121(a)(8), 3121(a)(10), and 3121(i) were published in the **Federal Register** (70 FR 50228-01) on August 26, 2005, and corrected in the **Federal Register** (70 FR 54680-01) on September 16, 2005. No written or electronic comments responding to the notice of proposed rulemaking were received. No public hearing was requested or held. Accordingly, the proposed regulations are adopted by this Treasury decision.