

# 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 April 2007. See Rev. Rul. 2007-23, page 889.

## Section 280G.—Golden Parachute Payments

Federal short-term, mid-term, and long-term rates are set forth for the month of April 2007. See Rev. Rul. 2007-23, page 889.

## 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 April 2007. See Rev. Rul. 2007-23, page 889.

## Section 412.—Minimum Funding Standards

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of April 2007. See Rev. Rul. 2007-23, page 889.

## 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 April 2007. See Rev. Rul. 2007-23, page 889.

## 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 April 2007. See Rev. Rul. 2007-23, page 889.

## Section 468B.—Special Rules for Designated Settlement Funds

A revised Initial Regulatory Flexibility Analysis discusses the impact on small businesses of proposed

regulations relating to the current taxation of qualified escrow accounts, qualified trusts, and other escrow accounts, trusts, and funds used during deferred exchanges of like-kind property. The proposed regulations were published on February 6, 2006. See Announcement 2007-35, page 949.

## 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 April 2007. See Rev. Rul. 2007-23, page 889.

## 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 April 2007. See Rev. Rul. 2007-23, page 889.

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

Federal short-term, mid-term, and long-term rates are set forth for the month of April 2007. See Rev. Rul. 2007-23, page 889.

## 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 April 2007. See Rev. Rul. 2007-23, page 889.

## 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 April 2007. See Rev. Rul. 2007-23, page 889.

## Section 1031.—Exchange of Property Held for Productive Use or Investment

26 CFR 1.1031(k)-1: Treatment of deferred exchanges.

A revised Initial Regulatory Flexibility Analysis discusses the impact on small businesses of proposed

regulations relating to the current taxation of qualified escrow accounts, qualified trusts, and other escrow accounts, trusts, and funds used during deferred exchanges of like-kind property. The proposed regulations were published on February 6, 2006. See Announcement 2007-35, page 949.

## 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 April 2007.

## Rev. Rul. 2007-23

This revenue ruling provides various prescribed rates for federal income tax purposes for April 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. Finally, 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.

REV. RUL. 2007-23 TABLE 1  
Applicable Federal Rates (AFR) for April 2007

	<i>Period for Compounding</i>			
	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
<i>Short-term</i>				
AFR	4.90%	4.84%	4.81%	4.79%
110% AFR	5.39%	5.32%	5.29%	5.26%
120% AFR	5.89%	5.81%	5.77%	5.74%
130% AFR	6.39%	6.29%	6.24%	6.21%
<i>Mid-term</i>				
AFR	4.61%	4.56%	4.53%	4.52%
110% AFR	5.08%	5.02%	4.99%	4.97%
120% AFR	5.54%	5.47%	5.43%	5.41%
130% AFR	6.02%	5.93%	5.89%	5.86%
150% AFR	6.96%	6.84%	6.78%	6.74%
175% AFR	8.14%	7.98%	7.90%	7.85%
<i>Long-term</i>				
AFR	4.81%	4.75%	4.72%	4.70%
110% AFR	5.30%	5.23%	5.20%	5.17%
120% AFR	5.78%	5.70%	5.66%	5.63%
130% AFR	6.28%	6.18%	6.13%	6.10%

REV. RUL. 2007-23 TABLE 2  
Adjusted AFR for April 2007

	<i>Period for Compounding</i>			
	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
Short-term adjusted AFR	3.50%	3.47%	3.46%	3.45%
Mid-term adjusted AFR	3.65%	3.62%	3.60%	3.59%
Long-term adjusted AFR	4.04%	4.00%	3.98%	3.97%

REV. RUL. 2007-23 TABLE 3  
Rates Under Section 382 for April 2007

Adjusted federal long-term rate for the current month	4.04%
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.)	4.18%

REV. RUL. 2007-23 TABLE 4  
Appropriate Percentages Under Section 42(b)(2) for April 2007

Appropriate percentage for the 70% present value low-income housing credit	8.10%
Appropriate percentage for the 30% present value low-income housing credit	3.47%

REV. RUL. 2007-23 TABLE 5

Rate Under Section 7520 for April 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%

## 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 April 2007. See Rev. Rul. 2007-23, page 889.

## Section 1503.—Computation and Payment of Tax

26 CFR 1.1503(d)-1: Definitions and special rules for filings under section 1503(d).

### T.D. 9315

#### DEPARTMENT OF THE TREASURY Internal Revenue Service 26 CFR Parts 1 and 602

#### Dual Consolidated Loss Regulations

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Final regulations.

SUMMARY: This document contains final regulations under section 1503(d) of the Internal Revenue Code (Code) regarding dual consolidated losses. Section 1503(d) generally provides that a dual consolidated loss of a dual resident corporation cannot reduce the taxable income of any other member of the affiliated group unless, to the extent provided in regulations, the loss does not offset the income of any foreign corporation. Similar rules apply to losses of separate units of domestic corporations. These final regulations address various dual consolidated loss issues, including exceptions to the general prohibition against using a dual consolidated loss to reduce the taxable income of any other member of the affiliated group.

DATES: *Effective Date:* These regulations are effective on March 19, 2007.

*Applicability Dates:* For dates of applicability, see §1.1503(d)-8.

FOR FURTHER INFORMATION CONTACT: Jeffrey P. Cowan, (202) 622-3860 (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 of 1995 (44 U.S.C. 3507(d)) under control number 1545-1946.

The collections of information in these final regulations are in §§1.1503(d)-1(c), 1.1503(d)-3(e), 1.1503(d)-4(e), 1.1503(d)-6(c), 1.1503(d)-6(d), 1.1503(d)-6(e), 1.1503(d)-6(f), 1.1503(d)-6(g), 1.1503(d)-6(h), and 1.1503(d)-6(j). This information is required for various reasons. The information under §1.1503(d)-1(c) notifies the IRS when a taxpayer asserts that it had reasonable cause for failing to comply with certain filing requirements under the regulations. The information under §1.1503(d)-4(e) indicates when the taxpayer attempts to rebut the amount of presumed tainted income. The information under the other provisions provides the IRS with various information regarding domestic use elections, exceptions to the domestic use limitation, triggering events, new domestic use agreements, original elector statements, annual certifications, and terminations of existing domestic use elections.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid control number.

Books or records relating to a collection of information must be retained as long as their contents might become material in the administration of any internal revenue law. Generally, tax returns and tax return

information are confidential, as required by 26 U.S.C. 6103.

#### Background

Congress enacted section 1503(d), as part of the Tax Reform Act of 1986, to prevent a dual resident corporation from using a single economic loss once to offset income that was subject to U.S. tax, but not foreign tax, and a second time to offset income subject to foreign tax, but not U.S. tax (double dip). In 1988, Congress extended the application of section 1503(d), by adding section 1503(d)(3) and (4), to apply the provisions to separate units of domestic corporations and to grant the Secretary authority to promulgate regulations to prevent the avoidance of section 1503(d) through the contribution of assets to a corporation with a dual consolidated loss after the loss was sustained. The IRS and Treasury Department issued temporary regulations under section 1503(d) in 1989 (T.D. 8261, 1989-2 C.B. 220) and final regulations in 1992 (T.D. 8434, 1992-2 C.B. 240), see §601.601(d)(2)(ii)(b). These final regulations were updated and amended over the next 11 years (current regulations).

On May 24, 2005, the IRS and Treasury Department published in the **Federal Register** a notice of proposed rulemaking (REG-102144-04, 2005-1 C.B. 1297 [70 FR 29868]). The proposed regulations addressed the following fundamental concerns arising under the current regulations: (1) the potential over- and under-application of the current regulations; (2) various issues arising in the application of the current regulations, particularly in light of the adoption of the entity classification regulations under §§301.7701-1 through 301.7701-3 (check-the-box regulations); and (3) the administrative burden of the current regulations. The public hearing with respect to the 2005 proposed regulations was cancelled because no request to speak was received. However, the IRS and Treasury Department received a number of