

Part IV. Applicable Federal Interest Rates.

TABLE OF APPLICABLE FEDERAL INTEREST RATES FOR PURPOSES OF § 807

| <u>Year</u> | <u>Interest Rate</u> |
|-------------|----------------------|
| 1997 | 6.33 |
| 1998 | 6.31 |

Sources: Rev. Rul. 96-57, 1996-2 C.B. 82 for the 1997 rate and Rev. Rul. 97-50, 1997-49 I.R.B. 5 for the 1998 rate.

EFFECT ON OTHER REVENUE RULINGS

Rev. Rul. 92-19 is supplemented by the addition to Part III of that ruling of prevailing state assumed interest rates under § 807 for certain insurance products issued in 1997 and 1998 and is further supplemented by an addition to the table in Part IV of Rev. Rul. 92-19 listing applicable federal interest rates. Parts I and II of Rev. Rul. 92-19 are not affected by this ruling.

DRAFTING INFORMATION

The principal author of this revenue ruling is Ann H. Logan of the Office of Assistant Chief Counsel (Financial Institutions and Products). For further information regarding this revenue ruling contact her on (202) 622-3970 (not a toll-free call).

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 1998. See Rev. Rul. 98-4, on 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 rates for January 1998.

Rev. Rul. 98-4

This revenue ruling provides various prescribed rates for federal income tax purposes for January 1998 (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 1998 to pooled income funds described in § 642(c)(5) that have been in existence for less than 3 taxable years immediately preceding the taxable year in which the transfer is made.

| REV. RUL. 98-4 TABLE 1 | | | | |
|---|-------------------------------|-------------------|------------------|----------------|
| Applicable Federal Rates (AFR) for January 1998 | | | | |
| | <i>Period for Compounding</i> | | | |
| | <i>Annual</i> | <i>Semiannual</i> | <i>Quarterly</i> | <i>Monthly</i> |
| <i>Short-Term</i> | | | | |
| AFR | 5.70% | 5.62% | 5.58% | 5.56% |
| 110% AFR | 6.28% | 6.18% | 6.13% | 6.10% |
| 120% AFR | 6.85% | 6.74% | 6.68% | 6.65% |
| 130% AFR | 7.44% | 7.31% | 7.24% | 7.20% |
| <i>Mid-Term</i> | | | | |
| AFR | 5.93% | 5.84% | 5.80% | 5.77% |
| 110% AFR | 6.52% | 6.42% | 6.37% | 6.34% |
| 120% AFR | 7.13% | 7.01% | 6.95% | 6.91% |
| 130% AFR | 7.73% | 7.59% | 7.52% | 7.47% |
| 150% AFR | 8.95% | 8.76% | 8.67% | 8.60% |
| 175% AFR | 10.48% | 10.22% | 10.09% | 10.01% |

REV. RUL. 98-4 TABLE 1 — (continued)
Applicable Federal Rates (AFR) for January 1998

| | <i>Period for Compounding</i> | | | |
|------------------|-------------------------------|-------------------|------------------|----------------|
| | <i>Annual</i> | <i>Semiannual</i> | <i>Quarterly</i> | <i>Monthly</i> |
| <i>Long-Term</i> | | | | |
| AFR | 6.13% | 6.04% | 6.00% | 5.97% |
| 110% AFR | 6.75% | 6.64% | 6.59% | 6.55% |
| 20% AFR | 7.38% | 7.25% | 7.19% | 7.14% |
| 130% AFR | 8.00% | 7.85% | 7.77% | 7.72% |

REV. RUL. 98-4 TABLE 2
Adjusted AFR for January 1998

| | <i>Period for Compounding</i> | | | |
|----------------------------|-------------------------------|-------------------|------------------|----------------|
| | <i>Annual</i> | <i>Semiannual</i> | <i>Quarterly</i> | <i>Monthly</i> |
| Short-term adjusted AFR | 3.86% | 3.82% | 3.80% | 3.79% |
| Mid-term adjusted AFR | 4.30% | 4.25% | 4.23% | 4.21% |
| Long-term adjusted AFR | 5.10% | 5.04% | 5.01% | 4.99% |

REV. RUL. 98-4 TABLE 3
Rates Under Section 382 for January 1998

| | |
|--|-------|
| Adjusted federal long-term rate for the current month | 5.10% |
| 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.) | 5.23% |

REV. RUL. 98-4 TABLE 4
Appropriate Percentages Under Section 42(b)(2) for January 1998

| | |
|--|-------|
| Appropriate percentage for the 70% present value low-income housing credit | 8.41% |
| Appropriate percentage for the 30% present value low-income housing credit | 3.61% |

REV. RUL. 98-4 TABLE 5
Rate Under Section 7520 for January 1998

| | |
|---|------|
| 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 | 7.2% |
|---|------|

REV. RUL. 98-4 TABLE 6
Deemed Rate for Transfers to New Pooled Income Funds

| | |
|--|------|
| Deemed rate of return for transfers during 1998 to pooled income funds that have been in existence for less than 3 taxable years | 7.2% |
|--|------|