

§ 1.42-16T Eligible basis reduced by federal grants (temporary).

(a) *In general.* If, during any taxable year of the compliance period (described in section 42(i)(1)), a grant is made with respect to any building or the operation thereof and any portion of the grant is funded with federal funds (whether or not includible in gross income), the eligible basis of the building for the taxable year and all succeeding taxable years is reduced by the portion of the grant that is so funded.

(b) *Grants do not include certain rental assistance payments.* A federal rental assistance payment made to a building owner on behalf or in respect of a tenant is not a grant made with respect to a building or its operation if the payment is made pursuant to—

(1) Section 8 of the United States Housing Act of 1937;

(2) A qualifying program of rental assistance administered under section 9 of the United States Housing Act of 1937; or

(3) A program or method of rental assistance as the Secretary may designate through the **Federal Register** or in the Internal Revenue Bulletin (see § 601.601(d)(2) of this chapter).

(c) *Qualifying rental assistance program.* For purposes of paragraph (b)(2) of this section, payments are made pursuant to a qualifying rental assistance program administered under section 9 of the United State Housing Act of 1937 to the extent that the payments—

(1) Are made to a building owner pursuant to a contract with a public housing authority with respect to units the owner has agreed to maintain as public housing units (PH-units) in the building;

(2) Are made with respect to units occupied by public housing tenants, provided that, for this purpose, units may be considered occupied during periods of short term vacancy (not to exceed 60 days); and

(3) Do not exceed the difference between the rents received from a building's PH-unit tenants and a pro rata portion of the building's actual operating costs that are reasonably allocable to the PH-units (based on square footage, number of bedrooms, or similar objective criteria), and provided that, for this purpose, operating costs do not include any development costs of a building

(including developer's fees) or the principal or interest of any debt incurred with respect to any part of the building.

(d) *Effective date.* This section is effective January 27, 1997.

Margaret Milner Richardson,  
*Commissioner of Internal Revenue.*

Approved January 8, 1997.

Donald C. Lubick,  
*Acting Assistant Secretary of the Treasury.*

(Filed by the Office of the Federal Register on January 24, 1997, 8:45 a.m., and published in the issue of the Federal Register for January 27, 1997, 62 F.R. 3792)

### Section 280G.—Golden Parachute Payments

Federal short-term, mid-term, and long-term rates are set forth for the month of April, 1997. See Rev. Rul. 97-17, 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 April, 1997. See Rev. Rul. 97-17, 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 April, 1997. See Rev. Rul. 97-17, 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 April, 1997. See Rev. Rul. 97-17, 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 April, 1997. See Rev. Rul. 97-17, 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 April, 1997. See Rev. Rul. 97-17, 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 April, 1997. See Rev. Rul. 97-17, 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 April, 1997. See Rev. Rul. 97-17, 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, 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 1274, 1288, 382, and other sections of the Code, tables set forth the rate for April, 1997.

### Rev. Rul. 97-17

This revenue ruling provides various prescribed rates for federal income tax purposes for April 1997 (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. 97-17 TABLE 1

Applicable Federal Rates (AFR) for April 1997

*Period for Compounding*

	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
<i>Short-Term</i>				
AFR	5.91%	5.83%	5.79%	5.76%
110% AFR	6.51%	6.41%	6.36%	6.33%
120% AFR	7.12%	7.00%	6.94%	6.90%
130% AFR	7.72%	7.58%	7.51%	7.46%
<i>Mid-Term</i>				
AFR	6.49%	6.39%	6.34%	6.31%
110% AFR	7.15%	7.03%	6.97%	6.93%
120% AFR	7.82%	7.67%	7.60%	7.55%
130% AFR	8.48%	8.31%	8.23%	8.17%
150% AFR	9.82%	9.59%	9.48%	9.40%
175% AFR	11.49%	11.18%	11.03%	10.93%
<i>Long-Term</i>				
AFR	6.88%	6.77%	6.71%	6.68%
110% AFR	7.59%	7.45%	7.38%	7.34%
120% AFR	8.28%	8.12%	8.04%	7.99%
130% AFR	8.99%	8.80%	8.71%	8.64%

REV. RUL. 97-17 TABLE 2

Adjusted AFR for April 1997

*Period for Compounding*

	<i>Annual</i>	<i>Semiannual</i>	<i>Quarterly</i>	<i>Monthly</i>
Short-term adjusted AFR	3.75%	3.72%	3.70%	3.69%
Mid-term adjusted AFR	4.55%	4.50%	4.47%	4.46%
Long-term adjusted AFR	5.45%	5.38%	5.34%	5.32%

REV. RUL. 97-17 TABLE 3

Rates Under Section 382 for April 1997

Adjusted federal long-term rate for the current month	5.45%
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.)	5.50%

REV. RUL. 97-17 TABLE 4

Appropriate Percentages Under Section 42(b)(2) for April 1997

Appropriate percentage for the 70% present value low-income housing credit	8.57%
Appropriate percentage for the 30% present value low-income housing credit	3.67%

REV. RUL. 97-17 TABLE 5

Rate Under Section 7520 for April 1997

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	7.8%
---	------