

and the regulations issued thereunder. Accordingly, a taxpayer wishing to change its treatment of Credit Card NSF fees to comply with this revenue ruling must obtain the consent of the Commissioner under § 446(e) and § 1.446-1(e)(2)(i) by following the procedures in Rev. Proc. 97-27, 1997-1 C.B. 680 (or its successor).

#### HOLDINGS

(1) The Credit Card NSF Fee is not interest for federal income tax purposes.

(2) The Credit Card NSF Fee is includible in gross income for federal income tax purposes when the NSF Event occurs.

#### DRAFTING INFORMATION

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### 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 January 2007. See Rev. Rul. 2007-2, page 266.

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### 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 January 2007. See Rev. Rul. 2007-2, page 266.

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### 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 January 2007. See Rev. Rul. 2007-2, page 266.

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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 January 2007. See Rev. Rul. 2007-2, page 266.

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

Federal short-term, mid-term, and long-term rates are set forth for the month of January 2007. See Rev. Rul. 2007-2, page 266.

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### 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 January 2007. See Rev. Rul. 2007-2, page 266.

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### Section 832.—Insurance Company Taxable Income

26 CFR 1.832-4: *Gross income.*

The salvage discount factors are set forth for 2006. These factors must be used to compute discounted estimated salvage recoverable for purposes of section 832 of the Code. See Rev. Proc. 2007-10, page 289.

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### 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 January 2007. See Rev. Rul. 2007-2, page 266.

26 CFR 1.846-1: *Application of discount factors.*

The loss payment patterns and discount factors are set forth for the 2006 accident year. These factors will be used for computing discounted unpaid losses under section 846 of the Code. See Rev. Proc. 2007-9, page 278.

26 CFR 1.846-1: *Application of discount factors.*

The salvage discount factors are set forth for 2006. These factors must be used to compute discounted estimated salvage recoverable for purposes of section 832 of the Code. See Rev. Proc. 2007-10, page 289.

### 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 January 2007.

#### Rev. Rul. 2007-2

This revenue ruling provides various prescribed rates for federal income tax purposes for January 2007 (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 deemed rate of return for transfers made during calendar year 2007 to pooled income funds described in section 642(c)(5) that have been in existence for less than 3 taxable years immediately preceding the taxable year in which the transfer was made.

REV. RUL. 2007-2 TABLE 1  
Applicable Federal Rates (AFR) for January 2007

	<i>Period for Compounding</i>			
	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
<i>Short-term</i>				
AFR	4.88%	4.82%	4.79%	4.77%
110% AFR	5.37%	5.30%	5.27%	5.24%
120% AFR	5.86%	5.78%	5.74%	5.71%
130% AFR	6.37%	6.27%	6.22%	6.19%
<i>Mid-term</i>				
AFR	4.58%	4.53%	4.50%	4.49%
110% AFR	5.04%	4.98%	4.95%	4.93%
120% AFR	5.51%	5.44%	5.40%	5.38%
130% AFR	5.98%	5.89%	5.85%	5.82%
150% AFR	6.92%	6.80%	6.74%	6.71%
175% AFR	8.09%	7.93%	7.85%	7.80%
<i>Long-term</i>				
AFR	4.73%	4.68%	4.65%	4.64%
110% AFR	5.22%	5.15%	5.12%	5.10%
120% AFR	5.70%	5.62%	5.58%	5.56%
130% AFR	6.17%	6.08%	6.03%	6.00%

REV. RUL. 2007-2 TABLE 2  
Adjusted AFR for January 2007

	<i>Period for Compounding</i>			
	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
Short-term adjusted AFR	3.39%	3.36%	3.35%	3.34%
Mid-term adjusted AFR	3.54%	3.51%	3.49%	3.48%
Long-term adjusted AFR	4.03%	3.99%	3.97%	3.96%

REV. RUL. 2007-2 TABLE 3  
Rates Under Section 382 for January 2007

Adjusted federal long-term rate for the current month	4.03%
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.)	4.15%

REV. RUL. 2007-2 TABLE 4  
Appropriate Percentages Under Section 42(b)(2) for January 2007

Appropriate percentage for the 70% present value low-income housing credit	8.08%
Appropriate percentage for the 30% present value low-income housing credit	3.46%

REV. RUL. 2007-2 TABLE 5

Rate Under Section 7520 for January 2007

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

5.6%

REV. RUL. 2007-2 TABLE 6

Deemed Rate for Transfers to New Pooled Income Funds During 2007

Deemed rate of return for transfers during 2007 to pooled income funds that have been in existence for less than 3 taxable years

4.8%

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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 January 2007. See Rev. Rul. 2007-2, page 266.

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**Section 7520.—Valuation Tables**

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of January 2007. See Rev. Rul. 2007-2, page 266.

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**Section 7872.—Treatment of Loans With Below-Market Interest Rates**

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of January 2007. See Rev. Rul. 2007-2, page 266.