Internal Revenue bulletin

Bulletin No. 2012-49
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HIGHLIGHTS OF THIS ISSUE

These synopses are intended only as aids to the reader in identifying the subject matter covered. They may not be relied upon as authoritative interpretations.

INCOME TAX

Rev. Rul. 2012–31, page 636.

Federal rates; adjusted federal rates; adjusted federal long-term rate and the long-term exempt rate. For purposes of sections 382, 642, 1274, 1288, and other sections of the Code, tables set forth the rates for December 2012.

Rev. Proc. 2012–44, page 645.

Insurance companies; loss reserves; discounting unpaid losses. The loss payment patterns and discount factors are set forth for the 2012 accident year. These factors will be used for computing discounted unpaid losses under section 846 of the Code.

Rev. Proc. 2012–45, page 656.

Insurance companies; discounting estimated salvage recoverable. The salvage discount factors are set forth for the 2012 accident year. These factors will be used for computing discounted estimated salvage recoverable under section 832 of the Code.

EMPLOYEE PLANS

Notice 2012–66, page 639.

Weighted average interest rate update; corporate bond indices; 30-year Treasury securities; segment rates. This notice contains updates for the corporate bond weighted average interest rate for plan years beginning in November 2012; the 24-month average segment rates; the funding transitional segment rates applicable for November 2012; and the minimum present value transitional rates for October 2012. The rates in this notice reflect certain changes implemented by the Moving Ahead for Progress in the 21st Century Act, Public Law 112–141 (MAP–21).

Announcement 2012–44, page 663.

This announcement provides relief under section 401 of the Code to taxpayers who have been adversely affected by Hurricane Sandy and have retirement assets in qualified employer plans they would like to use to alleviate hardships caused by Hurricane Sandy. In addition, this announcement provides relief from certain verification procedures that may be required under retirement plans with respect to loans and hardship distributions. The relief provided under this announcement is in addition to the relief already provided by the Service pursuant to News Release IR-2012–83 under section 7508A of the Code for victims of Hurricane Sandy.

ADMINISTRATIVE

Rev. Proc. 2012–43, page 643.

This procedure informs the taxpayer how to request the Service to reduce the amount of a frivolous tax submission penalty assessed under section 6702(a) or (b) of the Code and the criteria that the Service will apply in determining whether a reduction would promote compliance with and administration of Federal tax laws.

Announcements of Disbarments and Suspensions begin on page 664.
Finding Lists begin on page ii.

Department of the Treasury
Internal Revenue Service

The IRS Mission

Provide America's taxpayers top-quality service by helping them understand and meet their tax responsibilities and enforce the law with integrity and fairness to all.

Introduction

The Internal Revenue Bulletin is the authoritative instrument of the Commissioner of Internal Revenue for announcing official rulings and procedures of the Internal Revenue Service and for publishing Treasury Decisions, Executive Orders, Tax Conventions, legislation, court decisions, and other items of general interest. It is published weekly and may be obtained from the Superintendent of Documents on a subscription basis. Bulletin contents are compiled semiannually into Cumulative Bulletins, which are sold on a single-copy basis.

It is the policy of the Service to publish in the Bulletin all substantive rulings necessary to promote a uniform application of the tax laws, including all rulings that supersede, revoke, modify, or amend any of those previously published in the Bulletin. All published rulings apply retroactively unless otherwise indicated. Procedures relating solely to matters of internal management are not published; however, statements of internal practices and procedures that affect the rights and duties of taxpayers are published.

Revenue rulings represent the conclusions of the Service on the application of the law to the pivotal facts stated in the revenue ruling. In those based on positions taken in rulings to taxpayers or technical advice to Service field offices, identifying details and information of a confidential nature are deleted to prevent unwarranted invasions of privacy and to comply with statutory requirements.

Rulings and procedures reported in the Bulletin do not have the force and effect of Treasury Department Regulations, but they may be used as precedents. Unpublished rulings will not be relied on, used, or cited as precedents by Service personnel in the disposition of other cases. In applying published rulings and procedures, the effect of subsequent legislation, regulations, court decisions, rulings, and procedures must be considered, and Service personnel and others concerned are cautioned against reaching the same conclusions in other cases unless the facts and circumstances are substantially the same.

The Bulletin is divided into four parts as follows:

Part I.—1986 Code.
This part includes rulings and decisions based on provisions of the Internal Revenue Code of 1986.

Part II.—Treaties and Tax Legislation.
This part is divided into two subparts as follows: Subpart A, Tax Conventions and Other Related Items, and Subpart B, Legislation and Related Committee Reports.

Part III.—Administrative, Procedural, and Miscellaneous.
To the extent practicable, pertinent cross references to these subjects are contained in the other Parts and Subparts. Also included in this part are Bank Secrecy Act Administrative Rulings. Bank Secrecy Act Administrative Rulings are issued by the Department of the Treasury's Office of the Assistant Secretary (Enforcement).

Part IV.—Items of General Interest.
This part includes notices of proposed rulemakings, disbarment and suspension lists, and announcements.

The last Bulletin for each month includes a cumulative index for the matters published during the preceding months. These monthly indexes are cumulated on a semiannual basis, and are published in the last Bulletin of each semiannual period.

For sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402.

Part I. Rulings and Decisions Under the Internal Revenue Code of 1986

Section 42.—Low-Income Housing Credit

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of December 2012. See Rev. Rul. 2012-31, page 636.

Section 280G.—Golden Parachute Payments

Federal short-term, mid-term, and long-term rates are set forth for the month of December 2012. See Rev. Rul. 2012-31, page 636.

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

The adjusted applicable federal long-term rates is set forth for the month of December 2012. See Rev. Rul. 2012-31, page 636.

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 2012. See Rev. Rul. 2012-31, page 636.

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 2012. See Rev. Rul. 2012-31, page 636.

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 2012. See Rev. Rul. 2012-31, page 636.

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 December 2012. See Rev. Rul. 2012-31, page 636.

Section 483.—Interest on Certain Defered Payments

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of December 2012. See Rev. Rul. 2012-31, page 636.

Section 642.—Special Rules for Credits and Deductions

Federal short-term, mid-term, and long-term rates are set forth for the month of December 2012. See Rev. Rul. 2012-31, page 636.

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 2012. See Rev. Rul. 2012-31, page 636.

Section 832.—Insurance Company Taxable Income

26 CFR 1.832–4: Gross income.

The salvage discount factors and payment patterns are set forth for 2012. These factors must be used to compute discounted estimated salvage recoverable for purposes of section 832 of the Code. See Rev. Proc. 2012-45, page 656.

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 2012. See Rev. Rul. 2012-31, page 636.

26 CFR 1.846–1: Application of discount factors.

The composite loss discount factors for Reinsurance (Nonproportional Assumed Property) published in See Rev. Proc. 2012-44, page 645.

26 CFR 1.846–1: Application of discounted factors.

The salvage discount factors and payment patterns are set forth for 2012. These factors must be used to compute discounted estimated salvage recoverable for purposes of section 832 of the Code. See Rev. Proc. 2012-45, page 656.

26 CFR 1.846–1: Application of discounted factors.

The savage discounted factors are set forth for the 1998 accident year. These factors will be used for computing estimated salvage recoverable for purpose of section 832. See Rev. Proc. 2012-45, page 656.

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 382, 642, 1274, 1288, and other sections of the Code, tables set forth the rates for December 2012.

Rev. Rul. 2012–31

This revenue ruling provides various prescribed rates for federal income tax purposes for December 2012 (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, and before December 31, 2013, shall not be less than

9%. 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 contains the 2013 interest rate for sections 846 and 807.

REV. RUL. 2012–31 TABLE 1

Applicable Federal Rates (AFR) for December 2012

Period for Compounding

	Annual	*Semiannual*	*Quarterly*	*Monthly*
		Short-term		
AFR	.24%	.24%	.24%	.24%
110% AFR	.26%	.26%	.26%	.26%
120% AFR	.29%	.29%	.29%	.29%
130% AFR	.31%	.31%	.31%	.31%
		Mid-term		
AFR	.95%	.95%	.95%	.95%
110% AFR	1.05%	1.05%	1.05%	1.05%
120% AFR	1.14%	1.14%	1.14%	1.14%
130% AFR	1.24%	1.24%	1.24%	1.24%
150% AFR	1.44%	1.43%	1.43%	1.43%
175% AFR	1.67%	1.66%	1.66%	1.65%
		Long-term		
AFR	2.40%	2.39%	2.38%	2.38%
110% AFR	2.65%	2.63%	2.62%	2.62%
120% AFR	2.89%	2.87%	2.86%	2.85%
130% AFR	3.13%	3.11%	3.10%	3.09%

REV. RUL. 2012–31 TABLE 2

Adjusted AFR for December 2012

Period for Compounding

	Annual	*Semiannual*	*Quarterly*	*Monthly*
Short-term adjusted AFR	.27%	.27%	27%	.27%
Mid-term adjusted AFR	.95%	.95%	.95%	.95%
Long-term adjusted AFR	2.83%	2.81%	2.80%	2.79%

REV. RUL. 2012–31 TABLE 3

Rates Under Section 382 for December 2012

Adjusted federal long-term rate for the current month	2.83%
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.)	2.87%

REV. RUL. 2012–31 TABLE 4

Appropriate Percentages Under Section 42(b)(2) for December 2012

Note: Under Section 42(b)(2), the applicable percentage for non-federally subsidized new buildings placed in service after July 30, 2008, and before December 31, 2013, shall not be less than 9%.	
Appropriate percentage for the 70% present value low-income housing credit	7.38%
Appropriate percentage for the 30% present value low-income housing credit	3.16%

REV. RUL. 2012–31 TABLE 5

Rate Under Section 7520 for December 2012

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	1.2%

REV. RUL. 2012–31 TABLE 6

Rates Under Sections 846 and 807

Applicable rate of interest for 2013 for purposes of sections 846 and 807	2.16%

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 2012. See Rev. Rul. 2012-31, page 636.

Section 7520.—Valuation Tables

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of December 2012. See Rev. Rul. 2012-31, page 636.

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 2012. See Rev. Rul. 2012-31, page 636.

Part III. Administrative, Procedural, and Miscellaneous

Update for Weighted Average Interest Rates, Yield Curves, and Segment Rates

Notice 2012–66

This notice provides guidance as to the corporate bond weighted average interest rate and the permissible range of interest rates specified under § 412(b)(5)(B)(ii)(II) of the Internal Revenue Code as in effect for plan years beginning before 2008. It also provides guidance on the corporate bond monthly yield curve (and the corresponding spot segment rates), and the 24-month average segment rates under § 430(h)(2). In addition, this notice provides guidance as to the interest rate on 30-year Treasury securities under § 417(e)(3)(A)(ii)(II) as in effect for plan years beginning before 2008, the 30-year Treasury weighted average rate under § 431(c)(6)(E)(ii)(I), and the minimum present value segment rates under § 417(e)(3)(D) as in effect for plan years beginning after 2007. These rates reflect certain changes implemented by the Moving Ahead for Progress in the 21st Century Act, Public Law 112–141 (MAP–21). MAP–21 provides that for purposes of § 430(h)(2), the segment rates are limited by the applicable maximum percentage or the applicable minimum percentage based on the average of segment rates over a 25 year period.

CORPORATE BOND WEIGHTED AVERAGE INTEREST RATE

Sections 412(b)(5)(B)(ii) and 412(l)(7)(C)(i) provide that the interest rates used to calculate current liability and to determine the required contribution under § 412(l) for plan years beginning in 2004 through 2007 must be within a permissible range based on the weighted average of the rates of interest on amounts invested conservatively in long term investment grade corporate bonds during the 4-year period ending on the last day before the beginning of the plan year.

Notice 2004–34, 2004–1 C.B. 848, provides guidelines for determining the corporate bond weighted average interest rate and the resulting permissible range of interest rates used to calculate current liability. That notice establishes that the corporate bond weighted average is based on the monthly composite corporate bond rate derived from designated corporate bond indices. The methodology for determining the monthly composite corporate bond rate as set forth in Notice 2004–34 continues to apply in determining that rate. See Notice 2006–75, 2006–2 C.B. 366.

The composite corporate bond rate for October 2012 is 3.93 percent. Pursuant to Notice 2004–34, the Service has determined this rate as the average of the monthly yields for the included corporate bond indices for that month.

The following corporate bond weighted average interest rate was determined for plan years beginning in the month shown below.

For Plan Years Beginning in		Corporate Bond Weighted Average	Permissible Range	
Month	*Year*		90% to	100%
November	2012	5.13	4.62	5.13

YIELD CURVE AND SEGMENT RATES

Generally, except for certain plans under sections 104 and 105 of the Pension Protection Act of 2006, § 430 of the Code specifies the minimum funding requirements that apply to single employer plans pursuant to § 412. Section 430(h)(2) specifies the interest rates that must be used to determine a plan's target normal cost and funding target. Under this provision, present value is generally determined using three 24-month average interest rates ("segment rates"), each of which applies to cash flows during specified periods. To the extent provided under § 430(h)(2)(C)(iv), these segment rates are adjusted by the applicable percentage of the 25-year average segment rates for the period ending September 30 of the year preceding the calendar year in which the plan year begins. However, an election may be made under § 430(h)(2)(D)(ii) to use the monthly yield curve in place of the segment rates.

Notice 2007–81, 2007–44 I.R.B. 899, provides guidelines for determining the monthly corporate bond yield curve, and the 24-month average corporate bond segment rates used to compute the target normal cost and the funding target. Pursuant to Notice 2007–81, the monthly corporate bond yield curve derived from October 2012 data is in Table I at the end of this notice. The spot first, second, and third segment rates for the month of October 2012 are, respectively, 0.96, 3.57, and 4.58. The three 24-month average corporate bond segment rates applicable for November 2012, without adjustment by the applicable percentage of the 25-year average segment rates, are as follows:

24-Month Segment Rates Without Adjustment by 25-Year Average Segment Rates

First Segment	Second Segment	Third Segment
1.69	4.53	5.60

For plan years beginning in 2012, the 24-month average segment rates determined under § 430(h)(2)(C)(iv) must be not less than 90% nor greater than 110% of the 25-year average segment rates. Pursuant to Notice 2012–55, 2012–36 I.R.B. 332, the first, second, and third 25-year segment rates applicable for plan years beginning in 2012 are 6.15, 7.61, and 8.35, respectively. Therefore, for plan years beginning in 2012, the three adjusted 24-month average corporate bond segment rates applicable for November 2012, taking into account the applicable percentage of the 25-year average segment rates, are as follows:

Adjusted 24-Month Average Segment Rates,
Using Applicable Percentage of 25-Year Average Segment Rates

Applicable Month	For Plan Years Beginning in	First Segment	Second Segment	Third Segment
November 2012	2012	5.54	6.85	7.52

The 25-year average segment rates for the period ending September 30, 2012 have not been determined yet. The Service will issue additional guidance on the November 2012 adjusted 24-month average segment rates applicable for plan years beginning in 2013 when those 25-year average segment rates are determined.

30-YEAR TREASURY SECURITIES INTEREST RATES

Section 417(e)(3)(A)(ii)(II) (prior to amendment by PPA) defines the applicable interest rate, which must be used for purposes of determining the minimum present value of a participant's benefit under § 417(e)(1) and (2), as the annual rate of interest on 30-year Treasury securities for the month before the date of distribution or such other time as the Secretary may by regulations prescribe. Section 1.417(e)–1(d)(3) of the Income Tax Regulations provides that the applicable interest rate for a month is the annual rate of interest on 30-year Treasury securities as specified by the Commissioner for that month in revenue rulings, notices or other guidance published in the Internal Revenue Bulletin.

The rate of interest on 30-year Treasury securities for October 2012 is 2.90 percent. The Service has determined this rate as the average of the daily determinations of yield on the 30-year Treasury bond maturing in August 2042.

Generally for plan years beginning after 2007, § 431 specifies the minimum funding requirements that apply to multiemployer plans pursuant to § 412. Section 431(c)(6)(B) specifies a minimum amount for the full-funding limitation described in section 431(c)(6)(A), based on the plan's current liability. Section 431(c)(6)(E)(ii)(I) provides that the interest rate used to calculate current liability for this purpose must be no more than 5 percent above and no more than 10 percent below the weighted average of the rates of interest on 30-year Treasury securities during the four-year period ending on the last day before the beginning of the plan year. Notice 88–73, 1988–2 C.B. 383, provides guidelines for determining the weighted average interest rate. The following rates were determined for plan years beginning in the month shown below.

For Plan Years Beginning in		30-Year Treasury Weighted	Permissible Range		
Month	*Year*	Average	90%	to	105%
November	2012	3.66	3.30		3.84

MINIMUM PRESENT VALUE SEGMENT RATES

In general, the applicable interest rates under § 417(e)(3)(D) are segment rates computed without regard to a 24-month average. For plan years beginning in 2008 through 2011, the applicable interest rates are the monthly spot segment rates blended with the applicable rate under § 417(e)(3)(A)(ii)(II) as in effect for plan years beginning in 2007. Notice 2007–81 provides guidelines for determining the minimum present value segment rates. Pursuant to that notice, the minimum present value transitional segment rates determined for October 2012, taking into account the October 2012 30-year Treasury rate of 2.90 stated above, are as follows:

For Plan Years Beginning in	First Segment	Second Segment	Third Segment
2011	1.35	3.44	4.24
2012	0.96	3.57	4.58
2013	0.96	3.57	4.58

DRAFTING INFORMATION

The principal author of this notice is Tony Montanaro of the Employee Plans, Tax Exempt and Government Entities Division. Mr. Montanaro may be e-mailed at *RetirementPlanQuestions@irs.gov*.

Table I

Monthly Yield Curve for October 2012
Derived from October 2012 Data

Maturity	*Yield*	*Maturity*	*Yield*	*Maturity*	*Yield*	*Maturity*	*Yield*	*Maturity*	*Yield*
0.5	0.32	20.5	4.39	40.5	4.60	60.5	4.69	80.5	4.73
1.0	0.51	21.0	4.40	41.0	4.61	61.0	4.69	81.0	4.73
1.5	0.68	21.5	4.41	41.5	4.61	61.5	4.69	81.5	4.73
2.0	0.82	22.0	4.41	42.0	4.61	62.0	4.69	82.0	4.73
2.5	0.94	22.5	4.42	42.5	4.62	62.5	4.69	82.5	4.73
3.0	1.04	23.0	4.43	43.0	4.62	63.0	4.70	83.0	4.74
3.5	1.14	23.5	4.43	43.5	4.62	63.5	4.70	83.5	4.74
4.0	1.25	24.0	4.44	44.0	4.62	64.0	4.70	84.0	4.74
4.5	1.38	24.5	4.45	44.5	4.63	64.5	4.70	84.5	4.74
5.0	1.54	25.0	4.45	45.0	4.63	65.0	4.70	85.0	4.74
5.5	1.70	25.5	4.46	45.5	4.63	65.5	4.70	85.5	4.74
6.0	1.88	26.0	4.46	46.0	4.63	66.0	4.70	86.0	4.74
6.5	2.07	26.5	4.47	46.5	4.64	66.5	4.70	86.5	4.74
7.0	2.26	27.0	4.48	47.0	4.64	67.0	4.71	87.0	4.74
7.5	2.45	27.5	4.48	47.5	4.64	67.5	4.71	87.5	4.74
8.0	2.64	28.0	4.49	48.0	4.64	68.0	4.71	88.0	4.74
8.5	2.82	28.5	4.50	48.5	4.65	68.5	4.71	88.5	4.74
9.0	2.99	29.0	4.50	49.0	4.65	69.0	4.71	89.0	4.74
9.5	3.15	29.5	4.51	49.5	4.65	69.5	4.71	89.5	4.74
10.0	3.30	30.0	4.51	50.0	4.65	70.0	4.71	90.0	4.75
10.5	3.44	30.5	4.52	50.5	4.65	70.5	4.71	90.5	4.75
11.0	3.56	31.0	4.53	51.0	4.66	71.0	4.71	91.0	4.75
11.5	3.67	31.5	4.53	51.5	4.66	71.5	4.72	91.5	4.75
12.0	3.77	32.0	4.54	52.0	4.66	72.0	4.72	92.0	4.75
12.5	3.86	32.5	4.54	52.5	4.66	72.5	4.72	92.5	4.75
13.0	3.94	33.0	4.55	53.0	4.66	73.0	4.72	93.0	4.75
13.5	4.01	33.5	4.55	53.5	4.67	73.5	4.72	93.5	4.75
14.0	4.07	34.0	4.55	54.0	4.67	74.0	4.72	94.0	4.75
14.5	4.12	34.5	4.56	54.5	4.67	74.5	4.72	94.5	4.75
15.0	4.17	35.0	4.56	55.0	4.67	75.0	4.72	95.0	4.75
15.5	4.21	35.5	4.57	55.5	4.67	75.5	4.72	95.5	4.75
16.0	4.24	36.0	4.57	56.0	4.68	76.0	4.72	96.0	4.75
16.5	4.27	36.5	4.58	56.5	4.68	76.5	4.72	96.5	4.75
17.0	4.29	37.0	4.58	57.0	4.68	77.0	4.73	97.0	4.75
17.5	4.31	37.5	4.58	57.5	4.68	77.5	4.73	97.5	4.75
18.0	4.33	38.0	4.59	58.0	4.68	78.0	4.73	98.0	4.75
18.5	4.34	38.5	4.59	58.5	4.68	78.5	4.73	98.5	4.76
19.0	4.36	39.0	4.59	59.0	4.68	79.0	4.73	99.0	4.76
19.5	4.37	39.5	4.60	59.5	4.69	79.5	4.73	99.5	4.76
20.0	4.38	40.0	4.60	60.0	4.69	80.0	4.73	100.0	4.76

26 C.F.R. 601.105: Examination of returns and claims for refund, credit or abatement; determination of correct tax liability.

Rev. Proc. 2012–43

SECTION 1. PURPOSE

Section 6702(d) of the Internal Revenue Code authorizes the Internal Revenue Service (IRS) to reduce the amount of the frivolous tax submission penalty assessed under section 6702(a) or (b) if the IRS determines that a reduction would promote compliance with and administration of the Federal tax laws. This revenue procedure describes the limited circumstances in which a person may be eligible for a one-time reduction of any unpaid section 6702 penalty liabilities. This revenue procedure also prescribes how a person may request a reduction and the eligibility requirements for reduction. Generally, if a person satisfies all eligibility criteria of section 4 of this revenue procedure, including filing all tax returns and paying all outstanding taxes, penalties (other than under section 6702) and related interest, the IRS will reduce all unpaid section 6702 penalties assessed against that person to $500. After experience with the application of this revenue procedure, the IRS and the Treasury Department plan to assess whether the revenue procedure is successfully promoting compliance with and administration of the Federal tax laws and may revise this revenue procedure as necessary to further those goals.

SECTION 2. BACKGROUND

.01 Section 326(a) of the Tax Equity and Fiscal Responsibility Act of 1982, Pub. L. No. 97–248 (96 Stat. 324, 617), added section 6702 to the Code to provide for a civil penalty for frivolous income tax returns. Specifically, section 6702(a) imposed a penalty in the amount of $500 against any individual who files what purports to be a return of income tax if (1) the purported return does not contain information on which the substantial correctness of the self-assessment may be judged or contains information that on its face indicates that the self-assessment is substantially incorrect, and (2) the filing of the purported return is due to either a position that is frivolous or a desire (which appears on the purported return) to delay or impede the administration of Federal income tax laws. Section 6702(b) provided that the penalty was in addition to any other penalty provided by law.

.02 Section 407(a) of Division A of the Tax Relief and Health Care Act of 2006, Pub. L. No. 109–432 (120 Stat. 2922, 2960), amended section 6702(a) by increasing the amount of the penalty from $500 to $5,000, changing its application from "individual[s]" to "person[s]," expanding its scope from "purported income tax returns" to "purported returns of tax," and substituting the term "a position which the Secretary has identified as frivolous" for "a position which is frivolous" as one of the bases for conduct subject to the penalty.

.03 The 2006 amendments also added the following provisions to section 6702:

(1) Revised section 6702(b) imposes a $5,000 penalty on any person who submits a "specified frivolous submission." (The prior version of 6702(b) was re-designated as section 6702(e).) A "specified frivolous submission" is defined as a "specified submission" that is based on a position that the IRS has identified as frivolous or that reflects a desire to delay or impede the administration of the Federal tax laws. A "specified submission" means a request for a collection due process hearing under section 6320 or 6330 or an application for an installment agreement under section 6159, an offer-in-compromise under section 7122, or a taxpayer assistance order under section 7811.

(2) New section 6702(c) requires the IRS to prescribe and periodically revise a list of positions that the IRS has identified as frivolous for purposes of the penalty under section 6702(a) or (b).

(3) New section 6702(d) provides discretionary authority to the IRS to reduce the amount of a penalty imposed under section 6702(a) or (b) if the IRS determines a reduction would promote compliance with and administration of the Federal tax laws. As authorized by Congress, this revenue procedure describes the limited circumstances in which a person may be eligible for a one-time reduction of any unpaid section 6702 penalty liabilities. To be eligible for the one-time penalty reduction, a person must abandon any frivolous positions regarding the Federal tax laws and must meet the specific eligibility requirements detailed in section 4 of this revenue procedure, which include filing all tax returns and paying all outstanding taxes, penalties (other than those under section 6702) and related interest. Consistent with section 6702(d) and the IRS' published policy statement on penalties (Policy Statement 20–1), these requirements will promote voluntary compliance with and administration of the Federal tax laws.

.04 The 2006 amendments apply to submissions made and issues raised after March 16, 2007, the date the IRS issued Notice 2007–30, 2007–1 C.B. 883, prescribing a list of frivolous positions under section 6702(c). The IRS subsequently revised the list in Notice 2008–14, 2008–1 C.B. 310, effective January 15, 2008, and Notice 2010–33, 2010–17 I.R.B. 609, effective April 8, 2010. The IRS may make additional updates to the list in the future.

SECTION 3. SCOPE

This revenue procedure applies to any person who has not fully paid a $5,000 penalty assessed by the IRS under section 6702 and who seeks a reduction of that penalty pursuant to section 6702(d). This revenue procedure does not apply to persons who seek to challenge the merits of a section 6702 penalty assessment. Other procedures may be available to challenge the merits, such as paying the penalty and filing a refund claim or raising the issue in a Collection Due Process hearing.

SECTION 4. ELIGIBILITY

.01 A request for reduction must comply with the requirements of this section. A person whose request does not comply with these requirements will not be eligible for a reduction of a section 6702 penalty.

(1) *Form of request*. A person must make a written request for reduction on IRS Form 14402, "*IRC 6702(d) Frivolous Tax Submissions Penalty Reduction*," (or successor form) or as prescribed by the Form's instructions. The person must also sign the form or written statement under penalties of perjury, and file it with the IRS in accordance with instructions to the form or other guidance. A person may file a single Form 14402 or written statement to

request reduction of more than one section 6702 penalty.

(2) *Partial payment*. The IRS will reduce an eligible person's total outstanding section 6702 liabilities to $500, regardless of the number of section 6702 penalties assessed. A person must pay this $500 balance in one of two ways:

(a) *Payment submitted with request for reduction*. Except as provided in section 4.01(2)(b), a person must submit a payment of at least $250 with the request for reduction even if that person has, prior to filing a request for reduction, paid either voluntarily or by an overpayment offset, a portion of the section 6702 penalty liabilities that are the subject of the request. This payment will be applied to the person's assessed section 6702 penalty liabilities without regard to whether the IRS grants the reduction request. A person who chooses to pay $250 or more but less than $500 and who is granted the penalty reduction will remain liable for the remaining balance of the reduced penalties (*i.e.*, the difference between the amount of the payment and $500) until the balance is satisfied, but this remaining liability will not preclude the requested reduction of the assessed and unpaid section 6702 penalties. If the person pays $250 or more but less than $500, interest will continue to accrue on the remaining balance of the reduced penalties from the date the IRS assessed the earliest unpaid section 6702 penalty falling under these procedures. The person granted the penalty reduction must pay the remaining balance of the reduced penalties (plus interest); if the person granted the penalty reduction fails to pay the remaining balance, the IRS may use any available remedy to collect the balance (plus interest). If a person chooses to submit the full $500 with the request for reduction and the IRS grants the request, any interest that has accrued on the outstanding section 6702 liabilities will be abated.

(b) *Installment agreement*. If a person has entered into and is in compliance with an approved full payment installment agreement with the IRS under section 6159 for all assessed Federal tax liabilities not fully paid and for which the period for collection under section 6502 remains open, then the person may pay the reduced section 6702 penalty of $500 as part of the installment agreement. If, at the time the IRS receives a request for reduction, the person has already paid more than $500 towards the section 6702 penalty under the installment agreement, that person will not be required to pay any additional amount towards the section 6702 penalty in order to become eligible. If the person pays the $500 penalty as part of an installment agreement, any interest that has accrued on the outstanding section 6702 liabilities will be abated.

.02 *Time limits*. A person must file a request for a reduction before the United States files suit against the person either for collection of the penalty or to reduce any assessment of the penalty to judgment.

The IRS will deny any request for reduction of a section 6702 penalty that does not meet these time limits. If a request seeks reduction of multiple penalties but the request falls within the time limits with respect to only some of the penalties, the IRS will treat the request as timely only for those penalties. Any person who has voluntarily paid a portion of any section 6702 penalty liabilities will be eligible for reduction of the remaining amount of those liabilities. Similarly, any person who has had an overpayment offset against any section 6702 penalty liabilities will be eligible for a reduction of the remaining amount of those liabilities, if any.

.03 *Full compliance with all Federal tax filing and payment requirements*.

(1) *In general*. Prior to requesting a reduction, a person must have filed all tax returns due and paid (or arranged to pay, as described in paragraph (3) of this subsection) all taxes due, other than the section 6702 penalty or penalties for which reduction is requested. Unless these filing and payment requirements have been met, reduction of a section 6702 penalty would not promote compliance with and administration of the Federal tax laws and the request for reduction will be denied.

(2) *Filing compliance*. A person requesting reduction must file with the IRS valid tax returns required to be filed under the Code for any type of tax and for all taxable periods for six years before the date of the request. This requirement means a person must file all individual returns and all returns for any entity in which the person has a controlling interest. This includes, for example, any returns of a partnership or limited liability company for which the person is a general partner or managing member, any returns of a subchapter C or subchapter S corporation in which the person holds a greater than 50 percent interest, and any returns of a trust for which the person serves as trustee. A document other than a return that permits assessment of Federal income tax will not satisfy the requirements of this section.

(3) *Payment compliance*. A person requesting reduction must either:

(a) have fully paid all assessed tax liabilities, including interest, penalties (other than the section 6702 penalty or penalties that are the subject of the request), and additions to tax for all types of tax and for all taxable periods for which the period for collection under section 6502 remains open (for purposes of this subsection, the granting of relief under the provisions of section 6015 or section 66(c) will be considered payment of an assessed tax liability to the extent of the granted relief); or

(b) have entered into and be in compliance with an approved full payment installment agreement with the IRS under section 6159 for all assessed Federal tax liabilities not fully paid and for which the period for collection under section 6502 remains open.

.04 *Deposit requirements*. If the person requesting reduction is an employer, that person must, at the time of filing the request, have made all required deposits of Federal employment taxes under subtitle C of the Code for the current quarter and the prior two quarters.

.05 *Disqualifying events*.

(1) *Prior reduction*. Any person who previously received a reduction of a section 6702 penalty is ineligible for another reduction of a section 6702 penalty.

(2) *Offer-in-compromise*. Any person who has submitted an offer-in-compromise to the IRS under section 7122 that includes any section 6702 penalty is ineligible for a reduction of the penalty unless the person has withdrawn the offer in writing, the IRS has returned the offer to the taxpayer without accepting it, or the offer was rejected by the IRS and the taxpayer is not pursuing an administrative appeal of the rejection. All of a person's outstanding Federal tax liabilities, including any outstanding section 6702 penalties, will be considered as part of the offer-in-compromise determination.

(3) *Partial payment installment agreements*. Any person who has entered into a partial payment installment agreement

with the IRS under section 6159 is ineligible for a reduction of any section 6702 penalty included in the partial payment installment agreement because the person will be paying less than the full amount of Federal tax liabilities.

(4) *Closing agreement*. Any person who has entered into a closing agreement with the IRS under section 7121 is ineligible for a reduction of any section 6702 penalty included in the closing agreement.

(5) *New frivolous filing*. Any person who files a frivolous return or makes a frivolous submission after filing a request for reduction but before the IRS grants the reduction is ineligible for reduction of a section 6702 penalty whether or not the person withdraws the frivolous return or submission.

(6) *Bankruptcy*. A person is ineligible for a reduction of any section 6702 penalty under this revenue procedure if the penalty is dischargeable under an open bankruptcy case. Furthermore, a person is ineligible to apply for any penalty reduction while a bankruptcy case is open, regardless of whether the person is seeking discharge of the penalty for which reduction is sought.

SECTION 5. CONSIDERATION OF REDUCTION REQUEST

.01 Generally, if a person satisfies all eligibility criteria of section 4 of this revenue procedure, the IRS will reduce all section 6702 penalties assessed against that person to $500. If the person submitted $500 with the request for reduction, the IRS will abate any remaining unpaid amount of those penalty liabilities, including interest. If the person has submitted at least $250, but less than $500, with the request for reduction, the IRS will apply the amount submitted against the section 6702 penalty or penalties that the person seeks to reduce and will abate all but the difference between the payment submitted and $500 (*i.e.*, the remaining unpaid amount of those penalty liabilities). If the person granted the reduction fails to pay the remaining balance of the $500 reduced penalty (plus interest as described above), the IRS may use any available remedy to collect the balance. The IRS will not refund any portion of the section 6702 penalty or penalties paid prior to the date the IRS received the request for reduction. In the case of a person who has entered into a full payment installment agreement, the section 6702 penalty or penalties will be reduced only upon completion of all payments required to satisfy all outstanding tax liabilities other than the section 6702 penalties that are the subject of the request for reduction. If the person defaults on the installment agreement, the section 6702 penalty or penalties will not be reduced.

.02 If a person fails to satisfy any of the eligibility criteria of section 4 of this revenue procedure, the IRS will deny the request for reduction. The IRS will apply any payment received with the request for reduction against unpaid section 6702 penalties before applying any remaining portion of the payment to any other outstanding tax liabilities of the person. A person may not designate the manner in which the IRS will apply the payment.

.03 The IRS will give a person written notice of whether the person's request has been granted or denied. The IRS's denial of a request for any reason will not be subject to an administrative appeal.

SECTION 6. EFFECTIVE DATE

This revenue procedure is effective November 5, 2012, the date this revenue procedure was released to the public.

SECTION 7. DRAFTING INFORMATION

The principal author of this revenue procedure is Skyler K. Bradbury of the Office of the Associate Chief Counsel, Procedure and Administration. For further information regarding this revenue procedure, contact Elizabeth Cowan at (202) 622–4940 (not a toll-free call).

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26 CFR 601.201: Rulings and determination letters. (Also: Part I, Sections 846; 1.846–1.)

Rev. Proc. 2012–44

SECTION 1. PURPOSE

This revenue procedure prescribes the loss payment patterns and discount factors for the 2012 determination year. These factors will be used to compute discounted unpaid losses under § 846 of the Internal Revenue Code.

SECTION 2. BACKGROUND

.01 Section 846 provides that discounted unpaid losses must be separately determined for each accident year of each line of business by applying an interest rate determined under § 846(c) and the appropriate loss payment pattern to the amount of unpaid losses as measured at the end of the tax year.

Section 846(d) directs the Secretary to use the most recent aggregate loss payment data of property and casualty insurance companies to determine and publish a loss payment pattern for each line of business every five years. This payment pattern is used to discount unpaid losses for the accident year ending with a determination year and for each of the four succeeding accident years.

Section 846(e) allows a taxpayer to make an election in each determination year to use its own historical payment pattern instead of the Secretary's tables. This election does not apply to any international insurance or reinsurance line of business.

Section 846(f)(4) defines the term "line of business" as a category for the reporting of loss payment patterns on the annual statement for property and casualty companies approved by the National Association of Insurance Commissioners (NAIC), except that the multiple peril lines shall be treated as a single line of business. Section 846(f)(5) states that the term "multiple peril lines" means the lines of business relating to farmowners multiple peril, homeowners multiple peril, commercial multiple peril, ocean marine, aircraft (all perils), and boiler and machinery.

.02 Pursuant to § 846(d), the Secretary has determined a loss payment pattern for each property and casualty line of business for the 2012 determination year that, pursuant to § 846(d)(1), must be applied through the 2016 accident year.

.03 The loss payment patterns for the 2012 determination year are based on the aggregate loss payment information reported on the 2010 annual statements of property and casualty insurance companies and compiled by A.M. Best and Co. The tables are arranged in alphabetical order. Following is an additional explanation of some of the tables and changes to the tables.

(1) *NAIC Changes in Lines of Business*. The NAIC has changed the reporting of unpaid loss experience on the annual statement for warranty companies. These changes are reflected in the lines of business set forth below.

(2) *Format of the Tables*. To simplify the tables, the columns entitled Tax Year provide the actual tax years, rather than AY+0, AY+1, and so on.

(3) *Accident Years Not Separately Reported on the NAIC Annual Statement*. Section V of Notice 88–100, 1988–2 C.B. 439, sets forth a composite method for computing discounted unpaid losses for accident years that are not separately reported on the annual statement. The tables separately provide discount factors for taxpayers who elect to use the composite method of section V of Notice 88–100. *See* Rev. Proc. 2002–74, 2002–2 C.B. 980.

SECTION 3. SCOPE

This revenue procedure applies to any taxpayer that is required to discount unpaid losses under § 846 for a line of business using the discount factors published by the Secretary.

SECTION 4. TABLES OF DISCOUNT FACTORS

.01 The following tables present separately for each line of business the discount factors under § 846 for accident year 2012. All the discount factors presented in this section were determined using the applicable interest rate under § 846(c) for 2012, 2.89 percent, and by assuming all loss payments occur in the middle of the calendar year.

.02 If the groupings of individual lines of business on the annual statement change, taxpayers must discount unpaid losses on the resulting line of business in accordance with the discounting patterns that would have applied to those unpaid losses based on their classification on the 2012 annual statement.

.03 Tables.

Accident and Health
(Other Than Disability Income or Credit Disability Insurance)

Taxpayers that do not use the composite method of Notice 88–100 should use 98.5856 percent to discount unpaid losses incurred in this line of business in the 2012 accident year and that are outstanding at the end of the 2012 and later taxable years.

Taxpayers that use the composite method of Notice 88–100 should use 98.5856 percent to discount all unpaid losses in this line of business that are outstanding at the end of the 2012 taxable year.

Auto Physical Damage

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2012	90.2657	90.2657	9.7343	9.5863	98.4790
2013	99.7478	9.4822	0.2522	0.2451	97.2010

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount unpaid losses incurred in this line of business in the 2012 accident year and that are outstanding at the end of the tax year shown.

2014 and later years	0.1261	0.1261	0.1243	98.5856

Taxpayers that use the composite method of Notice 88–100 should use 98.5856 percent to discount unpaid losses incurred in this line of business in 2012 and prior years and that are outstanding at the end of the 2014 taxable year.

Commercial Auto/Truck Liability/Medical

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2012	25.7034	25.7034	74.2966	69.8790	94.0541
2013	48.2664	22.5629	51.7336	49.0119	94.7389
2014	67.8834	19.6171	32.1166	30.5298	95.0593
2015	82.0630	14.1795	17.9370	17.0291	94.9384
2016	90.4161	8.3532	9.5839	9.0483	94.4114
2017	94.6293	4.2132	5.3707	5.0362	93.7708
2018	97.0203	2.3910	2.9797	2.7564	92.5056
2019	98.2283	1.2081	1.7717	1.6107	90.9135
2020	98.6653	0.4370	1.3347	1.2140	90.9566
2021	98.8635	0.1982	1.1365	1.0480	92.2160

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount unpaid losses incurred in this line of business in the 2012 accident year and that are outstanding at the end of the tax year shown.

2022		0.1982	0.9382	0.8772	93.4963
2023		0.1982	0.7400	0.7015	94.7956
2024		0.1982	0.5417	0.5207	96.1082
2025		0.1982	0.3435	0.3346	97.4146
2026 and later years		0.1982	0.1453	0.1432	98.5856

Taxpayers that use the composite method of Notice 88–100 should use 94.9072 percent to discount unpaid losses incurred in this line of business in 2012 and prior years and that are outstanding at the end of the 2022 taxable year.

Composite

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2012	39.5281	39.5281	60.4719	55.7933	92.2631
2013	62.0267	22.4986	37.9733	34.5843	91.0753
2014	73.7017	11.6750	26.2983	23.7413	90.2768
2015	80.0846	6.3830	19.9154	17.9529	90.1459
2016	85.7818	5.6971	14.2182	12.6929	89.2717
2017	90.2809	4.4992	9.7191	8.4960	87.4154
2018	91.9588	1.6778	8.0412	7.0396	87.5436
2019	92.9722	1.0134	7.0278	6.2151	88.4353
2020	94.0835	1.1113	5.9165	5.2674	89.0295
2021	94.7469	0.6634	5.2531	4.7468	90.3608

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount unpaid losses incurred in this line of business in the 2012 accident year and that are outstanding at the end of the tax year shown.

Composite

2022		0.6634	4.5898	4.2111	91.7492
2023		0.6634	3.9264	3.6599	93.2124
2024		0.6634	3.2631	3.0928	94.7824
2025		0.6634	2.5997	2.5093	96.5231
2026 and later years		0.6634	1.9364	1.9090	98.5856

Taxpayers that use the composite method of Notice 88–100 should use 93.7821 percent to discount unpaid losses incurred in this line of business in 2012 and prior years and that are outstanding at the end of the 2022 taxable year.

Fidelity/Surety

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2012	22.8449	22.8449	77.1551	74.2475	96.2315
2013	55.8585	33.0137	44.1415	42.9060	97.2010

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount unpaid losses incurred in this line of business in the 2012 accident year and that are outstanding at the end of the tax year shown.

2014 and later years		22.0707	22.0707	21.7586	98.5856

Taxpayers that use the composite method of Notice 88–100 should use 98.5856 percent to discount unpaid losses incurred in this line of business in 2012 and prior years and that are outstanding at the end of the 2014 taxable year.

Financial Guaranty/Mortgage Guaranty

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2012	6.2515	6.2515	93.7485	90.0777	96.0845
2013	43.0154	36.7639	56.9846	55.3896	97.2010

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount unpaid losses incurred in this line of business in the 2012 accident year and that are outstanding at the end of the tax year shown.

2014 and later years		28.4923	28.4923	28.0893	98.5856

Taxpayers that use the composite method of Notice 88–100 should use 98.5856 percent to discount unpaid losses incurred in this line of business in 2012 and prior years and that are outstanding at the end of the 2014 taxable year.

International (Composite)

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2012	39.5281	39.5281	60.4719	55.7933	92.2631
2013	62.0267	22.4986	37.9733	34.5843	91.0753
2014	73.7017	11.6750	26.2983	23.7413	90.2768
2015	80.0846	6.3830	19.9154	17.9529	90.1459

International (Composite)

2016	85.7818	5.6971	14.2182	12.6929	89.2717
2017	90.2809	4.4992	9.7191	8.4960	87.4154
2018	91.9588	1.6778	8.0412	7.0396	87.5436
2019	92.9722	1.0134	7.0278	6.2151	88.4353
2020	94.0835	1.1113	5.9165	5.2674	89.0295
2021	94.7469	0.6634	5.2531	4.7468	90.3608

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount unpaid losses incurred in this line of business in the 2012 accident year and that are outstanding at the end of the tax year shown.

2022		0.6634	4.5898	4.2111	91.7492
2023		0.6634	3.9264	3.6599	93.2124
2024		0.6634	3.2631	3.0928	94.7824
2025		0.6634	2.5997	2.5093	96.5231
2026 and later years		0.6634	1.9364	1.9090	98.5856

Taxpayers that use the composite method of Notice 88–100 should use 93.7821 percent to discount unpaid losses incurred in this line of business in 2012 and prior years and that are outstanding at the end of the 2022 taxable year.

Medical Professional Liability— Claims-Made

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2012	6.3462	6.3462	93.6538	85.6244	91.4266
2013	23.0958	16.7496	76.9042	71.1091	92.4645
2014	41.6827	18.5868	58.3173	54.3106	93.1295
2015	56.5267	14.8440	43.4733	40.8232	93.9041
2016	71.2882	14.7615	28.7118	27.0298	94.1415
2017	82.3023	11.0141	17.6977	16.6387	94.0165
2018	86.5143	4.2120	13.4857	12.8472	95.2653
2019	91.1422	4.6279	8.8578	8.5242	96.2335
2020	94.8664	3.7242	5.1336	4.9929	97.2591
2021	97.5408	2.6745	2.4592	2.4244	98.5856

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount unpaid losses incurred in this line of business in the 2012 accident year and that are outstanding at the end of the tax year shown.

2022 and later years		2.4592	–	–	98.5856

Taxpayers that use the composite method of Notice 88–100 should use 98.5856 percent to discount unpaid losses incurred in this line of business in 2012 and prior years and that are outstanding at the end of the 2022 taxable year.

Medical Professional Liability— Occurrence

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2012	1.2044	1.2044	98.7956	86.1709	87.2213
2013	4.3376	3.1332	95.6624	85.4830	89.3591
2014	11.8161	7.4785	88.1839	80.3677	91.1365
2015	24.7088	12.8928	75.2912	69.6126	92.4579

Medical Professional Liability— Occurrence

2016	42.3863	17.6774	57.6137	53.6934	93.1954
2017	57.1600	14.7738	42.8400	40.2594	93.9762
2018	68.9797	11.8196	31.0203	29.4337	94.8851
2019	82.4247	13.4450	17.5753	16.6464	94.7145
2020	86.7084	4.2837	13.2916	12.7823	96.1682
2021	91.6701	4.9617	8.3299	8.1188	97.4659

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount unpaid losses incurred in this line of business in the 2012 accident year and that are outstanding at the end of the tax year shown.

2022 and later years		4.9617	3.3683	3.3206	98.5856

Taxpayers that use the composite method of Notice 88–100 should use 93.6211 percent to discount unpaid losses incurred in this line of business in 2012 and prior years and that are outstanding at the end of the 2022 taxable year.

Miscellaneous Casualty

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2012	69.0731	69.0731	30.9269	29.8935	96.6586
2013	85.5169	16.4438	14.4831	14.0777	97.2010

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount unpaid losses incurred in this line of business in the 2012 accident year and that are outstanding at the end of the tax year shown.

2014 and later years		7.2415	7.2415	7.1391	98.5856

Taxpayers that use the composite method of Notice 88–100 should use 98.5856 percent to discount unpaid losses incurred in this line of business in 2012 and prior years and that are outstanding at the end of the 2014 taxable year.

Multiple Peril Lines
(Homeowners/Farmowners, Commercial Multiple Peril, and Special Liability
(Ocean Marine, Aircraft (All Perils), Boiler and Machinery))

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2012	60.9719	60.9719	39.0281	37.0187	94.8513
2013	82.9059	21.9341	17.0941	15.8398	92.6624
2014	89.2783	6.3724	10.7217	9.8337	91.7181
2015	91.5605	2.2822	8.4395	7.8029	92.4579
2016	94.4255	2.8649	5.5745	5.1224	91.8898
2017	96.5899	2.1644	3.4101	3.0750	90.1726
2018	97.6023	1.0124	2.3977	2.1369	89.1235
2019	98.0034	0.4011	1.9966	1.7918	89.7436
2020	98.3410	0.3376	1.6590	1.5012	90.4859
2021	98.5727	0.2317	1.4273	1.3096	91.7483

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount unpaid losses incurred in this line of business in the 2012 accident year and that are outstanding at the end of the tax year shown.

Multiple Peril Lines
(Homeowners/Farmowners, Commercial Multiple Peril, and Special Liability
(Ocean Marine, Aircraft (All Perils), Boiler and Machinery))

2022		0.2317	1.1957	1.1124	93.0370
2023		0.2317	0.9640	0.9096	94.3539
2024		0.2317	0.7324	0.7009	95.7035
2025		0.2317	0.5007	0.4862	97.0975
2026 and later years		0.2317	0.2691	0.2653	98.5856

Taxpayers that use the composite method of Notice 88–100 should use 93.1358 percent to discount unpaid losses incurred in this line of business in 2012 and prior years and that are outstanding at the end of the 2022 taxable year.

Other (Including Credit)

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2012	54.6589	54.6589	45.3411	44.0509	97.1546
2013	84.2314	29.5725	15.7686	15.3272	97.2010

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount unpaid losses incurred in this line of business in the 2012 accident year and that are outstanding at the end of the tax year shown.

2014 and later years		7.8843	7.8843	7.7728	98.5856

Taxpayers that use the composite method of Notice 88–100 should use 98.5856 percent to discount unpaid losses incurred in this line of business in 2012 and prior years and that are outstanding at the end of the 2014 taxable year.

Other Liability — Claims-Made

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2012	7.4270	7.4270	92.5730	84.1387	90.8891
2013	25.2808	17.8538	74.7192	68.4604	91.6236
2014	44.2108	18.9301	55.7892	51.2373	91.8409
2015	56.4956	12.2848	43.5044	40.2571	92.5355
2016	69.2838	12.7883	30.7162	28.4487	92.6181
2017	77.6662	8.3823	22.3338	20.7683	92.9904
2018	83.1572	5.4910	16.8428	15.7987	93.8010
2019	88.1777	5.0205	11.8223	11.1628	94.4213
2020	93.1315	4.9539	6.8685	6.4605	94.0597
2021	92.9490	-0.1826	7.0510	6.8324	96.8986

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount unpaid losses incurred in this line of business in the 2012 accident year and that are outstanding at the end of the tax year shown.

2022		3.2639	3.7871	3.7191	98.2030
2023 and later years		3.2639	0.5232	0.5158	98.5856

Taxpayers that use the composite method of Notice 88–100 should use 98.2239 percent to discount unpaid losses incurred in this line of business in 2012 and prior years and that are outstanding at the end of the 2022 taxable year.

Other Liability — Occurrence

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2012	10.0721	10.0721	89.9279	79.6509	88.5720
2013	24.3995	14.3274	75.6005	67.4199	89.1791
2014	37.3366	12.9372	62.6634	56.2456	89.7583
2015	52.4142	15.0776	47.5858	42.5771	89.4745
2016	64.3437	11.9295	35.6563	31.7069	88.9239
2017	73.7950	9.4512	26.2050	23.0365	87.9085
2018	79.7756	5.9807	20.2244	17.6357	87.2005
2019	84.0963	4.3206	15.9037	13.7628	86.5381
2020	85.6878	1.5915	14.3122	12.5462	87.6607
2021	86.9224	1.2346	13.0776	11.6565	89.1329

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount unpaid losses incurred in this line of business in the 2012 accident year and that are outstanding at the end of the tax year shown.

2022		1.2346	11.8431	10.7411	90.6950
2023		1.2346	10.6085	9.7992	92.3713
2024		1.2346	9.3740	8.8302	94.1988
2025		1.2346	8.1394	7.8331	96.2365
2026 and later years		1.2346	6.9048	6.8072	98.5856

Taxpayers that use the composite method of Notice 88–100 should use 92.6009 percent to discount unpaid losses incurred in this line of business in 2012 and prior years and that are outstanding at the end of the 2022 taxable year.

Private Passenger Auto Liability/Medical

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2012	42.9881	42.9881	57.0119	54.6061	95.7801
2013	71.9931	29.0051	28.0069	26.7630	95.5587
2014	84.8250	12.8318	15.1750	14.5205	95.6868
2015	92.3500	7.5251	7.6500	7.3071	95.5183
2016	96.2665	3.9165	3.7335	3.5456	94.9681
2017	97.9880	1.7214	2.0120	1.9019	94.5282
2018	98.7958	0.8078	1.2042	1.1375	94.4596
2019	99.2445	0.4487	0.7555	0.7152	94.6679
2020	99.4543	0.2097	0.5457	0.5231	95.8548
2021	99.6370	0.1827	0.3630	0.3529	97.2105

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount unpaid losses incurred in this line of business in the 2012 accident year and that are outstanding at the end of the tax year shown.

2022 and later years		0.1827	0.1803	0.1777	98.5856

Taxpayers that use the composite method of Notice 88–100 should use 98.5029 percent to discount unpaid losses incurred in this line of business in 2012 and prior years and that are outstanding at the end of the 2022 taxable year.

Products Liability — Claims-Made

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2012	4.5270	4.5270	95.4730	83.8330	87.8080
2013	16.0134	11.4865	83.9866	74.6045	88.8291
2014	45.1313	29.1179	54.8687	47.2249	86.0690
2015	39.2459	-5.8854	60.7541	54.5596	89.8039
2016	44.8357	5.5898	55.1643	50.4663	91.4837
2017	72.1615	27.3258	27.8385	24.2070	86.9550
2018	80.4448	8.2834	19.5552	16.5044	84.3991
2019	73.2957	-7.1491	26.7043	24.2330	90.7459
2020	87.4824	14.1866	12.5176	10.5432	84.2267
2021	87.7500	0.2677	12.2500	10.5764	86.3381

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount unpaid losses incurred in this line of business in the 2012 accident year and that are outstanding at the end of the tax year shown.

2022		0.2677	11.9823	10.6106	88.5517
2023		0.2677	11.7147	10.6457	90.8750
2024		0.2677	11.4470	10.6819	93.3158
2025		0.2677	11.1793	10.7191	95.8828
2026 and later years		0.2677	10.9117	10.7573	98.5856

Taxpayers that use the composite method of Notice 88–100 should use 92.8642 percent to discount unpaid losses incurred in this line of business in 2012 and prior years and that are outstanding at the end of the 2022 taxable year.

Products Liability — Occurrence

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2012	7.1936	7.1936	92.8064	80.9429	87.2170
2013	16.9555	9.7619	83.0445	73.3802	88.3625
2014	28.3624	11.4069	71.6376	63.9304	89.2413
2015	39.7945	11.4321	60.2055	54.1818	89.9948
2016	54.3906	14.5961	45.6094	40.9422	89.7670
2017	60.9060	6.5154	39.0940	35.5165	90.8490
2018	67.7760	6.8700	32.2240	29.5744	91.7775
2019	75.7119	7.9359	24.2881	22.3793	92.1411
2020	79.5966	3.8847	20.4034	19.0856	93.5415
2021	83.9430	4.3464	16.0570	15.2285	94.8401

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount unpaid losses incurred in this line of business in the 2012 accident year and that are outstanding at the end of the tax year shown.

Products Liability — Occurrence

2022		4.3464	11.7107	11.2599	96.1507
2023		4.3464	7.3643	7.1766	97.4508
2024 and later years		4.3464	3.0179	2.9752	98.5856

Taxpayers that use the composite method of Notice 88–100 should use 96.3135 percent to discount unpaid losses incurred in this line of business in 2012 and prior years and that are outstanding at the end of the 2022 taxable year.

Reinsurance — Nonproportional Assumed Property

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2012	20.1003	20.1003	79.8997	75.4585	94.4415
2013	59.2833	39.1830	40.7167	37.8941	93.0676
2014	73.0867	13.8034	26.9133	24.9877	92.8453
2015	80.3675	7.2808	19.6325	18.3246	93.3382
2016	87.7278	7.3603	12.2722	11.3883	92.7976
2017	94.4454	6.7175	5.5546	4.9035	88.2774
2018	96.5143	2.0689	3.4857	2.9466	84.5335
2019	97.9468	1.4326	2.0532	1.5786	76.8884
2020	97.4560	-0.4909	2.5440	2.1222	83.4180
2021	97.0652	-0.3908	2.9348	2.5799	87.9068

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount unpaid losses incurred in this line of business in the 2012 accident year and that are outstanding at the end of the tax year shown.

2022		0.1836	2.7512	2.4682	89.7139
2023		0.1836	2.5675	2.3533	91.6537
2024		0.1836	2.3839	2.2350	93.7531
2025		0.1836	2.2003	2.1133	96.0476
2026 and later years		0.1836	2.0166	1.9881	98.5856

Taxpayers that use the composite method of Notice 88–100 should use 89.7139 percent to discount unpaid losses incurred in this line of business in 2012 and prior years and that are outstanding at the end of the 2022 taxable year.

Reinsurance — Nonproportional Assumed Liability

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2012	3.4987	3.4987	96.5013	84.4091	87.4694
2013	23.2170	19.7183	76.7830	66.8474	87.0601
2014	43.7483	20.5313	56.2517	47.9534	85.2478
2015	38.9131	-4.8352	61.0869	54.2434	88.7977
2016	47.9298	9.0167	52.0702	46.6654	89.6201
2017	80.0315	32.1017	19.9685	15.4517	77.3805
2018	76.5053	-3.5292	23.4947	19.4751	82.8913
2019	78.1701	1.6649	21.8299	18.3492	84.0554
2020	80.0717	1.9015	19.9283	16.9507	85.0580
2021	79.8791	-0.1926	20.1209	17.6359	87.6494

Reinsurance — Nonproportional Assumed Liability

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount unpaid losses incurred in this line of business in the 2012 accident year and that are outstanding at the end of the tax year shown.

2022	1.1246	18.9963	17.0048	89.5164
2023	1.1246	17.8717	16.3555	91.5162
2024	1.1246	16.7471	15.6875	93.6726
2025	1.1246	15.6225	15.0001	96.0158
2026 and later years	1.1246	14.4979	14.2928	98.5856

Taxpayers that use the composite method of Notice 88–100 should use 91.3700 percent to discount unpaid losses incurred in this line of business in 2012 and prior years and that are outstanding at the end of the 2022 taxable year.

Reinsurance — Nonproportional Assumed Financial Lines

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2012	1.5423	1.5423	98.4577	88.8020	90.1930
2013	20.9273	19.3850	79.0727	71.7053	90.6827
2014	30.4705	9.5433	69.5295	64.0974	92.1873
2015	46.3043	15.8337	53.6957	49.8889	92.9103
2016	51.8464	5.5421	48.1536	45.7090	94.9234
2017	72.7869	20.9405	27.2131	25.7890	94.7671
2018	82.0967	9.3097	17.9033	17.0911	95.4629
2019	89.2630	7.1664	10.7370	10.3158	96.0773
2020	95.3692	6.1062	4.6308	4.4201	95.4510
2021	96.7995	1.4303	3.2005	3.0970	96.7682

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount unpaid losses incurred in this line of business in the 2012 accident year and that are outstanding at the end of the tax year shown.

2022	1.4303	1.7702	1.7357	98.0539
2023 and later years	1.4303	0.3399	0.3351	98.5856

Taxpayers that use the composite method of Notice 88–100 should use 98.0539 percent to discount unpaid losses incurred in this line of business in 2012 and prior years and that are outstanding at the end of the 2022 taxable year.

Special Property
(Fire, Allied Lines, Inland Marine, Earthquake, Burglary and Theft)

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2012	55.6145	55.6145	44.3855	43.3187	97.5967
2013	89.3328	33.7182	10.6672	10.3687	97.2010

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount unpaid losses incurred in this line of business in the 2012 accident year and that are outstanding at the end of the tax year shown.

2014 and later years	5.3336	5.3336	5.2582	98.5856

Taxpayers that use the composite method of Notice 88–100 should use 98.5856 percent to discount unpaid losses incurred in this line of business in 2012 and prior years and that are outstanding at the end of the 2014 taxable year.

Warranty

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2012	85.4101	85.4101	14.5899	14.3645	98.4555
2013	99.5388	14.1287	0.4612	0.4483	97.2010

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount unpaid losses incurred in this line of business in the 2012 accident year and that are outstanding at the end of the tax year shown.

2014 and later years		0.2306	0.2306	0.2273	98.5856

Taxpayers that use the composite method of Notice 88–100 should use 98.5856 percent to discount unpaid losses incurred in this line of business in 2012 and prior years and that are outstanding at the end of the 2014 taxable year.

Workers' Compensation

Tax Year	Estimated Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
2012	21.8973	21.8973	78.1027	68.3810	87.5527
2013	43.4962	21.5989	56.5038	48.4485	85.7437
2014	56.0061	12.5099	43.9939	37.1592	84.4646
2015	63.5544	7.5482	36.4456	30.5766	83.8965
2016	68.9880	5.4337	31.0120	25.9486	83.6730
2017	73.9567	4.9687	26.0433	21.6586	83.1638
2018	76.0580	2.1013	23.9420	20.1531	84.1746
2019	77.6365	1.5785	22.3635	19.1344	85.5607
2020	80.1194	2.4828	19.8806	17.1689	86.3597
2021	81.3456	1.2262	18.6544	16.4212	88.0286

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount unpaid losses incurred in this line of business in the 2012 accident year and that are outstanding at the end of the tax year shown.

2022		1.2262	17.4281	15.6519	89.8084
2023		1.2262	16.2019	14.8604	91.7203
2024		1.2262	14.9757	14.0461	93.7927
2025		1.2262	13.7494	13.2082	96.0635
2026 and later years		1.2262	12.5232	12.3460	98.5856

Taxpayers that use the composite method of Notice 88–100 should use 92.3332 percent to discount unpaid losses incurred in this line of business in 2012 and prior years and that are outstanding at the end of the 2022 taxable year.

SECTION 5. DRAFTING INFORMATION

The principal author of this revenue procedure is David Remus of the Office of Associate Chief Counsel (Financial Institutions & Products). For further information regarding this revenue procedure, contact Mr. Remus on (202) 622–3970 (not a toll-free call).

26 CFR 601.201: Rulings and determination letters. (Also: Part I, Section 832, 846; 1.832–4, 1.846–1.)

Rev. Proc. 2012–45

SECTION 1. PURPOSE

This revenue procedure prescribes the salvage discount factors for 2012. These factors must be used to compute discounted estimated salvage recoverable under § 832 of the Internal Revenue Code.

SECTION 2. BACKGROUND

Section 832(b)(5)(A) requires that all estimated salvage recoverable (including that which cannot be treated as an asset for state accounting purposes) be taken into account in computing the deduction for losses incurred. Under § 832(b)(5)(A), paid losses are reduced by salvage and reinsurance recovered during the taxable year. This amount is adjusted to reflect changes in discounted unpaid losses on nonlife insurance contracts and in unpaid losses on life insurance contracts. An adjustment is then made to reflect any changes in discounted estimated salvage recoverable and in reinsurance recoverable.

Pursuant to § 832(b), the amount of estimated salvage is determined on a discounted basis in accordance with procedures established by the Secretary.

SECTION 3. SCOPE

This revenue procedure applies to any taxpayer that is required to discount estimated salvage recoverable under § 832.

SECTION 4. TABLES OF DISCOUNT FACTORS

.01 The following tables present separately for each line of business the discount factors under § 832 for 2012. All the discount factors presented in this section were determined using the applicable interest rate under § 846(c) for 2012, which is 2.89 percent, and by assuming all estimated salvage is recovered in the middle of the calendar year.

.02 Section V of Notice 88–100, 1988–2 C.B. 439, sets forth a composite method for computing discounted unpaid losses for accident years that are not separately reported on the annual statement. Rev. Proc. 2002–74, section 3.03, 2002–2 C.B. 980, provides that an insurance company that elects to use the composite method of Notice 88–100 must use the same method to compute discounted estimated salvage recoverable. Accordingly, the tables separately provide discount factors for taxpayers who elect to use the composite method of section V of Notice 88–100.

.02 These tables must be used by taxpayers irrespective of whether they elected to discount unpaid losses using their own experience under § 846(e).

.03 Tables.

Accident and Health (Other Than Disability Income or Credit Disability Insurance)

Taxpayers that do not use the composite method of Notice 88–100 should use 98.5856 percent to discount salvage recoverable with respect to losses incurred in this line of business in the 2012 accident year as of the end of the 2012 and later taxable years.

Taxpayers that use the composite method of Notice 88–100 should use 98.5856 percent to discount all salvage recoverable in this line of business as of the end of the 2012 taxable year.

Auto Physical Damage

Tax Year	Discount Factors (%)
2012	97.9926
2013	97.2010

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2012 accident year.

2014 and later years	98.5856

Taxpayers that use the composite method of Notice 88–100 should use 98.5856 percent to discount salvage recoverable as of the end of the 2014 taxable year with respect to losses incurred in this line of business in 2012 and prior years.

Commercial Auto/Truck Liability/Medical

Tax Year	Discount Factors (%)
2012	94.8601
2013	94.3170
2014	94.7640
2015	94.1089
2016	94.6321
2017	94.3280
2018	90.0593
2019	88.2417
2020	91.0508
2021	92.3107

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2012 accident year.

2022	93.5910
2023	94.8890
2024	96.1977
2025	97.4916
2026 and later years	98.5856

Taxpayers that use the composite method of Notice 88–100 should use 93.5910 percent to discount salvage recoverable as of the end of the 2022 taxable year with respect to losses incurred in this line of business in 2012 and prior years.

Composite

Tax Year	Discount Factors (%)
2012	94.5210
2013	94.2990
2014	94.5290
2015	92.9773
2016	93.4682
2017	93.0095

Composite

2018	92.8551
2019	93.5193
2020	93.5262
2021	94.8250

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2012 accident year.

2022	96.1362
2023	97.4384
2024 and later years	98.5856

Taxpayers that use the composite method of Notice 88–100 should use 96.1362 percent to discount salvage recoverable as of the end of the 2022 taxable year with respect to losses incurred in this line of business in 2012 and prior years.

Fidelity/Surety

Tax Year	Discount Factors (%)
2012	95.5378
2013	97.2010

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2012 accident year.

2014 and later years	98.5856

Fidelity/Surety

Taxpayers that use the composite method of Notice 88–100 should use 98.5856 percent to discount salvage recoverable as of the end of the 2014 taxable year with respect to losses incurred in this line of business in 2012 and prior years.

Financial Guaranty/Mortgage Guaranty

Tax Year	Discount Factors (%)
2012	95.0291
2013	97.2010

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2012 accident year.

2014 and later years	98.5856

Taxpayers that use the composite method of Notice 88–100 should use 98.5856 percent to discount salvage recoverable as of the end of the 2014 taxable year with respect to losses incurred in this line of business in 2012 and prior years.

International (Composite)

Tax Year	Discount Factors (%)
2012	94.5210
2013	94.2990
2014	94.5290
2015	92.9773
2016	93.4682
2017	93.0095
2018	92.8551
2019	93.5193

International (Composite)

2020	93.5262
2021	94.8250

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2012 accident year.

2022	96.1362
2023	97.4384
2024 and later years	98.5856

Taxpayers that use the composite method of Notice 88–100 should use 96.1362 percent to discount salvage recoverable as of the end of the 2022 taxable year with respect to losses incurred in this line of business in 2012 and prior years.

Medical Malpractice — Claims-Made

Tax Year	Discount Factors (%)
2012	93.7912
2013	94.6803
2014	92.2134
2015	95.0710
2016	95.3003
2017	95.7832
2018	96.7165
2019	97.3503
2020	97.3252
2021	98.5856

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2012 accident year.

Medical Malpractice — Claims-Made

2022 and later years	98.5856

Taxpayers that use the composite method of Notice 88–100 should use 98.5856 percent to discount salvage recoverable as of the end of the 2022 taxable year with respect to losses incurred in this line of business in 2012 and prior years.

Medical Malpractice — Occurrence

Tax Year	Discount Factors (%)
2012	94.4161
2013	96.5442
2014	95.9802
2015	97.2713
2016	96.2322
2017	97.6681
2018	97.0089
2019	97.0932
2020	95.2155
2021	96.5222

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2012 accident year.

2022	97.7949
2023 and later years	98.5856

Taxpayers that use the composite method of Notice 88–100 should use 97.7949 percent to discount salvage recoverable as of the end of the 2022 taxable year with respect to losses incurred in this line of business in 2012 and prior years.

Miscellaneous Casualty

Tax Year	Discount Factors (%)
2012	96.1880
2013	97.2010

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2012 accident year.

2014 and later years	98.5856

Taxpayers that use the composite method of Notice 88–100 should use 98.5856 percent to discount salvage recoverable as of the end of the 2014 taxable year with respect to losses incurred in this line of business in 2012 and prior years.

Multiple Peril Lines (Homeowners/Farmowners, Commercial Multiple Peril, and Special Liability (Ocean Marine, Aircraft (All Perils), Boiler and Machinery))

Tax Year	Discount Factors (%)
2012	95.2320
2013	95.1821
2014	95.7186
2015	93.7419
2016	95.3602
2017	95.8534
2018	96.0053
2019	95.8968
2020	95.5350
2021	98.5856

Multiple Peril Lines (Homeowners/Farmowners, Commercial Multiple Peril, and Special Liability (Ocean Marine, Aircraft (All Perils), Boiler and Machinery))

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2012 accident year.

2022 and later years	98.5856

Taxpayers that use the composite method of Notice 88–100 should use 98.5856 percent to discount salvage recoverable as of the end of the 2022 taxable year with respect to losses incurred in this line of business in 2012 and prior years.

Other (Including Credit)

Tax Year	Discount Factors (%)
2012	96.9381
2013	97.2010

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2012 accident year.

2014 and later years	98.5856

Taxpayers that use the composite method of Notice 88–100 should use 98.5856 percent to discount salvage recoverable as of the end of the 2014 taxable year with respect to losses incurred in this line of business in 2012 and prior years.

Other Liability — Claims-Made

Tax Year	Discount Factors (%)
2012	93.5677
2013	93.9483
2014	93.9860
2015	95.1734
2016	95.2144
2017	95.3785
2018	96.5322
2019	96.4985
2020	96.7811
2021	98.0683

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2012 accident year.

2022 and later years	98.5856

Taxpayers that use the composite method of Notice 88–100 should use 98.5856 percent to discount salvage recoverable as of the end of the 2022 taxable year with respect to losses incurred in this line of business in 2012 and prior years.

Other Liability — Occurrence

Tax Year	Discount Factors (%)
2012	90.3389
2013	91.4894
2014	92.7055
2015	93.3713
2016	94.1617
2017	95.2667
2018	95.4478
2019	95.3361
2020	97.2714
2021	98.5856

Other Liability — Occurrence

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2012 accident year.

2022 and later years	98.5856

Taxpayers that use the composite method of Notice 88–100 should use 98.5856 percent to discount salvage recoverable as of the end of the 2022 taxable year with respect to losses incurred in this line of business in 2012 and prior years.

Private Passenger Auto Liability/Medical

Tax Year	Discount Factors (%)
2012	96.1315
2013	95.9985
2014	95.9758
2015	95.3522
2016	95.3346
2017	95.4812
2018	95.2304
2019	95.5517
2020	96.8469
2021	98.1429

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2012 accident year.

2022 and later years	98.5856

Private Passenger Auto Liability/Medical

Taxpayers that use the composite method of Notice 88–100 should use 98.5856 percent to discount salvage recoverable as of the end of the 2022 taxable year with respect to losses incurred in this line of business in 2012 and prior years.

Products Liability — Claims-Made

Tax Year	Discount Factors (%)
2012	89.8196
2013	91.4110
2014	89.5038
2015	95.0117
2016	92.8700
2017	98.1820
2018	96.3577
2019	85.3703
2020	98.2509
2021	98.5856

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2012 accident year.

2022 and later years	98.5856

Taxpayers that use the composite method of Notice 88–100 should use 97.2650 percent to discount salvage recoverable as of the end of the 2022 taxable year with respect to losses incurred in this line of business in 2012 and prior years.

Products Liability — Occurrence

Tax Year	Discount Factors (%)

Products Liability — Occurrence

2012	90.7468
2013	90.8255
2014	91.6861
2015	93.0159
2016	93.6033
2017	94.5013
2018	94.4114
2019	96.6942
2020	96.0812
2021	97.3920

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2012 accident year.

2022 and later years	98.5856

Taxpayers that use the composite method of Notice 88–100 should use 98.5856 percent to discount salvage recoverable as of the end of the 2022 taxable year with respect to losses incurred in this line of business in 2012 and prior years.

Reinsurance — Nonproportional Assumed Property

Tax Year	Discount Factors (%)
2012	92.8721
2013	95.2410
2014	93.0843
2015	91.7774
2016	94.0583
2017	92.9687
2018	96.9437
2019	90.0756
2020	95.9421
2021	97.2787

Reinsurance — Nonproportional Assumed Property

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2012 accident year.

2022 and later years	98.5856

Taxpayers that use the composite method of Notice 88–100 should use 95.1349 percent to discount salvage recoverable as of the end of the 2022 taxable year with respect to losses incurred in this line of business in 2012 and prior years.

Reinsurance — Nonproportional Assumed Liability

Tax Year	Discount Factors (%)
2012	87.4545
2013	89.8069
2014	84.2710
2015	85.5707
2016	91.5781
2017	94.6877
2018	93.8198
2019	94.3842
2020	92.5740
2021	96.6295

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2012 accident year.

2022	97.9045
2023 and later years	98.5856

Reinsurance — Nonproportional Assumed Liability

Taxpayers that use the composite method of Notice 88–100 should use 97.9045 percent to discount salvage recoverable as of the end of the 2022 taxable year with respect to losses incurred in this line of business in 2012 and prior years.

Reinsurance — Nonproportional Assumed Financial Lines

Tax Year	Discount Factors (%)
2012	88.2387
2013	89.9441
2014	93.6256
2015	93.7540
2016	95.1568
2017	93.2046
2018	95.1579
2019	95.0763
2020	98.3612
2021	98.5856

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2012 accident year.

2022 and later years	98.5856

Taxpayers that use the composite method of Notice 88–100 should use 98.5856 percent to discount salvage recoverable as of the end of the 2022 taxable year with respect to losses incurred in this line of business in 2012 and prior years.

Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Glass, Burglary and Theft)

Tax Year	Discount Factors (%)
2012	96.3560
2013	97.2010

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2012 accident year.

2014 and later years	98.5856

Taxpayers that use the composite method of Notice 88–100 should use 98.5856 percent to discount salvage recoverable as of the end of the 2014 taxable year with respect to losses incurred in this line of business in 2012 and prior years.

Warranty

Tax Year	Discount Factors (%)
2012	96.8733
2013	97.2010

Taxpayers that do not use the composite method of Notice 88–100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2012 accident year.

2014 and later years	98.5856

Taxpayers that use the composite method of Notice 88–100 should use 98.5856 percent to discount salvage recoverable as of the end of the 2014 taxable year with respect to losses incurred in this line of business in 2012 and prior years.

Workers' Compensation

Tax Year	Discount Factors (%)
2012	91.4448
2013	93.0206
2014	93.8697
2015	92.3671
2016	91.7503
2017	91.0454
2018	91.6474
2019	93.0907
2020	93.3550
2021	94.6576

Taxpayers that do not use the composite method of Notice 88–100 should use the following factors to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2012 accident year.

2022	95.9786
2023	97.3078
2024 and later years	98.5856

Taxpayers that use the composite method of Notice 88–100 should use 96.5709 percent to discount salvage recoverable as of the end of the 2022 taxable year with respect to losses incurred in this line of business in 2012 and prior years.

SECTION 5. DRAFTING INFORMATION

The principal author of this revenue procedure is David Remus of the Office of Associate Chief Counsel (Financial Institutions & Products). For further information regarding this revenue procedure, contact Mr. Remus on (202) 622–3970 (not a toll-free call).

Part IV. Items of General Interest

Hurricane Sandy Relief

Announcement 2012–44

Purpose

This announcement provides relief to taxpayers who have been adversely affected by Hurricane Sandy and have retirement assets in qualified employer plans they would like to use to alleviate hardships caused by Hurricane Sandy. In addition, this announcement provides relief from certain verification procedures that may be required under retirement plans with respect to loans and hardship distributions. The relief provided under this announcement is in addition to the relief already provided by the Service pursuant to News Release IR–2012–83 under § 7508A of the Internal Revenue Code ("Code") for victims of Hurricane Sandy. (See the regulations under § 7508A and Section 8 of Rev. Proc. 2007–56, 2007–2 C.B. 388, for a listing of employee benefit-related acts currently postponed until February 1, 2013, because of the disaster.)

Background

The laws relating to qualified employer plans impose various limitations on the permissibility of loans and distributions from those plans. For example, § 401(k)(2)(B)(i) of the Code provides that in the case of a § 401(k) plan that is part of a profit-sharing or stock bonus plan, elective deferrals may be distributed only in certain situations, one of which is on account of hardship. Section 403(b)(11) provides similar rules with respect to elective deferrals under a § 403(b) plan. Section 457(d)(1)(A) provides that a plan described in § 457(b) may not permit distributions before the occurrence of certain enumerated events, one being when the participant is faced with an unforeseeable emergency. Certain other types of plans or accounts are not permitted to make in-service distributions (distributions to a participant who is still an employee) even if there is a hardship. For example, in-service hardship distributions are generally not permitted from pension plans or from accounts holding qualified nonelective contributions ("QNECs") described in § 401(m)(4)(C) or qualified matching contributions ("QMACs") described in § 401(k)(3)(D)(ii)(I). However, Rev. Rul. 2004–12, 2004–2 C.B. 478, holds that if amounts attributable to rollover contributions are separately accounted for within a plan, those amounts may be distributed at any time, pursuant to the employee's request. Section 72(p) imposes certain requirements relating to plan loans. Unless those requirements are satisfied, a loan is treated as a distribution under the plan.

In order to make a loan or distribution (including a hardship distribution), a plan must contain language authorizing the loan or distribution. Also, except to the extent a distribution consists of already-taxed amounts, the distribution will be includible in gross income and generally subject to the 10-percent additional tax under § 72(t). Similar rules relating to income inclusion and taxation apply to a distribution from an IRA.

Plan provisions and regulations under certain Code sections establish verification procedures that a plan must follow before loans or distributions can be made from the plan. For example, the regulations under § 401(k) set forth certain criteria an employee must meet in order to receive a hardship distribution. A plan may contain procedures designed to confirm that the criteria have been satisfied.

Relief

As described below, a qualified employer plan will not be treated as failing to satisfy any requirement under the Code or regulations merely because the plan makes a loan, or a hardship distribution for a need arising from Hurricane Sandy, to an employee or former employee whose principal residence on October 26, 2012, was located in one of the counties or Tribal Nations that have been identified as covered disaster areas because of the devastation caused by Hurricane Sandy or whose place of employment was located in one of these counties or Tribal Nations on that date or whose lineal ascendant or descendant, dependent or spouse had a principal residence or place of employment in one of these counties or Tribal Nations on that date. Covered disaster areas are identified as federally declared disaster areas in the News Releases issued by the IRS for Victims of Hurricane Sandy, which are found on IRS.gov at: — *http://www.irs.gov/uac/Newsroom/Help-for-Victims-of-Hurricane-Sandy*. Plan administrators may rely upon representations from the employee or former employee as to the need for and amount of a hardship distribution, unless the plan administrator has actual knowledge to the contrary, and the distribution is treated as a hardship distribution for all purposes under the Code and regulations.

For purposes of this announcement, a "qualified employer plan" means a plan or contract meeting the requirements of § 401(a), 403(a) or 403(b), and, for purposes of the hardship relief, which could, if it contained enabling language, make hardship distributions. For purposes of this paragraph, a "qualified employer plan" also means a plan described in § 457(b) maintained by an eligible employer described in § 457(e)(1)(A), and any hardship arising from Hurricane Sandy is treated as an "unforeseeable emergency" for purposes of distributions from such plans. For example, a profit-sharing or stock bonus plan that currently does not provide for hardship or other in-service distributions may nevertheless make Sandy-related hardship distributions pursuant to this announcement, except from QNEC or QMAC accounts or from earnings on elective contributions (see below for plan amendment requirements). A defined benefit or money purchase plan, which generally cannot make in-service hardship distributions, may not make hardship distributions pursuant to this announcement, other than from a separate account, if any, within the plan containing either employee contributions or rollover amounts.

The amount available for hardship distribution is limited to the maximum amount that would be permitted to be available for a hardship distribution under the plan under the Code and regulations. However, the relief provided by this announcement applies to any hardship of the employee, not just the types enumerated in the regulations, and no post-distribution contribution restrictions are required. For example, regulations under § 401(k) provide safe harbor hardship distribution standards under which a hardship is deemed to exist only for certain enumerated events, and after receipt of the hardship amount, the employee is prohibited from making contributions for at least 6 months. Plans need not follow these rules with respect to hardship distributions for which relief is provided under this announcement.

To make a loan or hardship distribution, a qualified employer plan that does not provide for them must be amended to provide for loans or hardship distributions no later than the end of the first plan year beginning after December 31, 2012. To qualify for the relief under this announcement, a hardship distribution must be made on account of a hardship resulting from Hurricane Sandy and be made on or after October 26, 2012, and no later than February 1, 2013. Plan loans made pursuant to this announcement must satisfy the requirements of § 72(p).

In addition, a retirement plan will not be treated as failing to follow procedural requirements for plan loans (in the case of retirement plans other than IRAs) or distributions (in the case of all retirement plans, including IRAs) imposed by the terms of the plan merely because those requirements are disregarded for any period beginning on or after October 26, 2012, and continuing through February 1, 2013, with respect to distributions to individuals described in the first paragraph under "Relief", above, provided the plan administrator (or financial institution in the case of distributions from IRAs) makes a good-faith diligent effort under the circumstances to comply with those requirements. However, as soon as practicable, the plan administrator (or financial institution in the case of IRAs) must make a reasonable attempt to assemble any forgone documentation. For example, if spousal consent is required for a plan loan or distribution and the plan terms require production of a death certificate if the employee claims his or her spouse is deceased, the plan will not be disqualified for failure to operate in accordance with its terms if it makes a loan or distribution to an individual described in the first paragraph under "Relief" in the absence of a death certificate if it is reasonable to believe, under the circumstances, that the spouse is deceased, the loan or distribution is made no later than February 1, 2013, and the plan administrator makes reasonable efforts to obtain the death certificate as soon as practicable. Taxpayers are reminded that in general the normal spousal consent rules continue to apply. For purposes of this announcement, "retirement plan" has the same meaning as "eligible retirement plan" under § 402(c)(8)(B).

The Department of Labor has advised Treasury and the Internal Revenue Service that it will not treat any person as having violated the provisions of Title I of the Employee Retirement Income Security Act solely because that person complied with the provisions of this announcement.

Drafting Information

The principal author of this announcement is Eric Slack of the Employee Plans, Tax Exempt and Government Entities Division. Questions regarding this announcement may be sent via e-mail to *RetirementPlanQuestions@irs.gov*.

Announcement of Disciplinary Sanctions From the Office of Professional Responsibility

Announcement 2012-47

The Office of Professional Responsibility (OPR) announces recent disciplinary sanctions involving attorneys, certified public accountants, enrolled agents, enrolled actuaries, enrolled retirement plan agents, and appraisers. These individuals are subject to the regulations governing practice before the Internal Revenue Service (IRS), which are set out in Title 31, Code of Federal Regulations, Part 10, and which are published in pamphlet form as Treasury Department Circular No. 230. The regulations prescribe the duties and restrictions relating to such practice and prescribe the disciplinary sanctions for violating the regulations.

The disciplinary sanctions to be imposed for violation of the regulations are:

Disbarred from practice before the IRS—An individual who is disbarred is not eligible to represent taxpayers before the IRS.

Suspended from practice before the IRS—An individual who is suspended is not eligible to represent taxpayers before the IRS during the term of the suspension.

Censured in practice before the IRS—Censure is a public reprimand. Unlike disbarment or suspension, censure does not affect an individual's eligibility to represent taxpayers before the IRS, but OPR may subject the individual's future representations to conditions designed to promote high standards of conduct.

Monetary penalty—A monetary penalty may be imposed on an individual who engages in conduct subject to sanction or on an employer, firm, or entity if the individual was acting on its behalf and if it knew, or reasonably should have known, of the individual's conduct.

Disqualification of appraiser—An appraiser who is disqualified is barred from presenting evidence or testimony in any administrative proceeding before the Department of the Treasury or the IRS.

Under the regulations, attorneys, certified public accountants, enrolled agents, enrolled actuaries, and enrolled retirement plan agents may not assist, or accept assistance from, individuals who are suspended or disbarred with respect to matters constituting practice (*i.e.*, representation) before the IRS, and they may not aid or abet suspended or disbarred individuals to practice before the IRS.

Disciplinary sanctions are described in these terms:

Disbarred by decision after hearing, Suspended by decision after hearing, Censured by decision after hearing, Monetary penalty imposed after hearing, and Disqualified after hearing—An administrative law judge (ALJ) conducted an evidentiary hearing upon OPR's complaint alleging violation of the regulations and issued a decision imposing one of these sanctions. After 30 days from the issuance of the decision, in the absence of an appeal, the ALJ's decision became the final agency decision.

Disbarred by default decision, Suspended by default decision, Censured by default decision, Monetary penalty imposed by default decision, and Disqualified by default decision—An ALJ, after finding that no answer to OPR's complaint had been filed, granted OPR's motion for a default judgment and issued a decision imposing one of these sanctions.

Disbarment by decision on appeal, Suspended by decision on appeal, Censured by decision on appeal, Monetary penalty imposed by decision on appeal, and Disqualified by decision on appeal—The decision of the ALJ was appealed to the agency appeal authority, acting as the delegate of the Secretary of the Treasury, and the appeal authority issued a decision imposing one of these sanctions.

Disbarred by consent, Suspended by consent, Censured by consent, Monetary penalty imposed by consent, and Disqualified by consent—In lieu of a disciplinary proceeding being instituted or continued, an individual offered a consent to one of these sanctions and OPR accepted the offer. Typically, an offer of consent will provide for: suspension for an indefinite term; conditions that the individual must observe during the suspension; and the individual's opportunity, after a stated number of months, to file with OPR a petition for reinstatement affirming compliance with the terms of the consent and affirming current eligibility to practice (*i.e.*, an active professional license or active enrollment status). An enrolled agent or an enrolled retirement plan agent may also offer to resign in order to avoid a disciplinary proceeding.

Suspended by decision in expedited proceeding, Suspended by default decision in expedited proceeding, Suspended by consent in expedited proceeding—OPR instituted an expedited proceeding for suspension (based on certain limited grounds, including loss of a professional license and criminal convictions).

OPR has authority to disclose the grounds for disciplinary sanctions in these situations: (1) an ALJ or the Secretary's delegate on appeal has issued a decision on or after September 26, 2007, which was the effective date of amendments to the regulations that permit making such decisions publicly available; (2) the individual has settled a disciplinary case by signing OPR's "consent to sanction" form, which requires consenting individuals to admit to one or more violations of the regulations and to consent to the disclosure of the individual's own return information related to the admitted violations (for example, failure to file Federal income tax returns); or (3) OPR has issued a decision in an expedited proceeding for suspension.

Announcements of disciplinary sanctions appear in the Internal Revenue Bulletin at the earliest practicable date. The sanctions announced below are alphabetized first by the names of states and second by the last names of individuals. Unless otherwise indicated, section numbers (*e.g.*, §10.51) refer to the regulations.

City & State	Name	Professional Designation	Disciplinary Sanction	Effective Date(s)
Arizona				
Phoenix	Everett, James J.	Attorney	Disbarred by ALJ for violation of §10.51 (conviction under 18 U.S.C. §157 (bankruptcy fraud); §152 (3) (false declaration); §1956 (money laundering/concealment))	August 21, 2010
Arkansas				
Proctor	Donaldson, Bryan D.	Attorney	48 month suspension by ALJ for violation of §10.51 (failed to file Federal individual income tax returns for tax years 2003 and 2004; failed to timely file Federal individual income tax returns for tax years 2001 and 2002; failed to timely pay tax liabilities for tax years 2001 and 2002)	From August 23, 2009 until reinstated by Director, OPR

City & State	Name	Professional Designation	Disciplinary Sanction	Effective Date(s)
California				
Carlsbad	Anson, Ronald I.	CPA	Suspended by default decision in expedited proceeding under §10.82 (conviction under 18 U.S.C. §371, conspiracy)	From November 19, 2010 until reinstated by Director, OPR
La Mesa	Finch, Mark D.	CPA	Disbarred by ALJ for violation of §10.51 (giving false or misleading information to the Department of the Treasury; failure to timely file Federal individual income tax returns for tax years 2006 and 2007)	May 2, 2010
Poway	Reed, Michael J.	Attorney	Suspended by default decision in expedited proceeding under §10.82 (suspension of attorney license)	From November 19, 2010 until reinstated by Director, OPR
Colorado				
Denver	Levine, Alan L.	CPA	Public censure for admitted violation of §10.51 (failed to file Federal individual income tax returns for tax years 2001, 2002, 2003, 2004 and 2005)	August 11, 2009
Florida				
Panama City	Weeks, Gregory K.	Attorney	Suspended by default decision in expedited proceeding under §10.82 (conviction under 26 U.S.C. §7206(1), filing false Federal income tax returns)	From June 18, 2012, until reinstated by Director, OPR
Georgia				
Dawson	Craft, C. Wesley	CPA	Suspended, on appeal, by Appellate Authority for violation of §10.51 (failed to timely file Federal income tax returns, and timely pay Federal tax liabilities for tax years 2001, 2002, 2003, 2004, 2005, 2006, and 2007)	From October 12, 2011 until reinstated by Director, OPR

City & State	Name	Professional Designation	Disciplinary Sanction	Effective Date(s)
Georgia (Continued)				
Tifton	Walker-Lanier, Betty	Attorney	Suspended by default decision in expedited proceeding under §10.82 (suspension of attorney license)	From March 25, 2011 until reinstated by Director, OPR
Illinois				
Chicago	Horwich, Arnold S.	CPA	Public censure for admitted violation of §10.22 (diligence as to accuracy)	June 17, 2011
Kansas				
Prairie Village	Barr, James E.	CPA	40 month suspension imposed by Appellate Authority (failure to timely file a Federal income tax return for tax years 2001, 2002, 2003, and 2004; and failure to file a Federal income tax return for tax years 2005 and 2006)	From July 16, 2011 until reinstated by Director, OPR
Maryland				
Bethesda	Fox, David E.	Attorney	Suspended by default decision in expedited proceeding under §10.82 (attorney disbarment)	June 7, 2011
Massachusetts				
Scituate	Sullivan, Brian B.	Attorney	Suspended by default decision in expedited proceeding under §10.82 (suspension of attorney license)	From March 25, 2011 until reinstated by Director, OPR
Michigan				
Ann Arbor	Lee, Lily Y.	Enrolled Agent	36 month suspension by Appellate Authority (failure to timely file a Federal income tax return for tax years 2004 and 2005; and failure to file a Federal income tax return for tax years 2006 and 2007)	From June 13, 2011 until reinstated by Director, OPR

City & State	Name	Professional Designation	Disciplinary Sanction	Effective Date(s)
Minnesota				
Plymouth	Volstad, Paul S.	CPA Enrolled Agent	Suspended for breach of Offer of Consent to Public Censure, which required timely filing of all required tax returns	From August 10, 2011 until reinstated by Director, OPR
Missouri				
Cassville	Divers, Robert D.	Enrolled Agent	Public censure for admitted violation of §10.22 (diligence as to accuracy)	August 3, 2009
Nevada				
Las Vegas	Moore, Michael J.	CPA	Suspended by default decision in expedited proceeding under §10.82 (revocation of CPA license)	June 9, 2011
North Carolina				
Charlotte	Ross, Walter H.	CPA	Suspended by ALJ for violation of §10.51 (suspension of CPA license)	From July 7, 2011 until reinstated by Director, OPR
Ohio				
Columbiana	Kaufman, Gregory B.	CPA	Suspended by default decision in expedited proceeding under §10.82 (revocation of CPA license)	From November 14, 2011 until reinstated by Director, OPR
Columbus	Smith, Patrick E.	CPA	Suspended by default decision in expedited proceeding under §10.82 (revocation of CPA license)	From July 6, 2011 until reinstated by Director, OPR
Oregon				
Grants Pass	Cronin, Valerie	Enrolled Agent	Disbarred by ALJ for violation of §10.51 (failure to timely file Federal individual income tax returns for tax years 2001 and 2002, and failure to file individual income tax returns for years 2004, 2005, 2006 and 2007)	From September 16, 2010 until reinstated by Director, OPR

City & State	Name	Professional Designation	Disciplinary Sanction	Effective Date(s)
Pennsylvania				
Philadelphia	Maslo, William R.	CPA	Consent suspension for admitted violation of §10.51 (failure to timely file and pay Federal income and employment taxes)	From April 16, 2009 until reinstated by Director, OPR
Tennessee				
Knoxville	Gee Jr., Edgar H.	CPA	Disbarment by ALJ upheld on appeal for violation of §10.51 (failure to pay Federal income taxes for tax years 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004 and 2005)	Indefinite from August 8, 2011, but not less than 5 years
Memphis	Siegfried, Russell A.	CPA	48 month consent suspension for admitted violation of §10.51 (failure to file a Federal income tax return for tax years 2001, 2002, 2003, 2004, 2005 and 2006, and failure to file Form 941, Employer's Quarterly Federal Tax Return, beginning December 2002 to December 2006)	From April 23, 2009 until reinstated by Director, OPR
Texas				
Denton	Graves, John P.	CPA	Consent suspension for admitted violation of §10.51 (failure to timely file and pay taxes)	From April 28, 2009 until reinstated by Director, OPR
Virginia				
Norfolk	Coston, Dwayne H.	CPA	Disbarment by ALJ upheld on appeal for violation of §10.51 (failure to timely file a Federal income tax return for tax year 2005; and failure to file a Federal income tax return for tax years 2007, 2008 and 2009)	Indefinite from October 14, 2011, but not less than 5 years

City & State	Name	Professional Designation	Disciplinary Sanction	Effective Date(s)
West Virginia				
Beaver	Reusing Jr., Matthew J.	Attorney	Suspended by default decision in expedited proceeding under §10.82 (conviction under 26 U.S.C. §7206(2), assisting in false tax returns and conviction under 26 U.S.C. §7203, failure to file tax returns)	From June 9, 2011 until reinstated by Director, OPR
Wisconsin				
Milwaukee	Purnell, Jeffrey W.	Attorney	Disbarred by ALJ for violation of §10.51 (failure to timely file individual Federal income tax returns for tax years 2002, 2003, 2004, 2005, 2006, 2007 and 2008)	Indefinite from October 4, 2010, but not less than 5 years

Definition of Terms

Revenue rulings and revenue procedures (hereinafter referred to as "rulings") that have an effect on previous rulings use the following defined terms to describe the effect:

Amplified describes a situation where no change is being made in a prior published position, but the prior position is being extended to apply to a variation of the fact situation set forth therein. Thus, if an earlier ruling held that a principle applied to A, and the new ruling holds that the same principle also applies to B, the earlier ruling is amplified. (Compare with *modified*, below).

Clarified is used in those instances where the language in a prior ruling is being made clear because the language has caused, or may cause, some confusion. It is not used where a position in a prior ruling is being changed.

Distinguished describes a situation where a ruling mentions a previously published ruling and points out an essential difference between them.

Modified is used where the substance of a previously published position is being changed. Thus, if a prior ruling held that a principle applied to A but not to B, and the new ruling holds that it applies to both A and B, the prior ruling is modified because it corrects a published position. (Compare with *amplified* and *clarified*, above).

Obsoleted describes a previously published ruling that is not considered determinative with respect to future transactions. This term is most commonly used in a ruling that lists previously published rulings that are obsoleted because of changes in laws or regulations. A ruling may also be obsoleted because the substance has been included in regulations subsequently adopted.

Revoked describes situations where the position in the previously published ruling is not correct and the correct position is being stated in a new ruling.

Superseded describes a situation where the new ruling does nothing more than restate the substance and situation of a previously published ruling (or rulings). Thus, the term is used to republish under the 1986 Code and regulations the same position published under the 1939 Code and regulations. The term is also used when it is desired to republish in a single ruling a series of situations, names, etc., that were previously published over a period of time in separate rulings. If the new ruling does more than restate the substance of a prior ruling, a combination of terms is used. For example, *modified* and *superseded* describes a situation where the substance of a previously published ruling is being changed in part and is continued without change in part and it is desired to restate the valid portion of the previously published ruling in a new ruling that is self contained. In this case, the previously published ruling is first modified and then, as modified, is superseded.

Supplemented is used in situations in which a list, such as a list of the names of countries, is published in a ruling and that list is expanded by adding further names in subsequent rulings. After the original ruling has been supplemented several times, a new ruling may be published that includes the list in the original ruling and the additions, and supersedes all prior rulings in the series.

Suspended is used in rare situations to show that the previous published rulings will not be applied pending some future action such as the issuance of new or amended regulations, the outcome of cases in litigation, or the outcome of a Service study.

Abbreviations

The following abbreviations in current use and formerly used will appear in material published in the Bulletin.

A—Individual.
Acq.—Acquiescence.
B—Individual.
BE—Beneficiary.
BK—Bank.
B.T.A.—Board of Tax Appeals.
C—Individual.
C.B.—Cumulative Bulletin.
CFR—Code of Federal Regulations.
CI—City.
COOP—Cooperative.
Ct.D.—Court Decision.
CY—County.
D—Decedent.
DC—Dummy Corporation.
DE—Donee.
Del. Order—Delegation Order.
DISC—Domestic International Sales Corporation.
DR—Donor.
E—Estate.
EE—Employee.
E.O.—Executive Order.
ER—Employer.
ERISA—Employee Retirement Income Security Act.
EX—Executor.
F—Fiduciary.
FC—Foreign Country.
FICA—Federal Insurance Contributions Act.
FISC—Foreign International Sales Company.
FPH—Foreign Personal Holding Company.
F.R.—Federal Register.
FUTA—Federal Unemployment Tax Act.
FX—Foreign corporation.
G.C.M.—Chief Counsel's Memorandum.
GE—Grantee.
GP—General Partner.
GR—Grantor.
IC—Insurance Company.
I.R.B.—Internal Revenue Bulletin.
LE—Lessee.
LP—Limited Partner.
LR—Lessor.
M—Minor.
Nonacq.—Nonacquiescence.
O—Organization.
P—Parent Corporation.
PHC—Personal Holding Company.
PO—Possession of the U.S.
PR—Partner.
PRS—Partnership.
PTE—Prohibited Transaction Exemption.
Pub. L.—Public Law.
REIT—Real Estate Investment Trust.
Rev. Proc.—Revenue Procedure.
Rev. Rul.—Revenue Ruling.
S—Subsidiary.
S.P.R.—Statement of Procedural Rules.
Stat.—Statutes at Large.
T—Target Corporation.
T.C.—Tax Court.
T.D. —Treasury Decision.
TFE—Transferee.
TFR—Transferor.
T.I.R.—Technical Information Release.
TP—Taxpayer.
TR—Trust.
TT—Trustee.
U.S.C.—United States Code.
X—Corporation.
Y—Corporation.
Z —Corporation.

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