

will primarily affect large corporations with a substantial number of shareholders. Accordingly, a regulatory flexibility analysis is not required. Pursuant to section 7805(f) of the Internal Revenue Code, the notice of proposed rulemaking preceding this regulation was submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on its impact on small business, and no comments were received.

### Drafting Information

The principal author of these regulations is Austin M. Diamond-Jones, Office of Associate Chief Counsel (Corporate). However, other personnel from the Treasury Department and the IRS participated in their development.

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### Adoption of Amendments to the Regulations

Accordingly, 26 CFR part 1 is amended as follows:

#### PART 1—INCOME TAXES

Paragraph 1. The authority citation for part 1 continues to read as follows:

Authority: 26 U.S.C. 7805 \* \* \*  
\* \* \* \* \*

Par. 2. Section 1.337(d)-7 is amended by revising paragraphs (b)(2)(iii) and (g)(2)(iii) to read as follows:

*§ 1.337(d)-7 Tax on property owned by a C corporation that becomes property of a RIC or REIT.*

\* \* \* \* \*

(b) \* \* \*  
(2) \* \* \*

(iii) *Recognition period.* For purposes of applying the rules of section 1374 and the regulations thereunder, as modified by paragraph (b) of this section, the term *recognition period* means the recognition period described in section 1374(d)(7), beginning—

(A) In the case of a conversion transaction that is a qualification of a C corporation as a RIC or a REIT, on the first day of the RIC's or the REIT's first taxable year; and  
(B) In the case of other conversion transactions, on the day the RIC or the REIT acquires the property.

\* \* \* \* \*

(g) \* \* \*  
(2) \* \* \*

(iii) *Recognition period.* Paragraphs (b)(1)(ii) and (d)(2)(iii) of this section apply to conversion transactions that occur on or after August 8, 2016. Paragraph (b)(2)(iii) of this section applies to conversion transactions that occur after February 17, 2017. For conversion transactions that occurred on or after August 8, 2016 and on or before February 17, 2017, see § 1.337(d)-7T(b)(2)(iii) in effect on August 8, 2016. However, taxpayers may apply paragraph (b)(2)(iii) of this section to conversion transactions that occurred on or after August 8, 2016 and on or before February 17, 2017. For conversion transactions that occurred on or after January 2, 2002 and before August 8, 2016, see § 1.337(d)-7 as contained in 26 CFR part 1 in effect on April 1, 2016.

Par. 3. Section 1.337(d)-7T is amended by revising paragraphs (b)(1) through (3) and (g)(2)(iii) to read as follows:

*§ 1.337(d)-7T Tax on property owned by a C corporation that becomes property of a RIC or REIT.*

\* \* \* \* \*

(b)(1) through (3) [Reserved]. For further guidance, see § 1.337(d)-7(b)(1) through (3).

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(g) \* \* \*  
(2) \* \* \*

(iii) [Reserved]. For further guidance, see § 1.337(d)-7(g)(2)(iii).

\* \* \* \* \*

John Dalrymple,  
*Deputy Commissioner for  
Services and Enforcement.*

Approved: December 30, 2016.

Mark J. Mazur,  
*Assistant Secretary of the  
Treasury (Tax Policy).*

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## Section 1274.—Determination of Issue Price in the Case of Certain Debt Instruments Issued for Property

(Also Sections 42, 280G, 382, 467, 468, 482, 483, 642, 1288, 7520, 7872.)

### Rev. Rul. 2017-4

This revenue ruling provides various prescribed rates for federal income tax purposes for February 2017 (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)(1) for buildings placed in service during the current month. However, under section 42(b)(2), the applicable percentage for non-federally subsidized new buildings placed in service after July 30, 2008, shall not be less than 9%. 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. 2017-4 TABLE 1  
Applicable Federal Rates (AFR) for February 2017  
*Period for Compounding*

	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
		<i>Short-term</i>		
AFR	1.04%	1.04%	1.04%	1.04%
110% AFR	1.14%	1.14%	1.14%	1.14%
120% AFR	1.25%	1.25%	1.25%	1.25%
130% AFR	1.35%	1.35%	1.35%	1.35%
		<i>Mid-term</i>		
AFR	2.10%	2.09%	2.08%	2.08%
110% AFR	2.31%	2.30%	2.29%	2.29%
120% AFR	2.53%	2.51%	2.50%	2.50%
130% AFR	2.74%	2.72%	2.71%	2.70%
150% AFR	3.16%	3.14%	3.13%	3.12%
175% AFR	3.69%	3.66%	3.64%	3.63%
		<i>Long-term</i>		
AFR	2.81%	2.79%	2.78%	2.77%
110% AFR	3.09%	3.07%	3.06%	3.05%
120% AFR	3.38%	3.35%	3.34%	3.33%
130% AFR	3.66%	3.63%	3.61%	3.60%

REV. RUL. 2017-4 TABLE 2  
Adjusted AFR for February 2017  
*Period for Compounding*

	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
Short-term adjusted AFR	.77%	.77%	.77%	.77%
Mid-term adjusted AFR	1.56%	1.55%	1.55%	1.55%
Long-term adjusted AFR	2.09%	2.08%	2.07%	2.07%

REV. RUL. 2017-4 TABLE 3  
Rates Under Section 382 for February 2017

Adjusted federal long-term rate for the current month	2.09%
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.)	2.09%

REV. RUL. 2017-4 TABLE 4  
Appropriate Percentages Under Section 42(b)(1) for February 2017

Note: Under section 42(b)(2), the applicable percentage for non-federally subsidized new buildings placed in service after July 30, 2008, shall not be less than 9%.

Appropriate percentage for the 70% present value low-income housing credit	7.56%
Appropriate percentage for the 30% present value low-income housing credit	3.24%

REV. RUL. 2017-4 TABLE 5  
Rate Under Section 7520 for February 2017

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 2.6%

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### **Section 42.—Low-Income Housing Credit**

The applicable federal short-term, mid-term, and long-term rates are set forth for the month of February 2017. See Rev. Rul. 2017-4, page 776.

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### **Section 280G.—Golden Parachute Payments**

Federal short-term, mid-term, and long-term rates are set forth for the month of February 2017. See Rev. Rul. 2017-4, page 776.

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### **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 February 2017. See Rev. Rul. 2017-4, page 776.

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### **Section 467.—Certain Payments for the Use of Property or Services**

The applicable federal short-term, mid-term, and long-term rates are set forth for the month

of February 2017. See Rev. Rul. 2017-4, page 776.

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### **Section 468.—Special Rules for Mining and Solid Waste Reclamation and Closing Costs**

The applicable federal short-term, mid-term, and long-term rates are set forth for the month of February 2017. See Rev. Rul. 2017-4, page 776.

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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 February 2017. See Rev. Rul. 2017-4, page 776.

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### **Section 483.—Interest on Certain Deferred Payments**

The applicable federal short-term, mid-term, and long-term rates are set forth for the month of February 2017. See Rev. Rul. 2017-4, page 776.

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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 February 2017. See Rev. Rul. 2017-4, page 776.

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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 February 2017. See Rev. Rul. 2017-4, page 776.

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### **Section 7520.—Valuation Tables**

The applicable federal short-term, mid-term, and long-term rates are set forth for the month of February 2017. See Rev. Rul. 2017-4, page 776.

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

The applicable federal short-term, mid-term, and long-term rates are set forth for the month of February 2017. See Rev. Rul. 2017-4, page 776.