

EFFECTIVE DATE

Pursuant to the authority of § 7805(b), this revenue ruling applies to distributions after April 16, 1997. However, this revenue ruling does not apply to a distribution pursuant to a plan (or series of related transactions) that involves an acquisition described in § 355(e)(2)(A)(ii) if the acquisition is pursuant to an agreement that was binding on April 16, 1997 and at all times thereafter, described in a ruling request submitted to the Service on or before that date, or described on or before that date in a public announcement or in a filing with the Securities and Exchange Commission required solely by reason of the acquisition or restructuring. The previous sentence shall not apply to any agreement, ruling request, or public announcement or filing unless it identifies the acquirer of the distributed corporation.

DRAFTING INFORMATION

The principal author of this revenue ruling is Phoebe Bennett of the Office of Assistant Chief Counsel (Corporate). For further information regarding this revenue ruling, contact Ms. Bennett at (202) 622-7750 or Brendan P. O'Hara at (202) 622-7530 (not toll free calls).

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 June 1998. See Rev. Rul. 98-28, on 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 June 1998. See Rev. Rul. 98-28, on 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 June 1998. See Rev. Rul. 98-28, on 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 June 1998. See Rev. Rul. 98-28, on this page.

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 June 1998. See Rev. Rul. 98-28, on 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 June 1998. See Rev. Rul. 98-28, on this page.

Section 642.—Special Rules for Credits and Deductions

Federal short-term, mid-term, and long-term rates are set forth for the month of June 1998. See Rev. Rul. 98-28, on 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 June 1998. See Rev. Rul. 98-28, on 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 June 1998. See Rev. Rul. 98-28, 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 June 1998.

Rev. Rul. 98-28

This revenue ruling provides various prescribed rates for federal income tax purposes for June 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. 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. 98-28 TABLE 1

Applicable Federal Rates (AFR) for June 1998

Period for Compounding

| | <i>Annual</i> | <i>Semiannual</i> | <i>Quarterly</i> | <i>Monthly</i> |
|-------------------|---------------|-------------------|------------------|----------------|
| <i>Short-Term</i> | | | | |
| AFR | 5.58% | 5.50% | 5.46% | 5.44% |
| 110% AFR | 6.14% | 6.05% | 6.00% | 5.98% |
| 120% AFR | 6.71% | 6.60% | 6.55% | 6.51% |
| 130% AFR | 7.28% | 7.15% | 7.09% | 7.05% |
| <i>Mid-Term</i> | | | | |
| AFR | 5.77% | 5.69% | 5.65% | 5.62% |
| 110% AFR | 6.36% | 6.26% | 6.21% | 6.18% |
| 120% AFR | 6.95% | 6.83% | 6.77% | 6.73% |
| 130% AFR | 7.54% | 7.40% | 7.33% | 7.29% |
| 150% AFR | 8.72% | 8.54% | 8.45% | 8.39% |
| 175% AFR | 10.21% | 9.96% | 9.84% | 9.76% |
| <i>Long-Term</i> | | | | |
| AFR | 6.02% | 5.93% | 5.89% | 5.86% |
| 110% AFR | 6.63% | 6.52% | 6.47% | 6.43% |
| 120% AFR | 7.25% | 7.12% | 7.06% | 7.02% |
| 130% AFR | 7.86% | 7.71% | 7.64% | 7.59% |

REV. RUL. 98-28 TABLE 2

Adjusted AFR for June 1998

Period for Compounding

| | <i>Annual</i> | <i>Semiannual</i> | <i>Quarterly</i> | <i>Monthly</i> |
|-------------------|---------------|-------------------|------------------|----------------|
| <i>Short-term</i> | | | | |
| adjusted AFR | 3.86% | 3.82% | 3.80% | 3.79% |
| <i>Mid-term</i> | | | | |
| adjusted AFR | 4.43% | 4.38% | 4.36% | 4.34% |
| <i>Long-term</i> | | | | |
| adjusted AFR | 5.15% | 5.09% | 5.06% | 5.04% |

REV. RUL. 98-28 TABLE 3

Rates Under Section 382 for June 1998

| | |
|---|-------|
| Adjusted federal long-term rate for the current month | 5.15% |
| 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) | 5.15% |

REV. RUL. 98-28 TABLE 4

Appropriate Percentages Under Section 42(b)(2) for June 1998

| | |
|--|-------|
| Appropriate percentage for the 70% present value low-income housing credit | 8.38% |
| Appropriate percentage for the 30% present value low-income housing credit | 3.59% |

REV. RUL. 98-28 TABLE 5

Rate Under Section 7520 for June 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

7.0%

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 June 1998. See Rev. Rul. 98-28, page 5.

Section 7520.—Valuation Tables

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of June 1998. See Rev. Rul. 98-28, page 5.

Section 7805.—Rules and Regulations

26 CFR 301.7805-1: Promulgation of regulations.

The revenue ruling provides that, based on the enactment of § 1012 of the Taxpayer Relief Act of 1997, the Service will not apply Court Holding (or any formulation of the step transaction doctrine) to determine whether the distributed corporation was a controlled corporation immediately before the distribution under § 355(a) solely because of any postdistribution acquisition or restructuring of the distributed corporation, whether prearranged or not. Rev. Ruls. 96-30, 1996-1 C.B. 36, and 75-406, 1975-2 C.B. 125, obsoleted. Rev. Rul. 70-225, 1970-1 C.B. 80, modified. See Rev. Rul. 98-28, 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 June 1998. See Rev. Rul. 98-28, page 5.