

Period During Which the Flight Was Taken

Terminal Charge

SIFL Mileage Rates

7/1/96–12/31/96

\$31.61

Up to 500 miles = \$.1729 per mile

501–1500 miles = \$.1318 per mile

Over 1500 miles = \$.1267 per mile

DRAFTING INFORMATION

The principal author of this revenue ruling is Felicia A. Daniels of the Office of the Associate Chief Counsel (Employee Benefits and Exempt Organizations). For further information regarding this revenue ruling contact Ms. Daniels on (202) 622–6050 (not a toll-free call).

Section 280G.—Golden Parachute Payments

Federal short-term, mid-term, and long-term rates are set forth for the month of December 1996. See Rev. Rul. 96–57, this page.

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

The adjusted federal long-term rate is set forth for the month of December 1996. See Rev. Rul. 96–57, this page.

Section 412.—Minimum Funding Standards

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of December 1996. See Rev. Rul. 96–57, this page.

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 December 1996. See Rev. Rul. 96–57, this page.

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 December 1996. See Rev. Rul. 96–57, this page.

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 December 1996. See Rev. Rul. 96–57, this page.

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 December 1996. See Rev. Rul. 96–57, this page.

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 December 1996. See Rev. Rul. 96–57, this page.

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, 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 1274, 1288, 382, and other sections of the Code, tables set forth the rates for December 1996.

Rev. Rul. 96–57

This revenue ruling provides various prescribed rates for federal income tax purposes for December 1996 (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 1997 interest rate for sections 846 and 807.

REV. RUL. 96–57 TABLE 1				
Applicable Federal Rates (AFR) for December 1996				
	Period for Compounding			
	Annual	Semiannual	Quarterly	Monthly
<i>Short-Term</i>				
AFR	5.75%	5.67%	5.63%	5.60%
110% AFR	6.34%	6.24%	6.19%	6.16%
120% AFR	6.92%	6.80%	6.74%	6.71%
130% AFR	7.51%	7.37%	7.30%	7.26%

REV. RUL. 96-57 TABLE 1—Continued

Applicable Federal Rates (AFR) for December 1996

Period for Compounding

	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
<i>Mid-Term</i>				
AFR	6.31%	6.21%	6.16%	6.13%
110% AFR	6.95%	6.83%	6.77%	6.73%
120% AFR	7.59%	7.45%	7.38%	7.34%
130% AFR	8.23%	8.07%	7.99%	7.94%
150% AFR	9.54%	9.32%	9.21%	9.14%
175% AFR	11.17%	10.87%	10.73%	10.63%
<i>Long-Term</i>				
AFR	6.77%	6.66%	6.61%	6.57%
110% AFR	7.46%	7.33%	7.26%	7.22%
120% AFR	8.15%	7.99%	7.91%	7.86%
130% AFR	8.85%	8.66%	8.57%	8.51%

REV. RUL. 96-57 TABLE 2

Adjusted AFR for December 1996

Period for Compounding

	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
Short-term adjusted AFR	3.83%	3.79%	3.77%	3.76%
Mid-term adjusted AFR	4.58%	4.53%	4.50%	4.49%
Long-term adjusted AFR	5.48%	5.41%	5.37%	5.35%

REV. RUL. 96-57 TABLE 3

Rates Under Section 382 for December 1996

Adjusted federal long-term rate for the current month	5.48%
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)	5.64%

REV. RUL. 96-57 TABLE 4

Appropriate Percentages Under Section 42(b)(2) for December 1996

Appropriate percentage for the 70% present value low-income housing credit	8.54%
Appropriate percentage for the 30% present value low-income housing credit	3.66%

REV. RUL. 96-57 TABLE 5

Rate Under Section 7520 for December 1996

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	7.6%
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REV. RUL. 96-57 TABLE 6

Rates Under Sections 846 and 807

Applicable rate of interest for 1997 for purposes of sections 846 and 807

6.33%

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 December 1996. See Rev. Rul. 96-57, page 5.

Section 2031.—Definition of Gross Estate

26 CFR 20.2031-5: Valuation of cash on hand or on deposit.

Rev. Rul. 67-396 is modified to provide that, if certain conditions are satisfied, the delivery of a check to a noncharitable donee will be deemed to be complete for federal gift and estate tax purposes when the check is deposited, cashed against available funds of the donee, or presented for payment in the calendar year for which favorable gift tax treatment is sought. See Rev. Rul. 96-56, this page.

Section 2056A.—Qualified Domestic Trust

26 CFR 20.2056A-2(d)(1): Security and other arrangements for payment of estate tax imposed under section 2056A(b)(1).

Sample paragraphs are provided that may be used to satisfy the governing instrument requirements contained in §§ 20.2056A-2(d)(1)(i) and (d)(1)(ii) of the Estate Tax Regulations for a qualified domestic trust (QDOT) as described in § 2056A of the Internal Revenue Code. See Rev. Proc. 96-54, page 9.

Section 2511.—Transfers in General

26 CFR 25.2511-2: Cessation of donor's dominion and control.
(Also § 2031; 20.2031-5.)

If certain conditions are satisfied, the delivery of a check to a noncharitable donee will be deemed to be complete for federal gift and estate tax purposes when the check is deposited, cashed against available funds of the donee, or presented for payment in the calendar year for which favorable gift tax treatment is sought. Rev. Rul. 67-396 modified.

Rev. Rul. 96-56

In view of the Fourth Circuit's decision in *Metzger v. Commissioner*, 38 F.3d 118 (4th Cir. 1994) the Internal Revenue Service has reconsidered the rationale for the holding in Situation 1 of Rev. Rul. 67-396, 1967-2 C.B. 351. In *Situation 1*, the donor transferred a gift check on December 25 to a noncharitable donee, but the donee held the check until January 2 of the following year when it was cashed by the drawee bank. Rev. Rul. 67-396 concludes that the gift was not complete for federal gift tax purposes until the check was paid by the drawee bank on January 2, because prior to the check's payment, certification, acceptance by the drawee, or negotiation, the donor had not relinquished dominion and control over the funds. Prior to the occurrence of one of these events, the donor could have stopped payment and revoked the gift.

Metzger holds that if a check is delivered to a noncharitable donee, for federal gift tax purposes, completion of the gift relates back to the date the check was deposited by the donee, provided the check is paid by the drawee bank while the donor is alive and: (1) the donor intended to make a gift; (2) delivery of the check was unconditional; and (3) the donee presented the check for payment in the year for which completed gift treatment is sought and within a reasonable time of issuance. The Service will follow the *Metzger* decision.

HOLDING

Rev. Rul. 67-396 is modified to provide that the delivery of a check to a noncharitable donee will be deemed to be a completed gift for federal gift and estate tax purposes on the earlier of (i) the date on which the donor has so parted with dominion and control under local law as to leave in the donor no power to change its disposition, or (ii)

the date on which the donee deposits the check (or cashes the check against available funds of the donee) or presents the check for payment, if it is established that: (1) the check was paid by the drawee bank when first presented to the drawee bank for payment; (2) the donor was alive when the check was paid by the drawee bank; (3) the donor intended to make a gift; (4) delivery of the check by the donor was unconditional; and (5) the check was deposited, cashed, or presented in the calendar year for which completed gift treatment is sought and within a reasonable time of issuance. The result in *Situation 1* of Rev. Rul. 67-396 remains the same for two reasons: the check was not delivered unconditionally (the donor requested that the donee not deposit or cash the check for a few days) and the check was not presented for payment in the same calendar year for which completed gift treatment was sought.

EFFECT ON OTHER DOCUMENTS

Rev. Rul. 67-396 is modified.

DRAFTING INFORMATION

The principal author of this revenue ruling is Lane Damazo of the Office of Assistant Chief Counsel (Passthroughs and Special Industries). For further information regarding this revenue ruling contact Lane Damazo (202) 622-3090 (not a toll-free call).

Section 7520.—Valuation Tables

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of December 1996. See Rev. Rul. 96-57, page 5.

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 December 1996. See Rev. Rul. 96-57, page 5.